

CITY OF CHATTANOOGA

DEPARTMENT OF ECONOMIC DEVELOPMENT
HOUSING & COMMUNITY INVESTMENT DIVISION

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DRAFT

PROPOSED

SUBSTANTIAL AMENDMENT TO THE 2026 - 2027 ANNUAL ACTION PLAN
AND
SECTION 108 LOAN GUARANTEE APPLICATION

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PROPOSED SUBSTANTIAL AMENDMENT
TO
THE 2026 - 2027 ANNUAL ACTION PLAN



City of Chattanooga

Community Development Block Grant Program Substantial Amendment to the 2026-2027 Annual Action Plan

Introduction

This document serves as the Substantial Amendment to the 2026 - 2027 Annual Action Plan previously approved by the U.S. Department of Housing and Urban Development. This Substantial Amendment will be for the application of a \$7,800,250 Section 108 Loan Guarantee Program. It is the addition of these funds and creation of new activities that constitute a substantial amendment as outlined in the City's Citizen Participation Plan.

New Projects

This substantial amendment creates the following new projects and appends them to the 2026 - 2027 Annual Action Plan:

Section 108 Loan Program:

The City of Chattanooga, a Community Development Block Grant (CDBG) entitlement community, through this application, is requesting a \$7,800,250 Section 108 Loan Guarantee Commitment in accordance with 42 U.S.C. § 5308 and 24 C.F.R. Part 570, Subpart M. Through an intergovernmental agreement, the City is extending its borrowing capacity to the Chattanooga Housing Authority (CHA). This partnership will establish a housing loan pool to provide gap financing for affordable housing development via CHA's Faircloth authority. Under this arrangement, the City of Chattanooga serves as the public entity (Grantee), while the CHA acts as a Designated Public Agency (DPA) and the borrower.

Authorized by the Housing and Community Development Act of 1974, the Section 108 program allows CDBG entitlement communities like Chattanooga to borrow against current and future CDBG allocations. These obligations are backed by the full faith and credit of HUD, providing low-cost, flexible financing for community development, including housing, infrastructure, and economic projects. CDBG recipients may borrow up to five times their most recent allocation; currently, Chattanooga's borrowing capacity stands at \$7,800,250.

Recognized as a powerful tool for transformative affordable housing, Section 108 offers unique flexibility to state and local governments. As a DPA, CHA is a specialized entity with the capacity to manage the complex, multi-year projects associated with the Faircloth authority.

Under the DPA structure, the CHA is the legal borrower responsible for principal and interest payments, other fees, and costs associated with borrowing the funds. The CHA will execute loan documents directly with HUD and will secure the loan with project-specific collateral, such as property liens or project revenues. To satisfy HUD’s federal backstop requirement, the City of Chattanooga must concurrently pledge its CDBG grants. The CHA and the City will work in tandem to maintain compliance with all HUD regulations.

The affordable housing loan pool is a strategic component of the Faircloth-to-Voucher (PTV) program, designed to increase housing options for low- and moderate-income residents in Chattanooga. Guided by its *Faircloth Authority 10-Year Portfolio Master Plan* (Faircloth Master Plan), the CHA is strategically deploying its 1,287 units of Faircloth Authority. Proposals from qualified development partners have been solicited through competitive RFPs to maximize this authority with eligible projects. Supporting this initiative is essential for expanding housing availability for the city’s most vulnerable populations.

Individual project draws will be made over the commitment period. CHA will use the loan funds directly for the following CDBG eligible activities covered under 24 CFR 570.703:

- Acquisition of real property
- Rehabilitation of publicly or privately owned real property
- Housing rehabilitation eligible under CDBG
- Housing construction eligible under CDBG
- Construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements)
- Related relocation, clearance, and site improvements
- Payment of interest on the guaranteed loan and issuance costs of public offerings
- Debt service reserves
- Finance fees, including Section 108 loan closing costs and issuance costs of related public offerings

To secure the Section 108 commitment, project-level collateral will be utilized, including developer fee pledges, the assignment of HAP contract revenues, and subordinate liens on project property. Furthermore, in compliance with 24 C.F.R. § 570.705(b)(1), the City is required to pledge its current and future CDBG allocations.

2025 – 2029 Consolidated Plan Affordable Housing Priority:

The proposed use of the Section 108 Loan Guarantee proceeds directly aligns with the goals of the 2026 -2027 Consolidated Plan. Increasing the production of affordable housing is recognized as a high-priority within the City’s Consolidated Plan and Housing Action Plan. In Chattanooga,

there is a critical deficit of rental options for extremely low-income households (those at or below 30% AMI). According to Comprehensive Housing Affordability Strategy (CHAS) data from the 2017-2021 ACS, there are 8,825 renter households earning no more than 30 HAMFI, yet only 3,110 units are priced affordably for them. Consequently, a minimum of 65% of renters in this specific income bracket lack access to affordable housing. Furthermore, CHAS data shows that 14,100 households earn \leq 50% HAMFI, but just 12,720 units are available at affordable rates for this group.

In the Consolidated Plan, affordable housing is identified as number one of five priority needs.

Priority Need: Affordable Housing

- a. Goal: Increase/Preserve Supply of Affordable Housing (Units)
- b. Goal Outcome Indicator
 - Rental Units Constructed
 - Rental Units Rehabilitated

Citizen Participation

Citizens will be provided with reasonable notice and opportunity to comment on proposed amendments. This will be accomplished through notification of a public hearing in the newspaper with general circulation within the City and notification on the City website. These notices will be published *at least 14 days* prior to the hearing. Citizens will have not less than **30 days** to make comments about the proposed amendment(s) prior to any amendment implementation.

In order to obtain the views of residents, public agencies, and other interested parties, the City has placed the Substantial Amendment on public display beginning July 1, 2026, on the City’s website at the following address: <https://chattanooga.gov/stay-informed/latest-news>
This document will be available to the public for a period of (30) days.

Additionally, on **Thursday, July 16, 2026, at 5:30 PM**, a public hearing will be held by the City’s Housing and Community Investment Division to solicit comments on the proposed application and substantial amendment. The meeting will take place at the following location and will also be available virtually.

Chattanooga Housing Authority
801 N. Holtzclaw Avenue
Chattanooga, TN 37404

For those wishing to attend virtually, join the meeting via the following links:
Video call link: <https://meet.google.com/muy-kgsq-dyy>
Or dial: (US) +1 262-806-3358 PIN: 112 370 112#
More phone numbers: <https://tel.meet/muy-kgsq-dyy?pin=9151949196178>

Citizens wishing to submit comments outside of the public hearing may do so via e-mail to: Sgober@chattanooga.gov or by phone to: (423)643-7332 between the hours of 8:00 AM and 4:30 PM, Monday through Friday. Comments must be submitted by 4:30 PM on July 31, 2026.

SECTION 108 LOAN GUARANTEE APPLICATION



**City of Chattanooga, TN
Section 108 Loan Guarantee
Program
DRAFT Application**



July 1, 2026

Prepared by:

**Department of Economic Development
Housing and Community Investment Division
101 E. 11th Street, Suite 200
Chattanooga, TN 37420**



DEPARTMENT OF ECONOMIC DEVELOPMENT
Housing & Community Investment Division
Chattanooga TN 37402

The City Council authorized this application by Resolution No.32895 adopted on May 26, 2026

DATE: July 1, 2026
RE: Section 108 Loan Guarantee Financing Application

The Section 108 Loan Guarantee Program (Section 108), overseen by the U.S. Department of Housing and Urban Development (HUD) provides Community Development Block Grant (CDBG) recipients, like the City of Chattanooga, with the ability to leverage their annual grant allocation to access low-cost, flexible financing for economic development, housing, public facility and infrastructure projects.

Through Section 108, CDBG recipients can borrow up to 5 times the most recent CDBG allocation. The City of Chattanooga's borrowing capacity is \$7,800,250.

Section 108's unique flexibility and range of applications makes it one of the most potent and important public investment tools that HUD offers to state and local governments for transformative affordable housing activities. The City is proposing to make its \$7,800,250 borrowing capacity available to Chattanooga Housing Authority for housing development under its Faircloth Restore-Rebuild authority.

In accordance with 24 CFR 570.704 and the City of Chattanooga's Citizen Participation Plan, the City's Housing & Community Investment Division (HCI) is publishing this draft application for public review and comment.

The application is available electronically at: <https://chattanooga.gov/stay-informed/latest-news>.
A hard copy of the plan is also available at the HCI Office, 101 E. 11th Street, Suite 200.

A 30-day public comment period will be provided to receive input on the Draft of this Application. This public comment period will begin on July 1, 2026, and comments will be accepted until July 31, 2026.

A public hearing will occur on July 16, 2026, at 5:30 PM, to accept comments on the Draft Application. This public meeting, which will also be streamed virtually, will be held at the Chattanooga Housing Authority, 801 N. Holtzclaw Avenue, in the first-floor conference room.

The City anticipates submitting the application to HUD on or about August 5, 2026.

For further information, please contact the Housing & Community Investment at (423)643-7332 or HCI@chattanooga.gov



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SECTION 1: EXECUTIVE SUMMARY

The City of Chattanooga is submitting this application for a \$7,800,250 Section 108 Loan Guarantee Commitment, as authorized by 42 U.S.C. § 5308 and 24 C.F.R. Part 570, Subpart M. Established by the Housing and Community Development Act of 1974, the Section 108 program enables CDBG entitlement communities like Chattanooga to borrow against their current and future CDBG allocations. These loans are backed by the full faith and credit of HUD, offering flexible, low-cost financing for projects involving housing, infrastructure, and economic development. Currently, Chattanooga's borrowing capacity—limited to five times its most recent CDBG allocation—is \$7,800,250.

Through a Designated Public Agency Agreement (DPA), the City is delegating the authority to the Chattanooga Housing Authority (CHA), to use its available Section 108 borrowing capacity, issue debt obligations, and manage the loan directly. CHA will be responsible for the repayment, underwriting, and compliance requirements associated with the federally guaranteed financing. To meet HUD's federal backstop requirements, the City of Chattanooga will concurrently pledge its CDBG grants.

CHA proposes to use the loan proceeds to establish a housing loan pool to support the development of affordable housing projects in the CHA's Faircloth portfolio. The housing loan pool will provide essential gap financing for housing projects developed under the CHA's Faircloth authority.

The Section 108 program is a vital tool for creating transformative affordable housing. As a DPA, the CHA possesses the specialized expertise required to oversee the complex, multi-year initiatives associated with Faircloth authority. In this DPA structure, the CHA serves as the legal borrower, responsible for all principal, interest, fees, and costs. The CHA will sign loan agreements directly with HUD, securing them with project-specific collateral such as revenues or property liens. CHA will cover the debt project-level cash flow, CHA distributions, and developer fees.

The CHA and the City will work in tandem to maintain compliance with all HUD regulations. Section 108 projects must comply with all CDBG rules and regulations, including cross-cutting federal regulations. These include environmental review, labor standards, acquisition and relocation, and fair housing and civil rights.

This affordable housing loan pool is a key element of the Faircloth Restore-Rebuild FAIRCLOTH RESTORE-REBUILD program, which aims to expand housing opportunities for low- and moderate-income residents. Following the Faircloth Authority 10-Year Portfolio Master Plan, the CHA is deploying 1,225 of its 1,287 units of Faircloth Authority. Competitive RFPs have been issued to identify qualified partners to maximize this initiative, which is critical for serving the city's most vulnerable populations.



1.1 Proposed Uses

Per 24 CFR 570.703, Section 108 proceeds will be used by the CHA for the following CDBG-eligible activities:

- Real property acquisition
- Rehabilitation of private or public real property
- Housing construction and rehabilitation eligible under CDBG
- Installation or reconstruction of public facilities, including site improvements like sidewalks and streets
- Site clearance, relocation, and related improvements
- Payment of loan interest and public offering issuance costs
- Debt service reserves and financing fees, including closing costs

1.2 Draws

The loan funds will be drawn by the CHA over the commitment period to support eligible CDBG activities, per project. To secure the commitment, the CHA will utilize project-level collateral such as subordinate liens, HAP contract revenue assignments, and developer fee pledges. In accordance with 24 C.F.R. § 570.705(b)(1), the City will also pledge its current and future CDBG funds.

1.3 National Objective

All projects funded by this loan must satisfy a CDBG national objective: meeting urgent community needs, eliminating slums and blight, or primarily benefiting low- and moderate-income persons. Every initiative under this program is intended to qualify by benefiting low- and moderate-income persons, LMI Housing (LMH) (24 CFR 570.208(a)(3).

1.4 Consolidated Plan and Annual Action Plan Amendments

The proposed use of the loan proceeds is in alignment with the housing strategies defined in the City's 2025-2029 Consolidated Plan, the Housing Action Plan, and the CHA's Faircloth Master Plan. The City will amend its 2026-2027 Annual Action Plan to incorporate the Section 108 funding and the CHA's intended use of these funds.



1.5 Section 108 Loan Summary

Term	Description
Lender	U.S. Department of Housing and Urban Development (HUD)
Borrower	Chattanooga Housing Authority (CHA), or CHA-designated project entity
Credit Enhancement / Guarantor	City of Chattanooga CDBG funds pledged pursuant to HUD Section 108 program requirements
Maximum Loan Amount	Up to \$7.7M per loan, provided that the aggregate amount of all outstanding loans does not exceed the City's then-current Section 108 capacity.
Interest Rate	Floating; 3-month Treasury Auction Bill plus 35 basis points pursuant to HUD Section 108 program
Term	20 years from initial disbursement; no prepayment penalty
Amortization	Fully amortizing over the 20-year loan term
Prepayment	Permitted at any time without premium or penalty
Repayment Sources	<ul style="list-style-type: none"> • Primary: CHA share of Project Net Operating Income • Secondary: CHA share of project capital distributions and developer fees • Backstop: City CDBG pledge
Collateral	<ul style="list-style-type: none"> • Subordinate lien on project property (max 95% LTV) or assignment of CHA's ground lease income and share of project distributions, plus DSRA, with the 95% LTV cap • Assignment of HAP contract revenues • Developer fee pledge • Loan agreement and promissory note, assignable to HUD
Eligible Uses	<ul style="list-style-type: none"> • Acquisition of project sites • Public infrastructure; site preparation • Rehabilitation • New construction via Community-Based Development Organization (CBDO) • Any other CDBG-eligible activities
Disbursement	Funds drawn upon (i) receipt of HUD Field Office Determination Letter and (ii) completion of project-level environmental review (ER)



SECTION 2: AMOUNT OF SECTION 108 REQUEST

The Chattanooga Housing Authority is requesting access to the City's current Section 108 Loan Guarantee capacity of \$7,800,250. Draws for individual projects will be made over the commitment period. CHA will draw Section 108 funds to cover CDBG-eligible pre-construction costs, including site acquisition and infrastructure. The Section 108 financing fee (the fee that HUD charges for loan disbursements under Section 108 loan guarantee commitments) will be paid for with Section 108 loan proceeds.

SECTION 3: LOAN POOL BASIS

CHA Faircloth Authority 10-Year Portfolio Master Plan, Loan Pool, Faircloth Portfolio, and Metrics

3.1 Faircloth Master Plan

Under the Faircloth statute (42 U.S.C. § 1437g(g)), each public housing agency's authorized unit count is capped at its public housing inventory as of October 1, 1999. For the Chattanooga Housing Authority (CHA), this Faircloth limit is 1,287 units. The cap serves as the baseline for measuring all demolition, disposition, and Rental Assistance Demonstration (RAD) conversions. CHA exercises its unused Faircloth authority through the Faircloth Restore-Rebuild framework, developing 1,225 replacement units that convert under RAD to 20-year project-based Section 8 Housing Assistance Payment contracts at completion.

The FTV program facilitates the expansion of affordable housing by providing an upfront guarantee of rental assistance, which helps Public Housing Authorities (PHAs) secure financing for new construction. By restoring subsidies lost to previous sales or demolitions, PHAs can utilize long-term contracts to build deeply affordable homes.

Following construction or rehabilitation, units convert under RAD to 20-year project-based Section 8 Housing Assistance Payment (HAP) contracts. These property-tied contracts limit resident rent to 30% of their income and can provide payments up to 110% of the Small Area Fair Market Rent (SAFMR).

CHA's Faircloth limit represents a finite, non-renewable resource. The **Faircloth Master Plan**, adopted in March 2026, outlines a strategic framework for deploying CHA's 1,287-unit authority. This finite resource will be systematically distributed across neighborhoods chosen for their opportunity characteristics to foster long-term housing choice. Implementation is supported by providing development financing directly to projects within the CHA Faircloth Portfolio.



3.2 CHA Faircloth Portfolio Loan Pool

To provide financing for its Faircloth Portfolio via a housing loan pool, CHA will utilize Section 108 loan funds for Year 1 Rent Augmentation in developments. Through competitive Requests for Proposals (RFP) and Purchase Forward transactions, CHA identified 11 specific projects for this portfolio. The selection was based on underwriting parameters defined in the RFP, with CHA employing the following primary criteria for partner vetting and project selection:

- Proven expertise in HUD compliance and the management of project-based voucher properties
- Sufficient financial resources to support projects from the construction phase through lease-up
- A demonstrated track record of providing high-quality resident services and property management
- A commitment to accepting concessions focused on CHA's mission upon exit
- Consistency with CHA's objectives for community integration, including a commitment to treating resident services as an essential project operating expense

To facilitate Year 1 rent augmentation within its portfolio developments, CHA will use Section 108 proceeds to acquire the project site from the project owner. The purchase price will be set by an independent fair market value appraisal of the site. CHA will then ground lease the site back to the project entity in exchange for a capitalized lease payment in the same amount. The project entity pays the same amount for its site cost basis that it would pay any third-party seller; the difference is that proceeds flow through CHA rather than to an outside party, supporting CHA's funding of Year 1 contract rent augmentation. This net-zero structure preserves the integrity of the project's cost basis and the authenticity of Year 1 project economics.



3.3 CHA Faircloth Portfolio

Complete CHA Faircloth Portfolio			
Project	Geography	Faircloth Units	Total Units
819 Runyan Senior Housing	Redbank	199	199
Brainerd Row	E. Brainerd	131	131
Kensington Square	E. Brainerd	27	27
Kensington Annex	E. Brainerd	68	68
MatCo/Ooltewah	Ooltewah	200	350
LDG Standifer Gap	E. Brainerd	119	482
MatCo/Northshore	Red Bank	50	50
LDG/Northgate Ph 1&2	Hixson	87	174
MatCo/Shallowford Flats	Hamilton Place	100	250
MatCo/Jenkins Flats	Hamilton Place	100	250
DGA/Ridgeview	Hixson	84	84
Hollyhand/Clearbranch	Harrison	60	60
DGA/Hamilton Place	Hamilton Place	68	96
Totals		1,225	2,122

3.4 Program Metrics

Metric	Target
Total Units	1,225 Units
Implementation Period	5 Years - 2027-2032
Combined Augmentation Capacity (Section 108 \$7.7M + CITC \$10M)	\$17,700,000
Estimated Total 5-year Augmentation Lending	\$12-15 Million
Average Annual Production	= 200 units/year

The Chattanooga Housing Authority Faircloth Master Plan and the Requests for Proposals (Faircloth Authority Development Partnership, can be found under **Attachments**.



SECTION 4: GEOGRAPHIC SCOPE AND TARGET POPULATION

4.1 Geographic Scope

Section 108 proceeds will be deployed across multiple project sites within the City of Chattanooga. Assisted projects will be developments that have been pre-vetted and placed in CHA's Faircloth portfolio.

4.2 Target Population

All units assisted with Section 108 proceeds will be occupied by households with incomes at or below 80% of Area Median Income (AMI) as defined by HUD. The proposed projects specifically target extremely low-income (ELI) households at or below 30% AMI, with project-based Housing Choice Vouchers providing rental assistance to ensure affordability at the deepest income levels.

Current affordable housing options in Chattanooga, whether through CHA Public Housing, Section 8 Vouchers, Housing PILOTs, or LIHTC, are primarily situated in Central Chattanooga, an area of general low average median income with areas of severe poverty. To maximize poverty deconcentration impact, CHA will prioritize sites in census tracts with poverty rates at or below 20%.

SECTION 5: DETAILS ON USING SECTION 108 PROCEEDS FOR YEAR 1 RENT AUGMENTATION

5.1 Pathways to Year 1 Rent Augmentation

Year 1 rent augmentation is critical to project feasibility across the Faircloth portfolio. Each project requires bridge funding to cover the gap between HUD's initial Notice of Anticipated RAD Rents (NARR)-determined contract rent and the market rent level necessary to support project financing during the lease-up and initial stabilization period.

Section 108 and Community Investment Tax Credit (CITC)

CHA will deploy two financing facilities in a defined priority structure. Section 108 is the primary augmentation facility for projects located within Chattanooga city limits, deployed chronologically through eligible projects until the \$7.7M cap is exhausted. The Community Investment Tax Credit (CITC) Augmentation Loan Program plays three distinct roles: (i) primary augmentation source for projects outside Chattanooga city limits, which are ineligible for Section 108 deployment, and (ii) capacity overflow for eligible projects once the Section 108 cap is reached (iii) individual projects where CITC lending is determined otherwise advantageous compared to Section 108.

Year 1 rent augmentation is to be provided primarily by loans through the HUD Section 108 Loan Guarantee Program, under which Section 108 proceeds will fund CHA's pre-construction



acquisition of project sites. CITC structured loans can serve as a backup facility for transactions where Section 108 is unavailable or insufficient.

5.2 Using Section 108 - Three Development Models

Within the Faircloth Portfolio, CHA will facilitate the use of Section 108 funds toward Year 1 rent augmentation in the three development models described below.

- **Model A: LIHTC-Financed Development** - This model utilizes federal Low-Income Housing Tax Credits through a three-stage ownership structure:
Years 1–15: Limited Partnership. A Tax Credit Investor provides roughly 75% equity, while lenders provide 30–50% in debt. CHA provides a subordinate augmentation loan for Year 1 rents and maintains a General Partner role with a 25% share of cash flow and developer fees.

Year 15: Purchase Option Exercise. CHA acquires the investor's interest at fair market value (or a nominal price if land was contributed) using refinancing or reserves. Investors typically exit now to avoid further compliance.

Years 16–45: CHA 100% Ownership. CHA owns the asset outright, with cash flow increasing alongside inflation while debt remains fixed. By Year 45, all debt is retired.

- **Model B: Purchase Forward** - The Purchase Forward structure is a deferred acquisition model that eliminates CHA's need for upfront equity capital while guaranteeing long-term asset ownership. The general Purchase Forward structure involves private equity partners forming a joint venture capitalized with senior debt and partner equity contributions. During the operating phase, the partnership operates the property with CHA providing PBV subsidy and governance control. At a designated buyout point (typically Year 10), CHA refinances and uses net proceeds to purchase both partners' equity interests at restricted appraisal valuations. CHA then owns 100% fee simple, capturing all cash flow growth and terminal appreciation as financing obligations amortize and retire.
- **Model C: Mixed-Income Development** - Model C consists of mixed-income developments where CHA voucher-supported units account for about 25% of the unit mix, alongside LIHTC affordable and market-rate units. CHA acts as the General Partner, ground lessor, and HAP provider in a partnership with a private developer responsible for construction, financing, and operations. The ownership path avoids mandatory buyouts, with CHA retaining a right of first refusal or continuing as a minority owner to receive proportional cash flow.

This model provides steady, predictable cash flow from Year 1 and enhances poverty deconcentration by distributing PBV units throughout the property. It is strategically



applied in high-income opportunity areas like Signal Mountain and North Shore, where 100% affordable projects may face economic or community barriers. CHA plans to use Model C for approximately 25% of its pipeline units in future program years.

A balanced portfolio combining all models creates optimal financial and operational outcomes. LIHTC projects provide scale and unit volume while Purchase Forward transactions provide deployment flexibility, faster execution, and higher per-unit returns. Mixed-Income Development provides increased voucher deployment flexibility and poverty deconcentration. The complementary cash flow profiles, with LIHTC projects generating minimal early cash flow but strong long-term equity and Purchase Forward generating immediate distributions, create portfolio-level stability across all time horizons.

5.3 Mechanism for Using Section 108 Across the Models

The primary Section 108 transmission mechanism is the same across all models: CHA acquires the project site with 108 sub-loan proceeds and ground leases it to the project entity (the LIHTC limited partnership in Model A, the IC/Standard JV in Model B; Development Limited Partnership entity in Model C), with the lessee paying a capitalized ground lease amount at closing that CHA applies to fund Year 1 contract rent augmentation through Faircloth Restore Rebuild pathway. In LIHTC transactions, the developer fee provides additional closing cash capacity.

5.4 Using Tennessee Community Investment Tax Credit (CITC) Backup Loan (All Models)

CHA may also obtain project-specific loans from participating Tennessee financial institutions under the Tennessee Community Investment Tax Credit program (T.C.A. § 67-4-2109). CITC loan proceeds may utilize the ground lease structure described above or may be deposited directly into CHA's HCV program HAP reserve accounts to fund augmented Year 1 contract rents. The CITC backup facility is projected to have an aggregate cap of \$10 million. In all models, CITC may cover any shortfall between the capitalized ground lease and augmentation amount. In all cases, CITC repayment is sourced exclusively from project-level revenue streams (partnership distributions, developer fee installments, asset management fees, and residual proceeds), at 4.5% interest with 15-year repayment terms.

5.5 Process Section 108 and Capitalized Ground Lease with Supplemental Developer Fee (All Models)

The funding for Year 1 rent augmentation is facilitated by a four-stage capital infusion method that remains consistent across all three development frameworks.

1. Initially, CHA secures Section 108 loan funds to cover CDBG-eligible pre-construction costs, including site acquisition and infrastructure.
2. Subsequently, the acquired site is ground-leased by CHA to the LIHTC limited partnership via a capitalized lease; the full payment required for Year 1 rent augmentation is due upon closing.
3. Next, these capitalized lease payments, supplemented by CHA's upfront developer fee



where available in LIHTC transactions, are applied to fund Year 1 contract rents established through the Faircloth Restore-Rebuild pathway. Year 2 rents renew at that same OCAF-adjusted level to set a permanent federal baseline. The capitalized lease structure preserves the integrity of the project's cost basis and the authenticity of Year 1 project economics; no borrowed funds enter HCV operating accounts. Finally, CHA utilizes its portion of the project's net operating income to repay the Section 108 HUD loan over a period of up to 20 years.

The capitalized ground lease payment is determined by an independent fair market value appraisal. If this amount is insufficient for the necessary reserve deposit, the developer fee addresses the gap, with the CITC backup facility covering any remaining balance.

5.6 Project-Based Voucher Administration

Each Faircloth development requires project-based voucher (PBV) commitments covering up to 100% of units. CHA must carefully manage its PBV authority to ensure adequate commitments are available across the 10-year pipeline, requiring annual PBV utilization planning that balances Faircloth projects with other CHA priorities.

CHA will develop standardized PBV contract templates reflecting the Faircloth structure, including clear provisions on CHA's purchase options, partner exit mechanisms, and rent reasonableness determinations that account for the unique mission-driven nature of these developments.

6.1 Revised 5-Year Utilization Pipeline and Augmentation

The pipeline, following, compresses CHA's 1,225-unit Faircloth authority into a five-year deployment cycle (2027–2031), to comply with new HUD deadlines reflected in the HUD Memo to PHAs dated May 12, 2026. Augmentation figures reflect explicit values from the original 10-year pipeline for 2027–2029 projects (819 Runyan, Brainerd Row, Kensington) and a blended \$8,750-per-Faircloth-unit planning assumption for projects not yet underwritten bottom-up; project-specific augmentation requirements will be confirmed against finalized PEL Estimator outputs and pro forma rents prior to draw.



Year	Project	Geography	Financing Model	Aug. Source	FC Units	Cumulative	Augmentation
2027	Kensington Square	E. Brainerd	Purchase Forward	Section 108	25		\$216,000
2027	DGA / Riella at Ridgeview	Hixson	LIHTC (Model A)	Section 108	84		\$735,000
2027	Year 2027 Total				109	109	\$951,000
2028	819 Runyan Senior Housing	Red Bank	LIHTC (Model A)	Section 108	199		\$1,710,000
2028	Kensington Annex	E. Brainerd	LIHTC (Model A)	Section 108	68		\$644,000
2028	Brainerd Row	E. Brainerd	LIHTC (Model A)	Section 108	131		\$1,000,000
2028	MatCo / Northshore	Red Bank	LIHTC (Model A)	CITC	50		\$440,000
2028	Year 2028 Total				448	557	\$3,79,000
2029	MatCo / Ooltewah	Ooltewah	LIHTC (Model A)	CITC	200		\$1,750,000
2029	LDG / Northgate Ph 1 & 2	Hixson	Mixed-Income (Model C)	CITC	87		\$760,000
2029	Hollyhand / Clearbranch Townhomes	Harrison	LIHTC (Model A)	Section 108	60		\$530,000
2029	Year 2029 Total				347	904	\$3,040,000
2030	MatCo / Shallowford Flats	Hamilton Place	LIHTC (Model A)	Section 108	100		\$1,750,000
2030	MatCo/Jenkins Flats	Hamilton Place	LIHTC (Model A)	Section 108	100		\$600,000
2030	Year 2030 Total				200	1,104	\$2,350,000
2031	LDG / Standifer Gap Ph 1 & 2	E. Brainerd	Mixed-Income (Model C)	CITC	121		\$1,040,000
2031	Year 2031 Total				121	1225	\$1,040,000
Pipeline Grand Total (all sources)					1225	1225	\$11,175,000
of which: Section 108					—		\$7,185,000
of which: CITC					—		\$3,990,000

6.2 Retention of Flexibility

The pipeline strategy can be adjusted based on current needs, restrictions, and opportunities. CHA retains the ability to modify the pipeline based on the current assessments of how best to achieve the Master Plan objectives.

6.3 Annual Production Capacity Analysis

CHA’s augmentation capacity combines Section 108 commitment authority of \$7.7 M supplemented by up to \$10 million under the CITC backup facility. At an average augmentation requirement of \$8,750 per unit, total portfolio augmentation is approximately \$11.3 million, achievable primarily through Section 108-enabled ground lease and/or developer fee proceeds with targeted CITC backup lending for transactions where Section 108 cannot be deployed. Ground lease and developer fee sizing must be confirmed project-by-project to ensure sufficient upfront fee capacity after LIHTC investor deferral requirements and HUD fee caps are applied.

Practical considerations require spreading production across multiple years to account for development timeline variability (24–36 months from closing to stabilization), staggered project starts to manage CHA staff capacity, THDA certification timelines for CITC loans, market absorption capacity in target neighborhoods, and the need to maintain a continuous pipeline to preserve development partner relationships.



The baseline accelerated 5-year schedule deploys Section 108 and backup CITC loan capacity across 4–5 projects per year, with project sizes ranging from 100 to 200 units. This produces an average annual production of approximately 200 units, completing the 1,225-unit program in five years while maintaining steady development momentum. Each project’s augmentation loan will be individually underwritten, certified by THDA (if CITC-sourced), and approved by the Board through a project-specific resolution as required by the CITC Program resolution.

SECTION 7: UNDERWRITING STANDARDS

Individual projects will be submitted for Field Office Determination Letters before draws are processed. CHA will evaluate the suitability of the use of Section 108 funds in a specific way for a specific project. The process will ensure that projects are financially viable, projecting sufficient cash flow to support repayment; that development teams have the capacity and experience necessary to deliver them; and that projects are sufficiently collateralized to reduce risk to the City and HUD. CHA’s underwriting processes will ensure:

- Project costs are reasonable
- All financing is committed – public funds will not be wasted on a project not implemented
- The Section 108 funds are essential to the project, not substituting for private financing
- The project is financially feasible – the anticipated public benefits will materialize
- Return on equity is reasonable – the minimum amount of public funds is being invested and
- Section 108 funds are disbursed on a pro rata basis – not before other financing sources, as necessary.

Each individual project in the portfolio, for which funding is drawn, must satisfy the following minimum underwriting criteria:

Parameter	Requirement
National Objective	LMI Housing: 100% of units occupied at or below 80% AMI
Loan-to-Value	Not to exceed 95%
DSCR	1.15x or better on stabilized cash flows
Eligible Activities	Acquisition, infrastructure, site prep, rehab, CBDO new construction
Environmental Review	Completed Part 58 ER with published RROF before draw
Davis-Bacon	Prevailing wage compliance for all construction
Location	Located within Chattanooga City Limits



SECTION 8: SOURCES AND USES

Individual project financing is dependent upon the project.

Sources	
Section 108	\$7,800,250
Other sources: Tennessee Community Investment Tax Credit (CITC)	\$10,000,000
Uses	
Individual Portfolio Projects – Augmentation Lending	17,800,250

SECTION 9: COLLATERAL

- **Primary Security (The Designated Agency):** The designated agency must pledge project-specific collateral to secure the loan. This typically includes property liens, mortgage agreements, or tax increment financing (TIF) revenues generated by the project.
- **Secondary Security (The Public Entity):** Because HUD requires a federal backstop, the parent public entity, the City, must concurrently pledge its current and future CDBG grant

In addition to the mandatory CDBG pledge, the following additional collateral for the Section 108 obligation:

- **Project-Level Lien.** The CHA, as assignee, will hold a [subordinate] mortgage or deed of trust on each project site and improvements financed with Section 108 proceeds or equivalent collateral position structure in other proceeds. Lien position: [subordinate to senior construction/permanent lender]. Loan-to-value ratio: not to exceed 95% of appraised value, accounting for all debt in the capital stack.
- **Debt Service Reserve Account (DSRA).** A debt service reserve account will be established and funded in an amount equal to [6 / 12] months of projected debt service on the Section 108 sub-loan. The DSRA will be funded from [construction loan proceeds/partner equity/loan proceeds] at or before the first fund advance for each project.
- **Assignment of HAP/PBRA Contract Revenues.** CHA will assign its right to receive Housing Assistance Payments (HAP) under its Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA) contracts with HUD for each project as additional security. HAP contract revenues are among the most credit-worthy revenue streams in affordable housing and provide a stable, federally funded repayment source.
- **Developer Fee Pledge.** CHA (or its development affiliate) will pledge deferred developer fees from each project as additional subordinate security. Developer fee pledge is subordinate to LIHTC investor rights.]



SECTION 10: DESCRIPTION OF COMPLIANCE WITH ELIGIBLE ACTIVITIES AND NATIONAL OBJECTIVE

10.1 Meeting National Objective

100% of assisted units will be occupied by households with incomes at or below 80% AMI. For the purpose of documenting eligibility, all projects will fall under the Benefit low- and moderate-income persons National Objective - LMH. To achieve this objective, the City will ensure at least 70 percent of CDBG funds, including Section 108 loans, are utilized to benefit low- and moderate-income persons (LMI) through housing.

10.2 Eligibility

CDBG Eligible Activities.

Each of the projects to be assisted will be eligible under 24 CFR 570.703. Because this application is for a loan pool, the individual projects will qualify under several eligible activities that align with the project model outlined in Section III, including:

- Acquisition of improved or unimproved real property (570.703(a))
- Rehabilitation of real property owned or acquired by the public entity or its designated public agency (570.703(d))
- Payment of interest on obligations guaranteed under this subpart (570.703(c))
- Relocation payments and other relocation assistance (570.703(d))
- Clearance, demolition, removal, and remediation of buildings and improvements (570.703(e))
- Site preparation and installation of public and other site improvements (570.703(f))
- Payment of issuance, underwriting, servicing and other costs associated with private sector financing (570.703(g))
- Housing rehabilitation eligible under 570.202 (570.703(h))
- Eligible economic development activities under 570.203 and 570.204 (570.703(i))
- Construction of housing by non-profit organizations for homeownership (570.703(j))
- Debt service reserves (570.703(k))
- Payment of Section 108 loan fees charged by HUD pursuant to 570.712 (570.703(n))

SECTION 11: NEED AND CONSISTENCY WITH CONSOLIDATED PLAN

Like many cities across the country, Chattanooga is facing an affordable housing crisis. Housing supply has not kept pace with the city's economic and population growth, leading to a new and growing affordability problem. Rents are rising faster than incomes for most households.



Furthermore, the system to provide affordable homes is constrained by limited public funding, state law, and a lack of regional partners.

This loan pool will serve as a crucial mechanism for increasing the availability of essential affordable housing in Chattanooga by adding over 1,200 new, affordable units in the community that specifically benefit the city's most vulnerable residents.

The proposed use of the Section 108 Loan Guarantee proceeds directly aligns with the goals of the 2026 -2027 Consolidated Plan, allows for the City to address strategies outlined in the Housing Action Plan and most importantly, supports the development of approximately 1,200 units of affordable housing within the city limits of Chattanooga through CHA's Faircloth Master Plan.

The Faircloth Plan focuses on preserving and constructing affordable housing, reducing barriers to increasing housing supply, and simplifying processes that connect affordable housing to residents. A key element of the Faircloth Plan is leveraging new federal funding sources that will improve housing quality and long-term viability of the City's housing stock.

The Faircloth Master will advance the City's goals of affordable housing production and the creation and stabilization of healthy mixed-income communities with a rich array of amenities and strong local economies. The program will also align with the overarching goals of the CDBG program to provide benefit to low- and moderate- income persons, aligned with the Low-Moderate Income (LMI) Benefit National Objective (24 CFR 570.208(a)(3)).

11.1 2025 – 2029 Consolidated Plan Affordable Housing Priority

Increasing the production of affordable housing is recognized as a high-priority within the City's Consolidated Plan and Housing Action Plan. In Chattanooga, there is a critical deficit of rental options for extremely low-income households (those at or below 30% AMI). According to Comprehensive Housing Affordability Strategy (CHAS) data from the 2017-2021 ACS, there are 8,825 renter households earning no more than 30 HAMFI, yet only 3,110 units are priced affordably for them. Consequently, a minimum of 65% of renters in this specific income bracket lack access to affordable housing. Furthermore, CHAS data shows that 14,100 households earn \leq 50% HAMFI, but just 12,720 units are available at affordable rates for this group.

In the Consolidated Plan, affordable housing is identified as number one of five priority needs.

Priority Need: Affordable Housing

- a. Goal: Increase/Preserve Supply of Affordable Housing (Units)
 - Goal Outcome Indicator
 - Rental Units Constructed
 - Rental Units Rehabilitated



11.2 Chattanooga Housing Action Plan

Released in 2023, the City's *Housing Action Plan (HAP)* was instrumental in shaping the objectives and requirements outlined in the 2025 – 2029 Consolidated Plan. As a comprehensive toolkit of programs and policies, the HAP was designed to tackle the affordable housing obstacles facing Chattanooga. It promotes the administration's five primary housing affordability targets, with two specifically aligning with this application:

1. **Build the Housing Ecosystem** – through building/expanding the City's capacity and the capacity of its partners to a scale equal to the challenges it faces to successfully run housing programs and scale impact. Recommendations to achieve this include:
 - a. Fully fund and strategically use Chattanooga's Housing Trust Fund (HTF).
 - b. Adopt a new public land disposition policy and process.
 - c. Update local tax increment financing (TIF) policy to include housing affordability requirements.
 - d. Revise zoning regulations and development approval processes.
 - e. **Strengthen partners such as local developers, lenders, philanthropies, and nonprofit organizations**
2. **Increase the Number of Affordable, Quality, Rental Homes** – through funding and policy support to increase the development of new affordable rental homes and preserve those that already exist. Recommendations to achieve this include:
 - a. **Support LIHTC development by providing gap financing, engaging with the state, and streamlining local approvals.**
 - b. Reform the PILOT program to increase citywide affordable housing supply.
 - c. **Launch Revolving Loan Fund (RLF) to provide acquisition and long-term financing to preserve existing affordable rental homes.**

11.3 CHA's Faircloth Authority 10-Year Portfolio Master Plan

The opportunity for PHA's to use their Faircloth authority is a key tool for communities that need more rent-assisted housing. It is ideal for affordable housing developers with experience in federal funding programs. The gap financing is particularly attractive for LIHTC deals. With early-stage RAD conversions approvals, lenders and investors will have the revenue certainty through familiar Section 8 HAP contracts to underwrite the construction of these projects.

To establish a comprehensive framework for strategically deploying the 1,287 units of Faircloth authority, CHA created the Faircloth Master Plan with the following primary objectives:

1. **Poverty Deconcentration:** Target developments in neighborhoods with average to above-average Area Median Income (AMI), providing housing choice voucher holders access to opportunity-rich communities with strong schools, employment centers, and amenities.



2. Financial Sustainability: Utilize private partnership models that minimize CHA capital requirements while maintaining long-term portfolio control through purchase options and conversion rights.

3. Portfolio Diversification: Balance LIHTC-financed new construction with non-LIHTC projects, creating flexibility in unit mix, income targeting, and geographic distribution.

4. Strategic Complement to Place-Based Initiatives: Provide geographic opportunity options that complement CHA's intensive place-based revitalization work, offering families choices between remaining in transformed neighborhoods or accessing new communities.

5. Population Diversification: Allocate approximately 15% of the Faircloth authority to senior housing (age 62+), addressing the acute shortage of affordable senior housing in opportunity neighborhoods while preserving the program's primary orientation toward family multifamily housing that maximizes child-focused poverty deconcentration outcomes.

Current affordable housing options in Chattanooga, whether through CHA Public Housing, Section 8 Vouchers, Housing PILOTS, or LIHTCs, are primarily situated in Central Chattanooga, an area of general low average median income with areas of severe poverty. To maximize poverty deconcentration impact, CHA will prioritize sites in census tracts with poverty rates at or below 20%.

SECTION 12: INFORMATION ON ORGANIZATIONAL ARRANGEMENTS

12.1 City of Chattanooga (Grantee)

As a longtime entitlement jurisdiction, the City of Chattanooga has significant experience with federal funding requirements, including but not limited to CDBG eligibility, Davis-Bacon, NEPA Environmental Review, Section 3, Uniform Relocation Act, Build America Buy America, and the administrative and financial requirements of 2 CFR 200.

Governed by the Designated Public Agency (DPA) Agreement, the City will act as the Grantee and public entity, extending its \$7,800,250 Section 108 borrowing capacity to the Chattanooga Housing Authority (CHA), which serves as the direct borrower and debt issuer.

As the direct borrower, CHA carries the primary responsibility for federal compliance. However, because the City remains the primary grantor to HUD, the City will work in tandem with CHA to ensure compliance with all HUD regulations is maintained, including cross-cutting federal regulations such as environmental review, labor standards, acquisition and relocation, and fair housing and civil rights. The DPA agreement will specifically outline the roles and responsibilities of each entity.

Using information provided by CHA, the City will report on the loan activities, accomplishments, and outcomes in its Annual Action Plan and Consolidated Annual Performance Evaluation Report (CAPER) through HUD's IDIS.



Environment Review Requirement: The City of Chattanooga, as the responsible entity under 24 C.F.R. Part 58 is responsible for this process. CHA will maintain necessary contact with the City to ensure this requirement is properly adhered to and that no project funds are committed or spent until the review is complete and a release of funds is authorized. The City will obtain an Authorization to Use Grant Funds prior to the initial advance of funds.

12.2 The Chattanooga Housing Authority

The CHA possesses the specialized expertise required to oversee the complex, multi-year initiatives associated with Faircloth authority and adhering to applicable federal, state, and local regulations. The CHA as an agency, operates over 2,700 units of affordable rental housing and administers over 4,000 Housing Choice Vouchers in the Chattanooga area. The organization has an experienced construction and capital projects team, which is continuously engaged in delivering renovation projects for its sites, utilizing multiple grant sources, many of them federal. CHA's team has experience going back to the early 2000's in working with outside developers on major neighborhood redevelopments.

CHA will be responsible for all costs, principal payments, interest, fees, etc. associated with the loan. The CHA will sign loan agreements directly with HUD, securing them with project-specific collateral such as revenues or property liens. To meet HUD's federal backstop requirements, the City of Chattanooga will concurrently pledge its CDBG grants. As the direct borrower, CHA will negotiate and execute loan documents, promissory notes, and repayment schedules with HUD.

Successful execution of the 10-year master plan requires dedicated staff capacity, clear decision-making protocols, and ongoing Board oversight. CHA will establish a Faircloth Development Committee with quarterly reporting requirements to the full Board. A City staff member will serve on the committee.



SECTION 13: PROPOSED REPAYMENT SCHEDULE

The maximum repayment period for a Section 108 loan is 20 years. HUD has the ability to structure the principal amortization to match the needs of the project and borrower, including periods of interest-only payments. This repayment schedule is for illustrative purposes only. The actual repayment schedule will depend on the interim and permanent interest rates and the number/timing of projects assisted.¹

Total Loan Authority		\$7,800,250
Year	Principal Repayment	
1	\$390,013	
2	\$390,013	
3	\$390,013	
4	\$390,013	
5	\$390,013	
6	\$390,013	
7	\$390,013	
8	\$390,013	
9	\$390,013	
10	\$390,013	
11	\$390,013	
12	\$390,013	
13	\$390,013	
14	\$390,013	
15	\$390,013	
16	\$390,013	
17	\$390,013	
18	\$390,013	
19	\$390,013	
20	\$390,013	

¹ The level-principal repayment shown here assumes a single full disbursement at Year 0 amortized in equal principal installments over 20 years. In practice, draws will be staggered project-by-project across the five-year pipeline, and a true amortization schedule would not produce a level principal year after year. Actual debt service will reflect the timing of project draws and the prevailing 3-month T-Bill plus 35 bps rate at each draw.



SECTION 14: EXPECTED SOURCES OF REPAYMENT AND LOAN FEE

CHA will service the Section 108 loan from CHA's share of project revenue streams, including partnership distributions, ground lease income, asset management fees, developer fee installments, and residual proceeds, over a period of up to 20 years. The CDBG pledge serves as a federal backstop and is not a programmatic repayment source. The Section 108 financing fee will be paid from Section 108 loan proceeds.

SECTION 15: CONTACT INFORMATION

For any questions regarding this Section 108 Loan Guarantee Application, please contact:

City of Chattanooga

Department of Economic Development

c/o Sandra Gober, HCI Director

101 E 11th Street, Suite 200

Chattanooga, TN 37402

Tel: (423) 643-7332

Fax: (423)643-7341

sgober@chattanooga.gov

SECTION 16: CERTIFICATIONS

(Certifications - to be attached for final application)

ATTACHMENTS

1. Chattanooga Housing Authority Faircloth Master Plan
2. Chattanooga Housing Authority Request for Proposals (Faircloth Authority Development Partnership)

ATTACHMENTS

1. Chattanooga Housing Authority Faircloth Master Plan - Pages 31-54
2. Chattanooga Housing Authority Request for Proposals (Faircloth Authority Development Partnership) - Pages 55-74

ATTACHMENT 1

CHATTANOOGA HOUSING AUTHORITY
FAIRCLOTH MASTER PLAN
Portfolio Wide Plan

Strategic Deployment of 1,287 Units
Poverty Deconcentration Through Public/Private Partnership Model

Prepared: March 2026

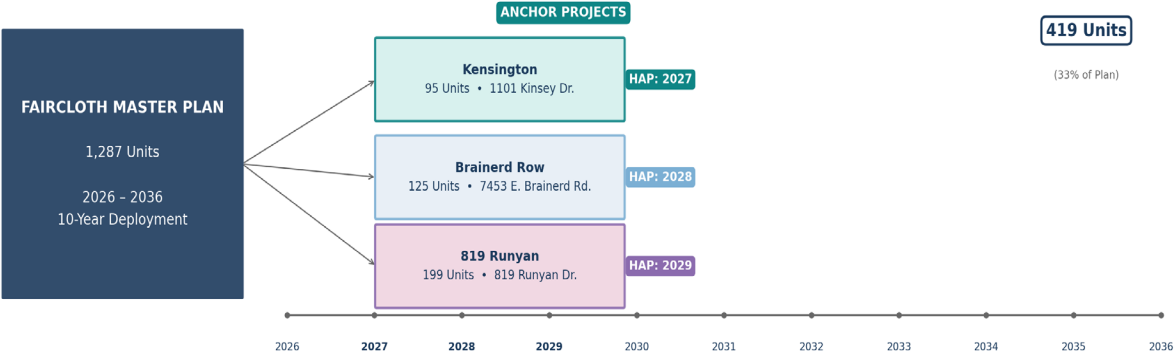
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1 PROGRAM OVERVIEW AND CONTEXT

This Faircloth Master Plan establishes a comprehensive framework for the Chattanooga Housing Authority (CHA) to strategically deploy 1,287 units of Faircloth authority. The first two anchor transactions are separate Purchase Forward acquisitions of the Kensington Square Townhomes (95 units) (“Kensington”) located at 1101 Kinsey Drive and the Brainerd Row Townhomes (125 units) (“Brainerd Row”) located at 7453 E. Brainerd Road, each structured as an independent Purchase Forward transaction.

Kensington may close in two phases depending on unit delivery timelines: approximately 50 units closing in 2026 for delivery beginning January 1, 2027, and the remaining 45 units closing in 2027 for delivery in 2028. Brainerd Row (125 units) is expected to close in 2027 for delivery beginning January 1, 2028. The third Anchor Project is the 819 Runyan Senior Housing Development (199 units) (“819 Runyan”) located at 819 Runyan Drive, which will begin construction in summer 2026 and deliver for lease-up beginning January 1, 2029. Collectively, these three projects are referred to as the “Anchor Projects.”



1.1 The Case for Poverty Deconcentration

For decades, federal housing policy concentrated low-income families in geographically isolated neighborhoods, creating and reinforcing patterns of poverty that persist across generations. The consequences of this concentration are well-documented: children growing up in high-poverty neighborhoods experience worse educational outcomes, reduced earnings in adulthood, higher rates of incarceration, and shorter life expectancies compared to similar children in lower-poverty areas. These disparities exist not because of individual characteristics but because neighborhoods themselves shape opportunity.

Research from the Moving to Opportunity demonstration showed that when families with housing vouchers move to lower-poverty neighborhoods, children experience significant long-term benefits. Children who moved to opportunity neighborhoods before age 13 earned 31% more as adults (\$3,477 more per year in their mid-twenties) and were 16% more likely to attend college (Chetty, Hendren & Katz, 2016).¹

Current affordable housing options in Chattanooga, whether through CHA Public Housing, Section 8 Vouchers, Housing PILOTs, or LIHTC, are primarily situated in Central Chattanooga, an area of general low average median income with areas of severe poverty.² To maximize poverty deconcentration impact, CHA will prioritize sites in census tracts with poverty rates at or below 20%.

Poverty deconcentration is not about abandoning distressed neighborhoods. CHA remains deeply committed to place-based revitalization through its One Westside and planned One Eastside initiatives (see Section 2.3). Rather, deconcentration is about expanding choice. Families should be able to choose whether to remain in revitalized central city neighborhoods or to access opportunity in suburban communities. Without intentional siting of affordable housing in higher-income areas, that choice does not exist; market forces alone will not produce affordable housing where opportunity is greatest.

1.2 Faircloth Authority Explained

The Faircloth-to-Voucher (FTV) program, established under 24 CFR § 982.102(d), allows public housing agencies to project-base a limited number of vouchers to units owned by the PHA itself or by an affiliate entity. This authority is capped at the number of public housing units the agency owned on October 1, 1999 (the 'Faircloth limit'). CHA's Faircloth limit is 1,287 units, representing the baseline from which all subsequent public housing demolition, disposition, and RAD conversions are measured. All of CHA's Faircloth authority is available for deployment as part of this Faircloth Master Plan.

1.3 Primary Objectives

1. **Poverty Deconcentration:** Target developments in neighborhoods with average to above-average Area Median Income (AMI), providing housing choice voucher holders access to opportunity-rich communities with strong schools, employment centers, and amenities.
2. **Financial Sustainability:** Utilize private partnership models that minimize CHA capital requirements while maintaining long-term portfolio control through purchase options and conversion rights.
3. **Portfolio Diversification:** Balance LIHTC-financed new construction with non-LIHTC projects, creating flexibility in unit mix, income targeting, and geographic distribution.
4. **Strategic Complement to Place-Based Initiatives:** Provide geographic opportunity options that complement CHA's intensive place-based revitalization work, offering families choice between remaining in transformed neighborhoods or accessing new communities.
5. **Population Diversification:** Allocate approximately 15% of Faircloth authority to senior housing (age 62+), addressing the acute shortage of affordable senior housing in opportunity neighborhoods while preserving the program's primary orientation toward family multifamily housing that maximizes child-focused poverty deconcentration outcomes.

1.4 Strategic Framework

Faircloth-to-Voucher authority provides a unique mechanism for poverty deconcentration that addresses limitations inherent in other affordable housing tools:

Tool	Limitation for Deconcentration	Faircloth Advantage
Traditional Vouchers	Landlords in high-opportunity areas often refuse to accept; insufficient supply	Creates dedicated supply in target neighborhoods; landlord acceptance guaranteed
LIHTC (without PHA)	Developer selects sites based on tax credit competitiveness; often targets already-affordable areas	CHA directs site selection to specific opportunity neighborhoods
Public Housing (traditional)	Faircloth restriction prevents new construction; existing sites are in high-poverty areas	Faircloth authority specifically exempts deconcentration from the construction ban
RAD conversion	Requires existing public housing to convert; limited to place-based transformation	Not tied to existing sites; enables geographic mobility strategy

The program leverages public/private partnerships using either Low-Income Housing Tax Credit (LIHTC) financing or direct financing models such as Purchase Forward transactions. Year 1 rent augmentation is provided primarily by loans from the City of Chattanooga through the HUD Section 108 Loan Guarantee Program, under which Section 108 proceeds fund CHA’s pre-construction acquisition of project sites. CITC structured loans can serve as a backup facility for transactions where Section 108 is unavailable or insufficient. In general, CHA ground leases each site to the project partnership, with the lessee paying a capitalized ground lease amount at closing in the full amount required for CHA’s HAP reserves to fund Year 1 projected rent income. This capitalized ground lease mechanism is the primary Section 108 transmission structure across both LIHTC and Purchase Forward transactions. In LIHTC transactions, the developer fee provides supplemental capacity.

This partnership structure allows CHA to control development at a scale far exceeding what it could finance directly: CHA invests zero cash equity and bears no construction, lease-up, or operating risk, while private partners provide all development capital in exchange for market-rate returns during a 10- to 15-year hold period. CHA secures ownership rights of up to 100% of the project that vest at Year 10 (Purchase Forward) or Year 15 (LIHTC), creating permanent affordable housing assets at a fraction of replacement cost. The detailed partnership models and CHA’s risk profile are presented in Section 4.6.

This Faircloth strategy complements rather than competes with CHA’s place-based revitalization at College Hill Courts and East Lake Courts, which use separate financing mechanisms (RAD, Choice Neighborhoods, LIHTC) to serve a distinct but related mission. Section 2.3 provides the detailed strategic rationale for this complementary approach.

CHA’s Faircloth limit of 1,287 units represents a finite, non-renewable resource. This Master Plan proposes a systematically planned deployment of that authority in neighborhoods intentionally selected for their opportunity characteristics for a transformation of housing choice that will reverberate across generations.

1.5 Key Program Metrics

Metric	Target
Total Units	1,287 units
Implementation Period	2026–2036 (10 years)
Combined Augmentation Capacity (Section 108 ~\$7.7M + CITC \$10M)	\$17,700,000
Est. Total 10Y Augmentation Lending	\$12–15 million
Average Annual Production	≈130 units/year

1.6 Geographic Allocation Summary

Target Market	Total Units	% of Total	Remaining to Deploy
Northshore (374	50	4%	50
East Brainerd/amilton Place (37421)	325	25%	105
Southside TIFistrict (37408)	25	2%	25
Hixson (37343)	200	16%	200
Red Bank (373437405)	199	15%	0
Reserve/Emerng	213	17%	213
Signal Mountai37337)	75	6%	75
Ooltewah/Colledale (37377)	200	15%	200
TOTAL	1,287	100%	868³

2 MARKET ANALYSIS: TARGET AREAS FOR DECONCENTRATION

2.1 Income Geography of Chattanooga

The following analysis identifies target areas based on median household income data from the 2023 American Community Survey 5-Year Estimates as a proxy for identifying low-poverty neighborhoods:⁴

Geographic Area	Median HH Income	Vs. County	Target Priority
East Brainerd (3742)	\$79,958	+10.2%	HIGH
Ooltewah/Collegede (37363)	\$94,873	+30.7%	HIGH
Southside TIF (37)	\$91,000	+25.4%	HIGH
Red Bank (37343/7405)	\$83,896	+15.6%	HIGH
Hixson (37343)	\$79,177	+9.1%	HIGH
North Chattanooga (7405)	\$77,850	+7.3%	MEDIUM-HIGH
Signal Mountain (37)	\$115,959	+59.8%	MEDIUM-HIGH
Hamilton County (countywide)	\$72,568	Baseline	REFERENCE
Chattanooga (citywide)	\$61,028	-15.9%	REFERENCE
Northwest Chattanooga (37415)	\$67,027	-7.6%	LOW
East Ridge (37412)	\$56,600	-22.0%	LOW
Brainerd (37411)	\$50,180	-30.9%	AVOID
Central Chattanooga (37406)	\$42,993	-40.8%	AVOID

2.2 Primary Target Markets

2.2.1 East Brainerd/Hamilton Place Corridor (37421)

The East Brainerd area represents the highest-priority target for Faircloth development. With median household income 31% above the city median and 10% above the county median, this area combines strong schools, suburban housing stock, proximity to retail and employment centers, and excellent highway access via I-75. The area is experiencing continued residential growth and offers both multifamily acquisition opportunities and development sites.

Recommended allocation: 325 units (25% of total), of which 125 will be used for Brainerd Row and 95 for Kensington, leaving 105 units (8% of total) to deploy.

2.2.2 Ooltewah/Collegedale Area (37363)

This eastern suburban market has the highest median income among target areas, at \$94,873, 55% above the city median. The area is highly family-oriented with award-winning schools, extensive parks and greenways, and a strong sense of community. Development opportunities may be more limited and land costs higher, but the area provides maximum poverty deconcentration impact.

Recommended allocation: 200 units (15% of total).

2.2.3 Southside TIF (37408)

Downtown Chattanooga's revitalized Southside district offers a median household income of \$91,000, 25.4% above the Hamilton County median. This dense, walkable neighborhood attracts young professionals with high educational attainment and provides exceptional transit connectivity and employment access. Care must be taken in deployment given the proximity to below-average-income zip codes and existing affordable housing development in order to avoid poverty concentration. That said, CHA believes there are resident opportunities in this geographic area.

Recommended allocation: 25 units (2% of total).

2.2.4 Red Bank (37343/37405)

Red Bank offers the highest median household income among northern corridor suburbs at \$83,896, 15.6% above the Hamilton County median. This established community along the Tennessee River provides strong suburban amenities, quality schools, and convenient access to downtown Chattanooga. The senior housing rationale for this allocation is detailed in Section 2.2.9.

Recommended allocation: 199 units (15% of total) deployed through the 819 Runyan Drive senior housing project. This area will also receive strong consideration for deployment of Reserve vouchers.

2.2.5 Hixson (37343)

Hixson, located north of Chattanooga along Highway 153, offers a median household income of \$79,177, 9.1% above the Hamilton County median. This suburban community provides strong schools, established neighborhoods, and convenient access to both downtown and the northern employment corridor, with ongoing infrastructure improvements along the Highway 153 corridor.

Recommended allocation: 200 units (16% of total).

2.2.6 Signal Mountain

Signal Mountain represents the highest-income opportunity area with a median household income of \$115,959, 59.8% above the Hamilton County median. Development opportunities are constrained by limited available land, strict zoning controls, and high property values—but these same factors create an exceptionally stable market with strong long-term appreciation.

Recommended allocation: 75 units (6% of total).

2.2.7 North Shore/Riverfront

The North Shore area represents a walkable, mixed-income urban environment with direct access to downtown employment and amenities. Opportunities are likely limited to smaller infill projects or partnership opportunities with existing developments.

Recommended allocation: 50 units (4% of total).

2.2.8 Reserve/Emerging Markets

The remaining 213 units should be held in strategic reserve for emerging opportunities in areas experiencing income growth or gentrification pressure. This include, in addition to the previously identified target areas, portions of East Ridge (transitioning upward), emerging corridors along Lee Highway and Broad Street, and potential partnership opportunities in the Lookout Mountain community.

Recommended allocation: 213 units (17% of total).

2.2.9 Senior Housing Component: Strategic Rationale for 15% Portfolio Allocation

The Master Plan allocates approximately 15% of total Faircloth authority, 199 units, to senior housing (age 62+), deployed through 819 Runyan. While the portfolio is predominantly family housing, the inclusion of a dedicated senior component reflects deliberate strategic considerations:

- **Demographic Imperative.** Hamilton County's population aged 62 and older is growing at approximately twice the rate of the general population, and seniors on fixed incomes are disproportionately housing cost-burdened. Chattanooga's existing affordable senior housing supply is concentrated in central city neighborhoods lacking the amenities and healthcare access available in suburban opportunity areas.
- **Portfolio Diversification.** By including a meaningful senior component, CHA ensures its Faircloth portfolio serves the full continuum of voucher-eligible populations, aligning with HUD's expectation that housing authorities address the needs of multiple demographic groups.
- **Calibration at 15%.** This allocation is large enough to meaningfully address the senior affordable housing gap in opportunity neighborhoods, yet limited enough to preserve the program's primary orientation toward family housing, the housing type that produces maximum poverty deconcentration benefit through children's exposure to opportunity neighborhoods. The remaining 85% (1,088 units) is reserved for family-oriented multifamily development.

2.3 Other Central City Areas: Addressed Through Complementary Place-Based Initiatives

This Faircloth Master Plan intentionally excludes central city neighborhoods from the poverty deconcentration strategy. These areas are being addressed through separate, comprehensive place-based revitalization initiatives that utilize different financing mechanisms and serve complementary but distinct strategic purposes.

Initiative	Location	Status	Primary Financing
College Hill Courts / One Westside	West of CBD	Ongoing	RAD, Choice Neighborhoods, LIHTC
East Lakourts / One Eastside	East of CBD	Planning	RAD, Choice Neighborhoods, LIHTC (planned)

The College Hill Courts transformation combines demolition and reconstruction of obsolete public housing with mixed-income development, commercial space activation, and enhanced connectivity to the Central Business District. The planned East Lake Courts redevelopment will extend this place-based model to the southeast quadrant, addressing housing quality and broader neighborhood connectivity. Together, these initiatives ensure that central city neighborhoods historically characterized by concentrated public housing are fundamentally transformed.

The decision to exclude central city from Faircloth deployment reflects four strategic considerations:

1. **Poverty Deconcentration Objectives.** The primary purpose of this Master Plan is to provide voucher holders access to low-poverty, opportunity-rich neighborhoods. Central city areas do not currently meet the income criteria established for poverty deconcentration.
2. **Adequate Alternative Financing.** Central city revitalization benefits from RAD conversion, Choice Neighborhoods grants, and TIF mechanisms, tools specifically designed for place-based transformation and not available for suburban deconcentration.
3. **Preventing Re-Concentration.** Adding Faircloth units in neighborhoods that historically contained large public housing developments would risk perpetuating the concentration this Master Plan seeks to address, even in improving neighborhoods. The College Hill and East Lake transformations are premised on creating mixed-income communities.
4. **Maximizing Portfolio Diversity.** By reserving Faircloth authority for suburban and higher-income urban neighborhoods while addressing central city needs through separate initiatives, CHA creates a balanced portfolio serving the full spectrum of resident preferences.

3 10-YEAR BASELINE UTILIZATION PIPELINE

3.1 Production Pipeline Baseline by Calendar Year

The following pipeline baseline reflects the year in which projects come online and require HAP augmentation funding. Kensington and Brainerd Row are structured as two separate Purchase Forward transactions. Kensington may close in two phases: approximately 50 units closing in 2026 for delivery beginning January 1, 2027, and the remaining 45 units closing in 2027 for delivery in 2028. Brainerd Row is expected to close in 2027 for delivery beginning January 1, 2028. The 819 Runyan Senior Housing Development will begin construction in summer 2026 and deliver in 2029.

Year	Project(s)	Financing Model	Units	Cum	Augmentation (\$M)	Target Area
2027	Kensington (Phase 1)	Purchase Forward	50	50	\$0.43	E. Brainerd
2028	Brainerd Row; Kensington (Phase 2)	Purchase Forward	170	220	\$1.49	E. Brainerd
2029	819 Runyan	LIHTC	199	419	\$1.71	Red Bank
2030	Projects 5–6		130	549	\$1.13	TIF/E. Brainerd
2031	Projects 7–8		100	649	\$0.88	Ooltewah
2032	Projects 9–10		100	749	\$0.88	Ooltewah
2033	Projects 11–12		100	849	\$0.88	Hixson
2034	Projects 13–14		100	949	\$0.88	Hixson
2035	Projects 15–16		125	1,074	\$1.09	N. Shore/Sig. Mtn
2036	Projects 17–18		213	1,287	\$1.86	Reserve
TOTAL	18 Projects		1,287		\$11.23⁵	

3.1.1 Retention of Flexibility

The pipeline strategy can be adjusted based on current needs, restrictions, and opportunities. CHA retains the ability to modify the pipeline based on then-current assessments of how best to achieve the Master Plan objectives.

3.2 Annual Production Capacity Analysis

CHA's augmentation capacity combines Section 108 commitment authority (~\$7.7 M subject to City CDBG allocation) supplemented by up to \$10 million under the CITC backup facility. At an average augmentation requirement of \$8,750 per unit, total portfolio augmentation is approximately \$11.3 million, achievable primarily through Section 108-enabled ground lease and/or developer fee proceeds with targeted CITC backup lending for transactions where

Section 108 cannot be deployed. Ground lease and developer fee sizing must be confirmed project-by-project to ensure sufficient upfront fee capacity after LIHTC investor deferral requirements and HUD fee caps are applied. Practical considerations require spreading production across multiple years to account for development timeline variability (24–36 months from closing to stabilization), staggered project starts to manage CHA staff capacity, THDA certification timelines for CITC loans, market absorption capacity in target neighborhoods, and the need to maintain a continuous pipeline to preserve development partner relationships.

The baseline 10 year schedule deploys City and backup CITC loan capacity across 2–3 projects per year, with project sizes ranging from 100 to 200 units. This produces an average annual production of 125–135 units, completing the 1,287-unit program in 9–10 years while maintaining steady development momentum. Each project’s augmentation loan will be individually underwritten, certified by THDA (if CITC-sourced), and approved by the Board through a project-specific resolution as required by the CITC Program resolution.

3.3 Accelerated Deployment and Regulatory Window

The 10-year production timeline in Section 3.1 represents a baseline calibrated to CHA's current augmentation capacity, staffing, and market absorption. However, developers continue to approach CHA with viable near-term projects in target areas, and CHA anticipates that the timeline may be materially compressed, with multiple projects advancing concurrently rather than sequentially.

Accelerated deployment is desirable for two reasons. First, every year of delay is a year in which families remain without access to opportunity neighborhoods. The research summarized in Section 1.1 demonstrates that neighborhood exposure effects are cumulative and time-sensitive, particularly for children, earlier access produces larger lifetime earnings gains. Compressing the timeline directly amplifies the program's generational impact. Second, acceleration reduces the risk of future adverse regulatory changes to the Faircloth-to-RAD pathway. While all official HUD messaging signals continued support for Restore-Rebuild, unofficial staff statements suggest changes could affect projects not approved during the 2026 cycle. The prudent response is to secure HUD approval for as many Faircloth projects as feasible within the 2026 cycle, preserving optionality even for projects that will be built in subsequent years.

Accelerated approvals remain subject to the same underwriting standards, augmentation capacity constraints, site selection criteria (Section 2.2), financial feasibility thresholds, and augmentation sizing requirements (Section 4.7) that govern the baseline pipeline. No accelerated project will proceed without full Board approval through a project-specific resolution. Acceleration compresses the sequencing to capture a regulatory window that may not remain open indefinitely; it does not relax the substantive requirements.

4 IMPLEMENTATION STRATEGY

4.1 Governance & Organizational Capacity

Successful execution of this 10-year master plan requires dedicated staff capacity, clear decision-making protocols, and ongoing Board oversight. CHA will establish a Faircloth Development Committee with quarterly reporting requirements to the full Board.

4.2 Partner Selection Criteria

The success of the private partnership model depends on selecting developers and investors who understand CHA's dual mission of financial sustainability and poverty deconcentration. Key selection criteria include:

- Demonstrated experience with project-based voucher properties and HUD compliance
- Financial capacity to carry projects through construction and lease-up
- History of quality property management and tenant services
- Willingness to accept mission-oriented concessions on exit
- Alignment with CHA's community integration goals and willingness to include resident services as a project operating cost

4.3 Land Acquisition Strategy

With all projects using third-party land sources, CHA will develop initiative-taking land banking and site control strategies, including:

- Ongoing collaboration with the Chattanooga Land Bank Authority to identify suitable parcels in target neighborhoods
- Partnership with Invest Chattanooga and the City's Economic and Community Development Department to align affordable housing goals with broader economic development initiatives
- Development of standardized site selection criteria including income demographics, school quality, transit access, and proximity to employment centers
- Use of options and contracts for deed to control sites before formal project approval, minimizing speculative price increases

4.4 Project-Based Voucher Administration

Each Faircloth development requires project-based voucher (PBV) commitments covering up to 100% of units. CHA must carefully manage its PBV authority to ensure adequate commitments are available across the 10-year pipeline, requiring annual PBV utilization planning that balances Faircloth projects with other CHA priorities.

CHA will develop standardized PBV contract templates reflecting the Faircloth structure, including clear provisions on CHA's purchase options, partner exit mechanisms, and rent reasonableness determinations that account for the unique mission-driven nature of these developments.

4.5 Resident Services & Community Integration

Poverty deconcentration requires intentional support for families transitioning to new communities and initiative-taking engagement with receiving neighborhoods. CHA's Resident Services Framework will address:

- Pre-move counseling and orientation for voucher holders selecting Faircloth units
- Community and individual assessments with personalized case management plans aligned with resident goals
- Connection to employment, training, transportation, education, health resources, and financial literacy services, with targeted support for barriers such as childcare, digital access, and technology skills
- Ongoing community engagement through monthly and quarterly events such as job fairs, resource fairs, and health fairs
- Community outreach and education in receiving neighborhoods to build understanding and support
- Continuous monitoring of resident outcomes, including employment, education, health, goal progression, and overall satisfaction

4.6 Public/Private Partnership Development Model

The program employs a public/private partnership structure addressing two fundamental challenges: (1) minimizing CHA's upfront capital requirements, and (2) ensuring eventual CHA ownership and control. Three complementary models are used, each optimized for different development types and market conditions. In all three models, CHA invests zero cash equity; its only commitments are project-based vouchers funded entirely by HUD through annual Housing Assistance Payments (subject to Congressional appropriation and HUD renewal) and resident services generally contracted as a project operating cost. The sole direct expenditure CHA incurs is transaction-related legal fees, a substantial portion of which are performed in-house or reimbursable from project soft costs at closing.

4.6.1 Model A: LIHTC-Financed Development

Exemplified by 819 Runyan (200 units, \$68.6 million total development cost), this model leverages federal Low-Income Housing Tax Credits through a three-stage ownership transition:

Years 1–15: Limited Partnership. A Tax Credit Investor provides approximately 75% of development equity, a lender provides 30–50% in construction and permanent debt, and CHA provides a subordinate City augmentation loan (or CITC backup loan) to fund Year 1 rent augmentation. CHA holds a General Partner/managing member position (typically 0.01% during the tax credit period) with a 25% share of cash flow and developer fee participation.

Year 15: Purchase Option Exercise. CHA exercises its purchase option to acquire the Tax Credit Investor's interest at fair market value as determined by a housing authority or certified appraiser, financed through property refinancing, accumulated reserves, or supplemental acquisition financing. Where CHA or the City has contributed the land, the purchase price may be nominal. Investors are generally motivated to exit at Year 15 to avoid extended compliance obligations.

Years 16–45: CHA 100% Ownership. CHA owns the property outright, generating growing positive cash flow as rents increase with inflation while debt service remains fixed. By Year 45 all debt is retired and CHA owns the asset free and clear. The 819 Runyan property is projected to be worth \$152.7 million at Year 45 in nominal dollars while continuing to provide affordable housing in perpetuity.

4.6.2 Model B: Purchase Forward

The Purchase Forward structure is a deferred acquisition model that eliminates CHA's need for upfront equity capital while guaranteeing long-term asset ownership. Kensington (95 units) and Brainerd Row (125 units) are the designated prototypes for this model, structured as two separate Purchase Forward transactions. The structure and ultimate economics of each transaction are still under negotiation, but CHA expects them to be broadly similar to the 819 Runyan project economics described in Section 4.6.1.

The general Purchase Forward structure involves private equity partners forming a joint venture capitalized with senior debt and partner equity contributions, with CHA contributing zero direct cash equity. During the operating phase, the partnership operates the property with CHA providing PBV subsidy and governance control. At a designated buyout point (typically Year 10), CHA refinances and uses net proceeds to purchase both partners' equity interests at restricted appraisal valuations. CHA then owns 100% fee simple, capturing all cash flow growth and terminal appreciation as financing obligations amortize and retire.

4.6.3 Model C: Mixed-Income Development

Model C involves mixed-income development where CHA voucher-supported units represent approximately 25% of the total unit mix, with the balance comprising other LIHTC affordable units and market rate units. CHA serves as General Partner, ground lessor, and HAP provider in a Development Limited Partnership with a private development partner who provides construction expertise, secures financing, and manages operations. PBV-supported units are distributed throughout the property and are physically indistinguishable from market rate units.

CHA Ownership Path. Unlike Models A and B, Model C does not contemplate a mandatory purchase option or scheduled buyout. CHA retains a right of first refusal exercisable if the development partner elects to exit; otherwise, CHA continues as General Partner with a minority ownership interest, receiving its proportional share of distributable cash flow. This avoids the refinancing risk and capital requirements of the Year 10 or Year 15 buyouts but sacrifices the full long-term equity build present in Models A and B.

Cash Flow and Deconcentration Advantages. Model C produces steady, predictable cash flow to CHA from Year 1, derived from both PBV-supported units and CHA's proportional share of market rate unit revenue. The mixed-income structure also provides enhanced poverty deconcentration and voucher deployment flexibility: CHA can deploy fewer vouchers per project while generating meaningful deconcentration outcomes, preserving remaining Faircloth authority for additional projects.

Strategic Application. Model C is best suited for the highest-income opportunity neighborhoods (Signal Mountain, Ooltewah/Collegedale, portions of North Shore) where 100% affordable development may not be feasible due to land cost, development economics, or community opposition. It is also the preferred model for partnership opportunities with existing market rate developers willing to incorporate a PBV component. The Section 108 capitalized ground lease mechanism and supplemental developer fee operate identically to Models A and B

(see Section 4.7). CHA anticipates deploying Model C for approximately 25% of its pipeline units in later program years.

4.6.4 Model Comparison and Strategic Application

Feature	Model A: LIHTC	Model B: Purchase Forward	Model C: Mixed-Income
Prototyp	819 Runyan Senior Housing (200 units, \$68.6M)	Kensington (95 units) and Brainerd Row (125 units); separate transactions, structure under negotiation	TBD
CHA Cas Investmen	Zero	Zero (IC equity stays in CHA family)	Zero
Primary Cpital Source	Tax credit equity (70–80% of development cost)	Private equity JV + senior debt (structure under negotiation)	Multiple
CHA Ownrship Path	Purchase option at Year 15 (FMV per housing authority/certified appraiser; nominal if CHA/City land contribution)	Refinance buyout at Year 10	ROFR in the event of partner exit; otherwise continued minority ownership interest
Cash Flo Profile	Minimal Years 1–15; strong post-Year 15	Expected similar profile to Model A	Steady From Year one And increasing
Best Us For	New construction, 150+ units, substantial rehab	Acquisitions, smaller projects, faster deployment	Mixed-Income Development; Highest Income Areas
Timeline t Occupanc	30–36 months	6–12 months (acquisition); 18–30 months (construction)	30-36 months
Per-UnitPV (5%)	\$176,948	\$268,551 (Kensington projected)	TBD

A balanced portfolio combining all models creates optimal financial and operational outcomes. LIHTC projects provide scale and unit volume while Purchase Forward transactions provide deployment flexibility, faster execution, and higher per-unit returns. Mixed-Income Development provides increased voucher deployment flexibility and poverty deconcentration. The complementary cash flow profiles, with LIHTC projects generating minimal early cash flow but strong long-term equity and Purchase Forward generating immediate distributions, create portfolio-level stability across all time horizons.

4.7 Pathways to Year 1 Rent Augmentation: Section 108 Capitalized Ground Lease and CITC Backup Facility

Year 1 rent augmentation is critical to project feasibility across the Faircloth portfolio. Each project requires bridge funding to cover the gap between HUD’s initial NARR-determined contract rent and the market rent level necessary to support project financing during the lease-up and initial stabilization period. CHA will deploy two financing facilities in a defined priority structure: Section 108 is the primary augmentation facility in all transactions where it can be deployed; the CITC Augmentation Loan Program is the backup facility, deployed when Section 108 is unavailable for a particular transaction or insufficient to cover the full augmentation gap.

The primary Section 108 transmission mechanism is the same across all models: CHA acquires the project site with 108 sub-loan proceeds and ground leases it to the project entity (the LIHTC limited partnership in Model A, the IC/Standard JV in Model B; Development Limited Partnership entity in Model C), with the lessee paying a capitalized ground lease amount at closing that CHA deposits into HAP reserves. In LIHTC transactions, the developer fee provides additional closing cash capacity. All pathways are described in detail below.

4.7.1 Section 108 and Capitalized Ground Lease with Supplemental Developer Fee (All Models)

Year 1 rent augmentation is funded through a four-step capital infusion process that operates identically across all three development models. First, the City of Chattanooga borrows against its CDBG allocation under Section 108 of the Housing and Community Development Act (42 U.S.C. § 5308) at up to 5:1 leverage and sub-loans proceeds to CHA for CDBG-eligible pre-construction activities including site acquisition and infrastructure. Second, CHA ground leases the acquired site to the LIHTC limited partnership under a capitalized ground lease, with the lease payment due at closing in the full amount required to fund Year 1 projected rent augmentation. Third, CHA deposits the capitalized ground lease payment, supplemented where necessary by the upfront portion of CHA’s developer fee, into its HCV program HAP reserves, which fund augmented Year 1 Faircloth contract rents via the Restore-Rebuild pathway; Year 2 contract rents are then renewed at the augmented Year 1 level (OCAF-adjusted), establishing the permanent federal baseline. Fourth, CHA repays the Section 108 sub-loan to the City over up to a 20-year term from its share of project net operating income. The capitalized ground lease payment is sized to independently appraised fair market value; where it falls short of the required reserve deposit, the developer fee covers the shortfall, and the CITC backup facility (Section 4.7.2) provides any remainder.⁶

4.7.2 CITC Backup Loan (All Models)

CHA may also obtain project-specific loans from participating Tennessee financial institutions under the Tennessee Community Investment Tax Credit program (T.C.A. § 67-4-2109). CITC loan proceeds may utilize the ground lease structure described above or may be deposited directly into CHA’s HCV program HAP reserve accounts to fund augmented Year 1 contract rents. The CITC backup facility is projected to have an aggregate cap of \$10 million. In all models, CITC may cover any shortfall between the capitalized ground lease and augmentation amount. In all cases, CITC repayment is sourced exclusively from project-level revenue streams (partnership distributions, developer fee installments, asset management fees, and residual proceeds), at 4.5% interest with 15-year repayment terms.

Loan Feature	819 Runyan (LIHTC)
Total Units	199
Augmentation Loan Amount	\$1,706,400 (2029)
Per-Unit Cost	\$8,532
Interest Rate	4.5%
Repayment Term	15 Years
Annual Payment	\$156,646

Based on the 819 Runyan prototype, the planning model assumes an average augmentation requirement of approximately \$8,575 per unit. Kensington and Brainerd Row augmentation terms are still under negotiation but are expected to be similar. Section 108 commitment capacity across the portfolio is approximately \$7.0 million, subject to the City’s CDBG allocation and outstanding 108 balances. The CITC backup mechanism provides up to \$10 million in additional capacity. Together, the two mechanisms provide combined capacity substantially exceeding the estimated \$11.3 million total portfolio augmentation requirement.

4.8 Long-Term Portfolio Value Creation

The Faircloth program is not simply a housing production strategy; it is a portfolio development initiative that will fundamentally strengthen CHA’s long-term financial position. Analysis of the 819 Runyan Senior Housing Development, the most advanced Anchor Project from a financial modeling standpoint, demonstrates how the private partnership model generates substantial equity value and cash flow over time while requiring zero upfront CHA capital. The structure and ultimate economics of Kensington and Brainerd Row are still under negotiation but are expected to produce similar or superior results.

4.8.1 Net Present Value Analysis: 45-Year Returns

CHA engaged in detailed financial modeling of 819 Runyan across a 45-year holding period. The analysis calculates the Net Present Value (NPV) of all CHA cash flows plus terminal equity value at Year 45:

Discount Rate	819 Runyan NPV	Kensington (projected)
3%	\$73.5 million	\$52.7 million
5%	\$35.4 million	\$25.5 million
7%	\$18.1 million	\$13.1 million
10%	\$7.6 million	\$5.4 million

At a 5% discount rate, the standard benchmark for public sector investment analysis, 819 Runyan alone generates an NPV of \$35.4 million (200 units) with zero CHA cash investment. CHA expects Kensington and Brainerd Row to produce similar or superior returns once their structures are finalized, given the Purchase Forward model’s typically shorter path to full CHA ownership.

4.8.2 Per-Unit Value Creation

Metric	Value at 5% Discount Rate
819 Runyan NPV per Unit	\$176,948
Kensington (projected)	\$268,551

4.8.3 Terminal Equity: The Long-Term Wealth Builder

Projec	Terminal Equity (Yr 45)	Per Unit Total Value	Terminal % of Total NPV (7%)	Net Cash Flow (45Y)	Total Value	ROI
819 Ran	\$152.7 million	\$1.2 million	37%	\$88.8 million	\$241.5 million	4.13x
Kensingt (projeced)	\$100.9 million	\$1.8 million	59%	\$69.8 million	\$170.7 million	6.00x

Even when discounted back 45 years at a 7% rate, terminal equity accounts for approximately 40% -60% of total NPV. CHA will own free and clear, high-quality affordable housing assets. Kensington and Brainerd Row are expected to produce comparable terminal equity once their structures are finalized as shown above.

4.8.4 Cash Flow Profile: Near-Term vs. Long-Term

819 Runyan (LIHTC): During the 15-year partnership period, CHA receives a 25% share of distributable cash flow (approximately \$88,000–\$384,000 annually in Years 5–15) plus net proceeds from the City augmentation loan. At Year 15, CHA acquires 100% ownership through a nominal-value buyout of the LP interest (\$6.2 million) and an MAI appraised fair market value buyout of Standard Communities’ interest (\$18.6 million), financed through a consolidated refinance of \$58.6 million at 5.0%/30-year. Post-acquisition, CHA net cash flows grow from \$365,000 in Year 16 to \$6.2 million by Year 45, before terminal equity realization of \$152.7 million at Year 45. The City augmentation loan balloon payment (\$1.8 million) is repaid at Year 23.

Kensington and Brainerd Row (Purchase Forward): The structure and cash flow profiles of Kensington and Brainerd Row are still under negotiation. CHA expects the Purchase Forward model to produce meaningful distributions during the operating period, with accelerated full ownership (Year 10 vs. Year 15 for LIHTC) and correspondingly earlier transition to full CHA cash flow capture.

4.8.5 CHA 45-Year Internal Rate of Return

The 819 Runyan project produces a CHA 45-Year IRR of 6.14% under the LP nominal-value / Standard MAI appraised FMV buyout structure (consolidated refinance at Year 15). The LIHTC model’s IRR reflects the 15-year compliance period and the debt service burden of the acquisition refinance, but enables large-scale development without direct CHA equity capital.

Kensington and Brainerd Row IRRs are under negotiation. CHA expects the Purchase Forward model to produce a higher IRR than LIHTC, reflecting the shorter path to ownership and restricted appraisal exit mechanism. The current projected CHA 45-Year IRR for Kensington is 6.54%. A balanced portfolio combining LIHTC, Purchase Forward, and Mixed-Income models optimizes total returns across risk profiles and time horizons.

4.8.6 Portfolio-Level Implications: Scaling to 1,287 Units

Extrapolating from the 819 Runyan financial model across the full 1,287-unit portfolio, a reasonable approach given that similar financing structures and augmentation mechanisms will be deployed portfolio-wide, the aggregate value creation is transformative:

At 819 Runyan’s per-unit NPV of \$176,948 (5% discount rate), a portfolio of 1,287 units would generate an aggregate NPV of approximately \$283 million. This is conservative: it does not account for operational efficiencies as CHA scales the program, and the Purchase Forward model (to be used for Kensington, Brainerd Row, and potentially other acquisitions) is expected to produce higher per-unit returns due to its shorter path to full CHA ownership.

Terminal equity value across the full portfolio would approach \$1 billion in Year 45 nominal dollars, providing permanent balance sheet strength and collateral for future development. By Year 44, when all Faircloth projects have transitioned to full CHA ownership, the portfolio could generate \$30–50 million in annual operating cash flow, providing substantial financial flexibility for capital improvements or additional affordable housing development.

This financial performance demonstrates that the Faircloth program is a mission-driven investment generating market-rate returns: 1,287 apartments in opportunity-rich neighborhoods, ultimately owned free and clear, providing permanent affordable housing to families who would otherwise be priced out of these communities.

5 RISK ANALYSIS & MITIGATION

5.1 Regulatory and Financial Risks

Risk	Mitigation Strategy
Section 108 CDBG capacity constraint / CITC backup curtailment	Section 108 as primary (CDBG 5x leverage ~\$7.5M); CITC backup (\$10M); combined capacity exceeds \$11.3M portfolio requirement; developer fee sizing confirmed per-project; THDA certification pathway for CITC; competitive lender dynamics
Land cost escalation in target markets	Early site control; acquisition model flexibility
Development partner default	Strong partner vetting; backup guarantees; step-in rights
Insufficient voucher demand in target areas	Mobility counseling; amenities focus; phased absorption
HUD policy/regulatory changes	Active NAHRO engagement; flexible deal structures
HAP reserve adequacy / augmentation fund-flow structure	Largely mitigated by use of loan proceeds for site acquisition; structural protection framework by using unrestricted ground lease proceeds to augment HAP reserves
Federal baseline ratchet (Year 1 augmentation → Year 2+ federal commitment)	Site acquisition/ground lease structure mitigates risk: pre-construction TDC reduction means Year 1 rents reflect authentic project economics, not borrowed-fund support; documented Year 1 shortfall is the clean predicate for Year 2 step-up; independent eligibility qualification; HUD disclosure via RCC; rent reasonableness constraints; authorized HUD pathway under Restore-Rebuild Guide

5.2 Community Opposition Management

NIMBY opposition represents perhaps the most significant implementation risk. Higher-income neighborhoods targeted for poverty deconcentration often have strong civic organizations, political connections, and histories of resistance to affordable housing. Mitigation strategies must be initiative-taking and sustained:

- Early and transparent community engagement, presenting data on the positive impacts of well-managed affordable housing
- Emphasis on high-quality architecture, site design, and amenities that enhance rather than detract from neighborhoods
- Robust resident services programs that demonstrate commitment to successful family outcomes
- Partnership with City leadership and elected officials to frame Faircloth development as aligned with broader housing affordability and economic development goals

6 CONCLUSIONS

This Master Plan presents the CHA Board with a clear decision: deploy 1,287 units of Faircloth authority strategically over a decade through the public/private partnership model described herein, or allow this finite, non-renewable resource to be consumed incrementally without advancing coherent policy goals. The financial analysis in Section 4.8 demonstrates that the partnership model generates extraordinary returns while requiring zero CHA cash equity and bearing no construction, lease-up, or operating risk. The poverty deconcentration mission and the financial value creation are perfectly aligned.

The three Anchor Projects—Kensington, Brainerd Row, and 819 Runyan—are in the active pipeline and will deploy the first 419 units by 2029. Adoption of this Master Plan, together with the companion amendments to the HCVP Administrative Plan, initiation of the Section 108 application process with the City of Chattanooga, the Board's CITC backup authorization, and the RFP authorization, provides the institutional framework to sustain production across all ten years.

ENDNOTES

¹ Chetty, Raj, Nathaniel Hendren, and Lawrence F. Katz. 2016. "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment." *American Economic Review* 106(4): 855-902.

Children whose families took up an experimental voucher to move to a lower-poverty area when they were less than 13 years old (average age 8.2) had annual income that was \$3,477 (31%) higher on average relative to a mean of \$11,270 in the control group in their mid-twenties. Also available as NBER Working Paper:

- Chetty, Raj, Nathaniel Hendren, and Lawrence F. Katz. 2015. "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment." NBER Working Paper No. 21156.

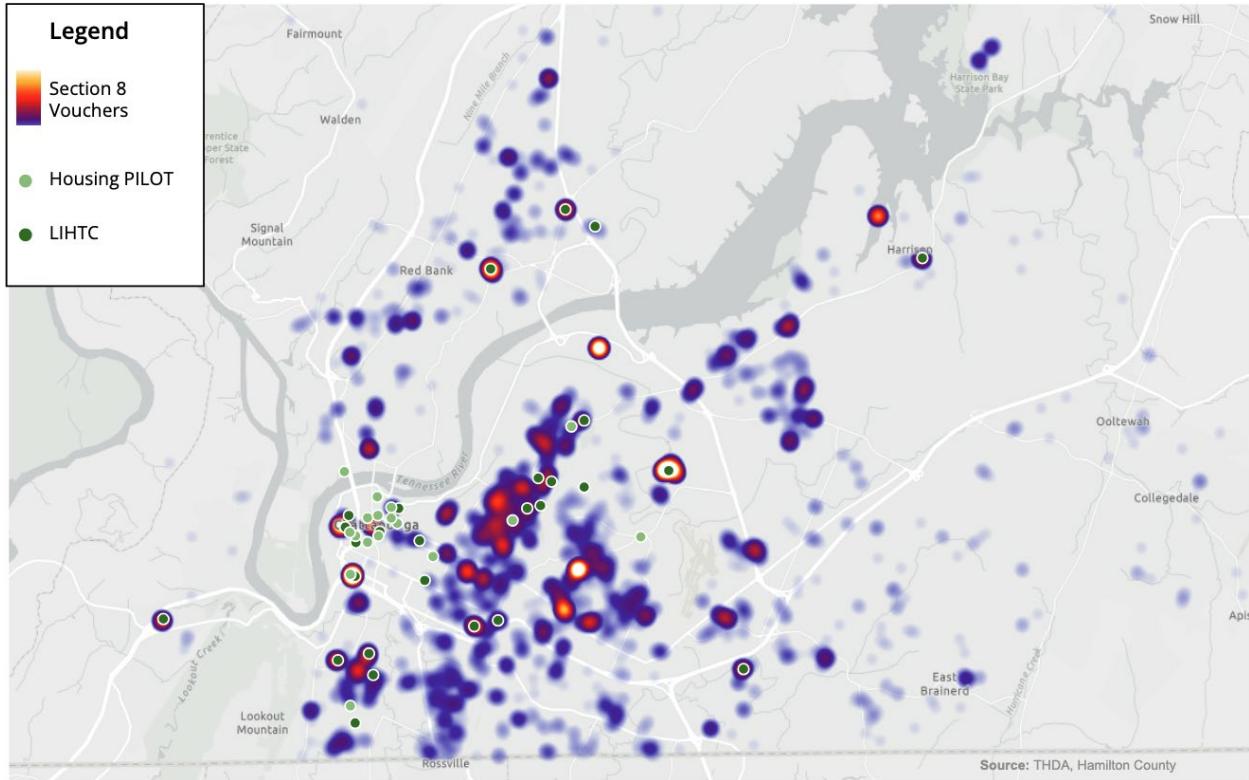
From the same Chetty, Hendren & Katz (2016) study: "We find that moving to a lower-poverty neighborhood when young (before age 13) increases college attendance and earnings and reduces single parenthood rates." The ITT (intent-to-treat) effect on college attendance between ages 18-20 was a 2.5 percentage point increase relative to the control group mean attendance rate of 16.5% - representing a 16% increase in college attendance rates. Children who moved also attended higher quality colleges as measured by an earnings-based college quality index.

From Chetty, Hendren & Katz (2016): The study estimates that moving a child out of public housing to a low-poverty area when young (at age 8 on average) using an MTO-type experimental voucher will increase the child's total lifetime earnings by approximately \$302,000 (in 2012 dollars). This is equivalent to a gain of \$99,000 per child moved in present value at age 8, discounting future earnings at a 3% interest rate.

Sanbonmatsu, Lisa, Jens Ludwig, Lawrence F. Katz, Lisa A. Gennetian, Greg J. Duncan, Ronald C. Kessler, Emma Adam, Thomas W. McDade, and Stacy Tessler Lindau. 2011. *Moving to Opportunity for Fair Housing Demonstration Program: Final Impacts Evaluation*. Washington, DC: U.S. Department of Housing and Urban Development. This is the comprehensive HUD evaluation report documenting the MTO demonstration (1994-2010).

Chetty, Raj, and Nathaniel Hendren. 2018. "The Impacts of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects." *Quarterly Journal of Economics* 133(3): 1107-1162. This companion study analyzing 5+ million families confirms that every year spent in a better neighborhood during childhood increases earnings in adulthood, supporting the MTO findings.

2 Current Distribution of Housing Pilots, LIHTC Projects, Section 8 Vouchers:



³ The first three anchor projects (Kensington: 95 units; Brainerd Row: 125 units; 819 Runyan: 199 units) deploy 419 units (33%), leaving 868 units (67%) for future deployment.

⁴ The 2024 ACS Survey showed median household income for Chattanooga citywide was \$66,060 and \$78,629 for Hamilton County countywide. The 2024 ACS by zip code has not been released. Therefore 2023 Chattanooga citywide and Hamilton countywide are used as the baseline references.

⁵ Augmentation loan amounts shown represent Year 1 rent augmentation commitments only. Total augmentation lending cost over program life will be higher due to multi-year loan repayment terms. Estimated total augmentation lending across all projects: \$12–15 million, sourced primarily through the City of Chattanooga HAP Augmentation Loan Program (\$7M facility) with additional capacity available through the CITC backup facility (\$10M aggregate cap).

⁶ Two alternative structural options are available for transactions where the capitalized ground lease structure cannot be deployed. Under an alternative preferred equity structure, CHA would acquire the site with 108 sub-loan proceeds, contribute it to the JV as a preferred equity contribution, and receive a priority distribution at or near construction closing funded from a construction loan draw or partner equity, which CHA would deposit into HAP reserves. Under an

alternative public infrastructure structure, the City would use Section 108 proceeds to fund public infrastructure improvements serving the project site without CHA site acquisition, reducing JV TDC and narrowing the augmentation gap, with CITC providing the full direct HAP reserve deposit. The preferred equity structure carries moderate regulatory risk requiring JV renegotiation and outside counsel opinion; the public infrastructure structure carries the lowest CDBG eligibility risk but produces the weakest direct benefit to CHA's equity position and Year 10 buyout value. Either alternative may serve as a supplemental mechanism or fallback where site acquisition or ground lease structuring is unavailable. In LIHTC transactions specifically, the developer fee alone may serve as the primary transmission mechanism if the capitalized ground lease structure is unavailable, subject to LIHTC investor deferral requirements and HUD developer fee caps on the upfront portion.

ATTACHMENT 2

CHATTANOOGA HOUSING AUTHORITY

REQUEST FOR PROPOSALS

RFP NO. L-1036-00

Faircloth Authority Development Partnership

Accelerated Deployment Cycle – Citywide

868 Units of Available Faircloth Authority

EXPEDITED RFP SCHEDULE

Milestone	Date
RFP Release	March 31, 2026
Written Questions Due	April 2, 2026, 12:00 PM EDT
CHA Responses Posted	April 2, 2026, by 5:00 PM EDT
PROPOSAL DEADLINE	April 7, 2026, 5:00 PM EDT
Evaluation Period	April 8–10, 2026
Award Notification(s)	April 10, 2026

Proposals must be submitted electronically through Euna Procurement, new vendors will need to create a “free” account: <https://chahousing.bonfirehub.com>

Issued: March 31, 2026

NOTICE: EXPEDITED PROCUREMENT TIMELINE

This RFP is issued under an expedited timeline pursuant to CHA Board authorization and CHA's emergency procurement authority. HUD has informally advised public housing authorities that the Restore-Rebuild pathway under which Faircloth-to-RAD conversions are approved may be subject to near-term regulatory changes. To preserve CHA's ability to deploy all 868 remaining units of Faircloth authority, CHA is issuing this citywide RFP on an accelerated basis to identify qualified development partners and projects for NARR submission as soon as practicable.

Legal Note on Timeline: Federal procurement standards at 2 CFR 200.320 require "full and open competition" for competitive proposals but do not prescribe a minimum response period. CHA's procurement policy permits expedited timelines when authorized by the Board under documented exigent circumstances. CHA has determined that the risk of adverse regulatory changes to the Restore-Rebuild pathway constitutes an exigent circumstance justifying this accelerated schedule. Respondents who require additional time may submit a statement of interest by the deadline and request an extension for a complete proposal, which CHA may grant in its sole discretion for proposals in non-time-critical target areas.

1. PROGRAM OVERVIEW

The Chattanooga Housing Authority (CHA) is soliciting proposals from qualified development partners for affordable housing projects utilizing CHA's remaining Faircloth authority. CHA's Faircloth limit is 1,287 units. Of these, 419 units are committed to the three Anchor Projects (Kensington Square Townhomes, 95 units; Brainerd Row Townhomes, 125 units; and 819 Runyan Senior Housing Development, 199 units). This RFP seeks development partners for the remaining 868 units of available Faircloth authority.

This RFP is issued pursuant to CHA's Faircloth Authority 10-Year Portfolio Master Plan adopted March 31, 2026. Unlike the phased, area-by-area RFP process originally contemplated, this accelerated RFP covers all eligible target areas simultaneously to enable CHA to submit NARR applications to HUD for all remaining units as expeditiously as possible.

1.1 Geographic Target Areas and Preferred Allocations

CHA will consider proposals in all geographic areas identified in the Faircloth Master Plan. The following table sets forth the preferred unit allocation by target area. CHA reserves the right to reallocate units among target areas, or to approve projects outside identified target areas, based on the quality of proposals received, market conditions, and CHA's strategic assessment of poverty deconcentration objectives.

Target Area	Zip Code	Priority	Preferred Units	% of Remaining
East Brainerd / Hamilton Place	37421	HIGH	105	25%
Ooltewah / Collegedale	37363	HIGH	200	23%
Hixson	37343	HIGH	200	23%
Southside TIF District	37408	HIGH	25	3%
North Shore / Riverfront	37405	MEDIUM-HIGH	50	6%
Signal Mountain	37377	MEDIUM-HIGH	75	9%
Reserve / Emerging	Various	OPEN	213	25%
TOTAL REMAINING AUTHORITY			868	100%

Proposals for projects in locations not listed above will be considered if the proposed site meets the poverty deconcentration criteria set forth in Section 3.1 and the proposer demonstrates that the project advances the objectives of the Faircloth Master Plan. CHA may reallocate units from any target area to any other target area or to an unlisted area if doing so serves the Master Plan’s objectives.

1.2 Eligible Project Types

CHA will consider proposals for:

- New construction utilizing Low-Income Housing Tax Credits (LIHTC)
- New construction without LIHTC (conventional financing)
- Acquisition and rehabilitation with or without LIHTC
- Purchase Forward acquisitions of existing or under-construction properties
- Mixed-income developments where CHA voucher-supported units represent approximately 25% of total units
- Acquisition of existing stabilized properties

Projects must serve households at or below 80% Area Median Income (AMI), with a minimum of 75% of units serving extremely low-income households (at or below 30% AMI) consistent with HCV program requirements. Mixed-income proposals may have a different income mix for the non-PBV units.

1.3 Partnership Models

CHA will consider all proposals but preference will be given to those structured under any of the three partnership models described in the Faircloth Master Plan:

Model A – LIHTC-Financed Development

Model B – Purchase Forward

Model C – Mixed-Income Development

1.4 Multiple Awards and Phased Closings

CHA anticipates making multiple awards under this RFP covering some or all of the 868 available units. CHA recognizes that while NARR submissions to HUD should occur as soon as possible, individual project closings and construction starts may occur on different timelines extending through 2036. Proposers should indicate their anticipated closing and delivery timeline. CHA will prioritize projects that can close and deliver units soonest, but will also award projects with longer timelines where the quality and location of the proposal warrant reservation of Faircloth authority.

2. SUBMISSION REQUIREMENTS

Given the expedited timeline, CHA has streamlined submission requirements. Proposals must include the following components, along with the RFP Title (Faircloth Authority Development Partnership) and the RFP No. L-1036-00:

2.1 Executive Summary (5 pages maximum)

- Project name, location (street address), zip code, and unit count
- Development team identification and key personnel
- Partnership model proposed (A, B, C or, other (describe structure))
- Total development cost and financing structure summary
- Proposed timeline from award to certificate of occupancy
- Amount of City HAP augmentation loan requested (if any)

2.2 Developer Qualifications (10 pages maximum)

- Developer entity description and ownership structure
- Development experience summary (3 comparable projects minimum)
- Compliance history (HUD REAC scores, tax credit compliance)
- Financial capacity documentation (audited financials or summary; full audited financials may be submitted post-award)
- Two professional references

2.3 Site and Project Description (15 pages maximum)

- Site control documentation (deed, purchase agreement, option, or letter of intent)
- Site location map and photographs
- Preliminary site plan or conceptual design (schematic level acceptable)
- Unit mix and approximate square footage
- Neighborhood and census tract data demonstrating poverty deconcentration criteria
- Environmental status (Phase I if available; otherwise, description of known conditions)

2.4 Financial Summary (No page limit)

- Preliminary sources and uses statement
- Operating pro forma summary (10-year minimum for Purchase Forward; 15-year for LIHTC)
- Financing status: identification of equity and debt sources with status of commitments
- Proposed rent schedule and augmentation loan request with per-unit calculation

2.5 Partnership Terms (5 pages maximum)

- Proposed ownership structure
- CHA role and governance rights
- Developer fee and cash flow distribution proposal
- Purchase option or buyout terms
- Projected timeline to 100% CHA ownership

2.6 Statements of Interest

Respondents who cannot prepare a complete proposal within the expedited timeline may submit a Statement of Interest (3 pages maximum) identifying the proposed project, target area, approximate unit count, development team, and current status of site control and financing. CHA may, in its sole discretion, invite Statements of Interest respondents to submit complete proposals on an extended timeline for projects in target areas not fully subscribed by complete proposals.

3. EVALUATION CRITERIA AND SCORING

Complete proposals will be evaluated on a 100-point scale. Statements of Interest will be evaluated qualitatively and will not receive point scores unless CHA invites a complete proposal.

3.1 Geographic Location (30 Points)

Projects will be scored based on location within CHA's identified target areas, with priority given to HIGH-priority areas. The deconcentration criteria are: (1) census tract median household income at or above Hamilton County median; (2) census tract poverty rate below 20%; and (3) subsidized housing in census tract below 10% of total housing stock.

Points	Scoring Criteria
30	Project is located within a HIGH-priority target area AND census tract meets all three poverty deconcentration criteria (median income \geq county median; poverty rate $<$ 20%; subsidized housing $<$ 10%)
25	Project is in a HIGH-priority target area but census tract meets only 2 of 3 deconcentration criteria
20	Project is in a MEDIUM-HIGH target area AND meets all 3 poverty deconcentration criteria
15	Project is in a MEDIUM-HIGH target area, meets 2 of 3 deconcentration criteria
10	Project is in a Reserve/Emerging area with demonstrated emerging opportunity characteristics
5	Project is in a location not identified in this RFP but otherwise meets all 3 poverty deconcentration criteria and advances Faircloth Master Plan objectives
0	Project location does not meet minimum site selection criteria

3.2 Developer Qualifications and Track Record (20 Points)

Points	Scoring Criteria
8	Relevant Experience: Developer has completed 5+ LIHTC or mixed-finance projects of comparable scale (50+ units each) within past 10 years with no significant compliance issues
6	HUD/PHA Partnership Experience: Developer has completed 3+ projects involving public housing authorities, HUD financing, or RAD conversions with documented successful performance
4	Compliance Record: All properties in developer's portfolio average REAC score of 85+ with no material tax credit compliance violations in past 5 years
2	Financial Capacity: Audited financial statements demonstrate net worth exceeding \$5M and working capital sufficient for proposed project scale

3.3 Financial Feasibility (20 Points)

Points	Scoring Criteria
8	Development Budget Reasonableness: Total development cost per unit is within 10% of market benchmarks; cost estimates are detailed and realistic; contingencies are appropriate
6	Financing Commitments: All major financing sources have committed term sheets or identified pathways; no material gaps; timeline aligns with development schedule
4	Operating Pro Forma Soundness: Cash flow projections demonstrate 1.20+ DSCR; operating expense assumptions are reasonable; rent growth assumptions are conservative
2	City Loan Efficiency: City HAP augmentation loan request is ≤\$10,000/unit OR project requires no City loan; repayment demonstrates full repayment within 10 years

3.4 Project Quality and Design (15 Points)

Points	Scoring Criteria
5	Unit Design and Livability: Unit sizes exceed HQS minimums by 15%+; functional layouts; quality finishes; in-unit laundry connections; energy-efficient appliances
4	Community Amenities: Excellent community spaces; outdoor amenities; adequate parking; secure entry systems
3	Accessibility and Universal Design: Exceeds minimum accessibility requirements; 10%+ units fully ADA compliant; aging-in-place features
3	Sustainability and Efficiency: Enterprise Green Communities or equivalent certification; high-efficiency HVAC; LED lighting; low-flow fixtures

3.5 Returns to CHA and Instrumentalities (15 Points)

Points	Scoring Criteria
10	CHA/IC receives ≥25% of net operating income and Development Fee and major decision consent rights
5	Ownership Transition Terms: Purchase option exercisable at Year 15 or earlier at favorable pricing including MAI restricted rent standards; clear path to 100% CHA ownership except for Mixed-Income Developments where CHA vouchers constitute 25% or less of the unit mix.

4. GENERAL CONDITIONS

4.1 Compliance with HUD and CHA Requirements

All proposals and resulting development partnerships shall comply with:

- 24 CFR Part 983 (Project-Based Voucher Program regulations)
- HUD Mixed-Finance Development requirements
- Section 3 economic opportunities requirements
- Fair Housing and Equal Opportunity requirements
- Davis-Bacon prevailing wage requirements (if applicable)
- Environmental review requirements (24 CFR Part 58)
- CHA procurement policies and procedures
- All applicable federal, state, and local laws

4.2 CHA Discretion to Award, Defer, or Reallocate

CHA reserves the sole and absolute discretion to:

- Award to one or more proposers for any number of units
- Award to no proposers if submissions do not meet minimum standards
- Reallocate units among target areas based on proposal quality and strategic priorities
- Award units in areas not identified in this RFP where proposals demonstrate strong poverty deconcentration outcomes
- Negotiate terms with selected proposer(s)
- Request additional information, clarifications, or complete proposals from Statement of Interest respondents
- Reject any or all proposals
- Waive minor irregularities in proposals
- Issue subsequent RFPs for any unawarded units

4.3 NARR Submission and Regulatory Preservation

CHA intends to submit NARR applications to HUD for awarded projects as expeditiously as possible to preserve Faircloth-to-RAD conversion eligibility under the current Restore-Rebuild pathway. Proposers should be prepared to cooperate with CHA in preparing NARR submissions on an accelerated timeline. CHA's award of Faircloth authority and submission of a NARR does not obligate CHA to close a transaction; closing remains subject to completion of all due diligence, negotiation of definitive agreements, HUD approvals, financing commitments, and Board approval of project-specific resolutions.

4.4 Public Information and Confidentiality

All proposals submitted become the property of CHA and are subject to Tennessee public records laws. Proposers should clearly mark any proprietary or confidential information; however, CHA cannot guarantee confidentiality if disclosure is required by law.

4.5 Protest Procedures

Given the expedited timeline and exigent circumstances, proposers may protest award decisions by filing a written protest with CHA's President & CEO within 5 business days of award notification. Protests must

identify specific grounds and provide supporting documentation. The President & CEO's decision on protests shall be final.

5. CONTACT INFORMATION AND SUBMISSION

RFP Questions and Inquiries:

Submit electronically through Euna Procurement.

All questions must be submitted no later than April 2, 2026, 12:00 PM EDT.
CHA will post responses to all questions by April 2, 2026, by 5:00 PM EDT.

Proposal Submission:

Submit proposals electronically through Euna Procurement.

Deadline: April 7, 2026 at 5:00 PM Eastern Daylight Time

Late submissions will not be accepted.

1. Preparation of Offers

(a) Offerors are expected to examine the statement of work, the proposed contract terms and conditions, and all instructions. Failure to do so will be at the offeror's risk.

(b) Each offeror shall furnish the information required by the solicitation. The offeror shall sign the offer and print or type its name on the cover sheet and each continuation sheet on which it makes an entry. Erasures or other changes must be initialed by the person signing the offer. Offers signed by an agent shall be accompanied by evidence of that agent's authority, unless that evidence has been previously furnished to the HA.

(c) Offers for services other than those specified will not be considered.

2. Submission of Offers

(a) Offers and modifications thereof shall be submitted in sealed envelopes or packages (1) addressed to the office specified in the solicitation, and (2) showing the time specified for receipt, the solicitation number, and the name and address of the offeror.

(b) Telegraphic offers will not be considered unless authorized by the solicitation; however, offers may be modified by written or telegraphic notice.

(c) Facsimile offers, modifications or withdrawals will not be considered unless authorized by the solicitation.

3. Amendments to Solicitations

(a) If this solicitation is amended, then all terms and conditions which are not modified remain unchanged.

(b) Offerors shall acknowledge receipt of any amendments to this solicitation by

- (1) signing and returning the amendment;
- (2) Identifying the amendment number and date in the space provided for this purpose on the form for submitting an offer,
- (3) letter or telegram, or
- (4) facsimile, if facsimile offers are authorized in the solicitation. The HA/HUD must receive the acknowledgment by the time specified for receipt of offers.

4. Explanation to Prospective Offerors

Any prospective offeror desiring an explanation or interpretation of the solicitation, statement of work, etc., must request it in writing soon enough to allow a reply to reach all prospective offerors before the submission of their offers. Oral explanations or instructions given before the award of the contract will not be binding. Any information given to a prospective offeror concerning a solicitation will be furnished promptly to all other prospective offerors as an amendment of the solicitation, if that information is necessary in submitting offers or if the lack of it would be prejudicial to any other prospective offerors.

5. Responsibility of Prospective Contractor

(a) The HA shall award a contract only to a responsible prospective contractor who is able to perform successfully under the terms and conditions of the proposed contract. To be determined responsible, a prospective contractor must -

- (1) Have adequate financial resources to perform the contract, or the ability to obtain them;

- (2) Have a satisfactory performance record;
- (3) Have a satisfactory record of integrity and business ethics;
- (4) Have a satisfactory record of compliance with public policy, (e.g., Equal Employment Opportunity); and
- (5) Not have been suspended, debarred, or otherwise determined to be ineligible for award of contracts by the Department of Housing and Urban Development or any other agency of the U.S. Government. Current lists of ineligible contractors are available for inspection at the HA/HUD.

(b) Before an offer is considered for award, the offeror may be requested by the HA to submit a statement or other documentation regarding any of the foregoing requirements. Failure by the offeror to provide such additional information may render the offeror ineligible for award.

6. Late Submissions, Modifications, and Withdrawal of offers

(a) Any offer received at the place designated in the solicitation after the exact time specified for receipt will not be considered unless it is received before award is made and it -

- (1) Was sent by registered or certified mail not later than the fifth calendar day before the date specified for receipt of offers (e.g., an offer submitted in response to a solicitation requiring receipt of offers by the 20th of the month must have been mailed by the 15th);
- (2) Was sent by mail, or if authorized by the solicitation, was sent by telegram or via facsimile, and it is determined by the HA/ HUD that the late receipt was due solely to mishandling by the a HA/HUD after receipt at the HA;
- (3) Was sent by U.S. Postal Service Express Mail Next Day Service - Post Office to Addressee, not later than 5:00 p.m. at the place of mailing two working days prior to the date specified for receipt of proposals. The term "working days" excludes weekends and U.S. Federal holidays; or
- (4) Is the only offer received.

(b) Any modification of an offer, except a modification resulting from the HA's request for "best and final offer (if this solicitation is a request for proposals), is subject to the same conditions as in subparagraphs (a)(1), (2), and (3) of this provision.

(c) A modification resulting from the HA's request for "best and final offer received after the time and date specified in the request will not be considered unless received before award and the late receipt is due solely to mishandling by the HA after receipt at the HA.

(d) The only acceptable evidence to establish the date of mailing of a late offer, modification, or withdrawal sent either by registered or certified mail is the U.S. or Canadian Postal Service postmark both on the envelope or wrapper and on the original receipt from the U.S. or Canadian Postal Service. Both postmarks must show a legible date or the offer, modification, or withdrawal shall be processed as if mailed late. "Postmark" means a printed, stamped, or otherwise placed impression (exclusive of a postage motor machine impression) that is readily identifiable without further action as having been supplied and affixed by employees of the U.S. or Canadian Postal Service on the date of mailing. Therefore, offerors should request the postal clerk to place a hand cancellation bull's-eye postmark on both the receipt and the envelope or wrapper.

(e) The only acceptable evidence to establish the time of receipt at the HA is the time/date stamp of HA on the offer wrapper or other documentary evidence of receipt maintained by the HA.

(f) The only acceptable evidence to establish the date of mailing of a late offer, modification, or withdrawal sent by Express Mail Next Day Service-Post Office to Addressee is the date entered by the post office receiving clerk on the "Express Mail Next Day Service-Post Office to Addressee" label and the postmark on both the envelope or wrapper and on the original receipt from the U.S. Postal Service. "Postmark" has the same meaning as defined in paragraph (c) of this provision, excluding postmarks of the Canadian Postal Service. Therefore, offerors should request the postal clerk to place a legible hand cancellation bull's eye postmark on both the receipt and the envelope or wrapper.

(g) Notwithstanding paragraph (a) of this provision, a late modification of an otherwise successful offer that makes its terms more favorable to the HA will be considered at any time it is received and may be accepted.

(h) If this solicitation is a request for proposals, proposals may be withdrawn by written notice, or if authorized by this solicitation, by telegram (including mailgram) or facsimile machine transmission received at any time before award. Proposals may be withdrawn in person by a offeror or its authorized representative if the identity of the person requesting withdrawal is established and the person signs a receipt for the offer before award. If this solicitation is an invitation for bids, bids may be withdrawn at any time prior to bid opening.

7. Contract Award

(a) The HA will award a contract resulting from this solicitation to the responsible offeror whose offer conforming to the solicitation will be most advantageous to the HA, cost or price and other factors, specified elsewhere in this solicitation, considered.

(b) The HA may

- (1) reject any or all offers if such action is in the HA's Interest.
- (2) accept other than the lowest offer,
- (3) waive informalities and minor irregularities in offers received, and (4) award more than one contract for all or part of the requirements stated.

(c) If this solicitation is a request for proposals, the HA may award a contract on the basis of initial offers received, without discussions. Therefore, each initial offer should contain the offeror's best terms from a cost or price and technical standpoint.

(d) A written award or acceptance of offer mailed or otherwise furnished to the successful offeror within the time for acceptance specified in the offer shall result in a binding contract without further action by either party. If this solicitation is a request for proposals before the offer's specified expiration time, the HA may accept an offer: whether or not there are negotiations after its receipt, unless a written notice of withdrawal is received before award. Negotiations conducted after receipt of an offer do not constitute a rejection or counteroffer by the HA.

(a) Neither financial data submitted with an offer, nor representations concerning facilities or financing, will form a part of the resulting contract.

8. Service of Protest

Any protest against the award of a contract pursuant to this solicitation shall be served on the HA by obtaining written and dated acknowledgment of receipt from the HA at the address shown on the cover of this solicitation. The determination of the HA with regard to such protest or to proceed to award notwithstanding such protest shall be final unless appealed by the protestor.

9. Offer Submission

Offers shall be submitted as follows and shall be enclosed in a sealed envelope and addressed to the office specified in the solicitation. The proposal shall show the hour and date specified in the solicitation for receipt, the solicitation number, and the name and address of the offeror, on the face of the envelope.

It is very important that the offer be properly identified on the face of the envelope as set forth above in order to insure that the date and time of receipt is stamped on the face of the offer envelope. Receiving procedures are: date and time stamp those envelopes identified as proposals and deliver them immediately to the appropriate contracting official, and only date stamp those envelopes which do not contain identification of the contents and deliver them to the appropriate procuring activity only, through the routine mail delivery procedure:

[Describe bid or proposal preparation instructions here.]

Certifications and Representations of Offerors

Non-Construction Contract

Public reporting burden for this collection of information is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

This form includes clauses required by OMB's common rule on bidding/offering procedures, implemented by HUD in 24 CFR 85.36, and those requirements set forth in Executive Order 11625 for small, minority, women-owned businesses, and certifications for independent price determination, and conflict of interest. The form is required for nonconstruction contracts awarded by Housing Agencies (HAs). The form is used by bidders/offers to certify to the HA's Contracting Officer for contract compliance. If the form were not used, HAs would be unable to enforce their contracts. Responses to the collection of information are required to obtain a benefit or to retain a benefit. The information requested does not lend itself to confidentiality.

1. Contingent Fee Representation and Agreement

(a) The bidder/offeror represents and certifies as part of its bid/offer that, except for full-time bona fide employees working solely for the bidder/offeror, the bidder/offeror:

- (1) has, has not employed or retained any person or company to solicit or obtain this contract; and
- (2) has, has not paid or agreed to pay to any person or company employed or retained to solicit or obtain this contract any commission, percentage, brokerage, or other fee contingent upon or resulting from the award of this contract.

(b) If the answer to either (a)(1) or (a) (2) above is affirmative, the bidder/offeror shall make an immediate and full written disclosure to the PHA Contracting Officer.

(c) Any misrepresentation by the bidder/offeror shall give the PHA the right to (1) terminate the resultant contract; (2) at its discretion, to deduct from contract payments the amount of any commission, percentage, brokerage, or other contingent fee; or (3) take other remedy pursuant to the contract.

2. Small, Minority, Women-Owned Business Concern Representation

The bidder/offeror represents and certifies as part of its bid/offer that it:

- (a) is, is not a small business concern. "Small business concern," as used in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding, and qualified as a small business under the criteria and size standards in 13 CFR 121.
- (b) is, is not a women-owned small business concern. "Women-owned," as used in this provision, means a small business that is at least 51 percent owned by a woman or women who are U.S. citizens and who also control and operate the business.
- (c) is, is not a minority enterprise which, pursuant to Executive Order 11625, is defined as a business which is at least 51 percent owned by one or more minority group members or, in the case of a publicly owned business, at least 51 percent of its voting stock is owned by one or more minority group members, and whose management and daily operations are controlled by one or more such individuals.

For the purpose of this definition, minority group members are:

(Check the block applicable to you)

- | | |
|---|---|
| <input type="checkbox"/> Black Americans | <input type="checkbox"/> Asian Pacific Americans |
| <input type="checkbox"/> Hispanic Americans | <input type="checkbox"/> Asian Indian Americans |
| <input type="checkbox"/> Native Americans | <input type="checkbox"/> Hasidic Jewish Americans |

3. Certificate of Independent Price Determination

(a) The bidder/offeror certifies that—

- (1) The prices in this bid/offer have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other bidder/offeror or competitor relating to (i) those prices, (ii) the intention to submit a bid/offer, or (iii) the methods or factors used to calculate the prices offered;
- (2) The prices in this bid/offer have not been and will not be knowingly disclosed by the bidder/offeror, directly or indirectly, to any other bidder/offeror or competitor before bid opening (in the case of a sealed bid solicitation) or contract award (in the case of a negotiated solicitation) unless otherwise required by law; and
- (3) No attempt has been made or will be made by the bidder/offeror to induce any other concern to submit or not to submit a bid/offer for the purpose of restricting competition.

(b) Each signature on the bid/offer is considered to be a certification by the signatory that the signatory:

- (1) Is the person in the bidder/offeror's organization responsible for determining the prices being offered in this bid or proposal, and that the signatory has not participated and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above; or
- (2) (i) Has been authorized, in writing, to act as agent for the following principals in certifying that those principals have not participated, and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above (insert full name of person(s) in the bidder/offeror's organization responsible for determining the prices offered in this bid or proposal, and the title of his or her position in the bidder/offeror's organization);
(ii) As an authorized agent, does certify that the principals named in subdivision (b)(2)(i) above have not participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above; and

(iii) As an agent, has not personally participated, and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above.

- (c) If the bidder/offeror deletes or modifies subparagraph (a)2 above, the bidder/offeror must furnish with its bid/offer a signed statement setting forth in detail the circumstances of the disclosure.

4. Organizational Conflicts of Interest Certification

- (a) The Contractor warrants that to the best of its knowledge and belief and except as otherwise disclosed, it does not have any organizational conflict of interest which is defined as a situation in which the nature of work under a proposed contract and a prospective contractor's organizational, financial, contractual or other interest are such that:

- (i) Award of the contract may result in an unfair competitive advantage;
- (ii) The Contractor's objectivity in performing the contract work may be impaired; or
- (iii) That the Contractor has disclosed all relevant information and requested the HA to make a determination with respect to this Contract.

- (b) The Contractor agrees that if after award he or she discovers an organizational conflict of interest with respect to this contract, he or she shall make an immediate and full disclosure in writing to the HA which shall include a description of the action which the Contractor has taken or intends to eliminate or neutralize the conflict. The HA may, however, terminate the Contract for the convenience of HA if it would be in the best interest of HA.

- (c) In the event the Contractor was aware of an organizational conflict of interest before the award of this Contract and intentionally did not disclose the conflict to the HA, the HA may terminate the Contract for default.

- (d) The Contractor shall require a disclosure or representation from subcontractors and consultants who may be in a position to influence the advice or assistance rendered to the HA and shall include any necessary provisions to eliminate or neutralize conflicts of interest in consultant agreements or subcontracts involving performance or work under this Contract.

5. Authorized Negotiators (RFPs only)

The offeror represents that the following persons are authorized to negotiate on its behalf with the PHA in connection with this request for proposals: (list names, titles, and telephone numbers of the authorized negotiators):

6. Conflict of Interest

In the absence of any actual or apparent conflict, the offeror, by submission of a proposal, hereby warrants that to the best of its knowledge and belief, no actual or apparent conflict of interest exists with regard to my possible performance of this procurement, as described in the clause in this solicitation titled "Organizational Conflict of Interest."

7. Offeror's Signature

The offeror hereby certifies that the information contained in these certifications and representations is accurate, complete, and current.

Signature & Date:

Typed or Printed Name:

Title:

General Conditions for Non-Construction Contracts

Section I — (With or without Maintenance Work)

U.S. Department of Housing and Urban Development

Office of Public and Indian Housing

Office of Labor Relations

OMB Approval No. 2577-0157 (exp. 1/31/2027)

Public Reporting Burden for this collection of information is estimated to average one hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid OMB number. This form includes those clauses required by OMB's common rule on grantee procurement, implemented at HUD in 2 CFR 200, and those requirements set forth in Section 3 of the Housing and Urban Development Act of 1968 and its amendment by the Housing and Community Development Act of 1992, implemented by HUD at 24 CFR Part 75. The form is required for non-construction contracts awarded by Public Housing Agencies (PHAs). The form is used by PHAs in solicitations to provide necessary contract clauses and allows PHAs to enforce their contracts. Comments regarding the accuracy of this burden estimate and any suggestions for reducing this burden can be sent to the Reports Management Officer, Office of Policy Development and Research, REE, Department of Housing and Urban Development, 451 7th St SW, Room 4176, Washington, DC 20410-5000. When providing comments, please refer to OMB Approval No. 2577-0157. Do not send this completed form to either of these addressees. The information collected will not be held confidential.

Applicability. This form HUD-5370-C has 2 Sections. These Sections must be inserted into non-construction contracts as described below:

- X 1) **Non-construction contracts** (*without* maintenance) **greater than \$250,000 - use Section I;**
- 2) **Maintenance contracts** (including nonroutine maintenance as defined at 24 CFR 905.100) **greater than \$2,000 but not more than \$250,000 - use Section II;** and
- X 3) **Maintenance contracts** (including nonroutine maintenance), **greater than \$250,000 — use Sections I and II.**

Section I - Clauses for All Non-Construction Contracts greater than \$250,000

1. Definitions

The following definitions are applicable to this contract:

- (a) "Authority or Housing Authority (HA)" means the Housing Authority.
- (b) "Contract" means the contract entered into between the Authority and the Contractor. It includes the contract form, the Certifications and Representations, these contract clauses, and the scope of work. It includes all formal changes to any of those documents by addendum, Change Order, or other modification.
- (c) "Contractor" means the person or other entity entering into the contract with the Authority to perform all of the work required under the contract.
- (d) "Day" means calendar days, unless otherwise stated.
- (e) "HUD" means the Secretary of Housing and Urban development, his delegates, successors, and assigns, and the officers and employees of the United States Department of Housing and Urban Development acting for and on behalf of the Secretary.

2. Changes

- (a) The HA may at any time, by written order, and without notice to the sureties, if any, make changes within the general scope of this contract in the services to be performed or supplies to be delivered.
- (b) If any such change causes an increase or decrease in the hourly rate, the not-to-exceed amount of the contract, or the time required for performance of any part of the work under this contract, whether or not changed by the order, or otherwise affects the conditions of this contract, the HA shall make an equitable adjustment in the not-to-exceed amount, the hourly rate, the delivery schedule, or other affected terms, and shall modify the contract accordingly.
- (c) The Contractor must assert its right to an equitable adjustment under this clause within 30 days from the date of receipt of the written order. However, if the HA decides that the facts justify it, the HA may receive and act upon a

proposal submitted before final payment of the contract.

- (d) Failure to agree to any adjustment shall be a dispute under clause Disputes, herein. However, nothing in this clause shall excuse the Contractor from proceeding with the contract as changed.
- (e) No services for which an additional cost or fee will be charged by the Contractor shall be furnished without the prior written consent of the HA.

3. Termination for Convenience and Default

- (a) The HA may terminate this contract in whole, or from time to time in part, for the HA's convenience or the failure of the Contractor to fulfill the contract obligations (default). The HA shall terminate by delivering to the Contractor a written Notice of Termination specifying the nature, extent, and effective date of the termination. Upon receipt of the notice, the Contractor shall: (i) immediately discontinue all services affected (unless the notice directs otherwise); and (ii) deliver to the HA all information, reports, papers, and other materials accumulated or generated in performing this contract, whether completed or in process.
- (b) If the termination is for the convenience of the HA, the HA shall be liable only for payment for services rendered before the effective date of the termination.
- (c) If the termination is due to the failure of the Contractor to fulfill its obligations under the contract (default), the HA may (i) require the Contractor to deliver to it, in the manner and to the extent directed by the HA, any work as described in subparagraph (a)(ii) above, and compensation be determined in accordance with the Changes clause, paragraph 2, above; (ii) take over the work and prosecute the same to completion by contract or otherwise, and the Contractor shall be liable for any additional cost incurred by the HA; (iii) withhold any payments to the Contractor, for the purpose of off-set or partial payment, as the case may be, of amounts owed to the HA by the Contractor.
- (d) If, after termination for failure to fulfill contract obligations (default), it is determined that the Contractor had not failed, the termination shall be deemed to have been effected for the convenience of the HA, and the Contractor shall be entitled to payment as described in paragraph (b) above.
- (e) Any disputes with regard to this clause are expressly made subject to the terms of clause titled Disputes herein.

4. Examination and Retention of Contractor's Records

- (a) The HA, HUD, or Comptroller General of the United States, or any of their duly authorized representatives shall, until 3 years after final payment under this contract, have access to and the right to examine any of the Contractor's directly pertinent books, documents, papers, or other records involving transactions related to this contract for the purpose of making audit, examination, excerpts, and transcriptions.

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- (b) The Contractor agrees to include in first-tier subcontracts under this contract a clause substantially the same as paragraph (a) above. "Subcontract," as used in this clause, excludes purchase orders not exceeding \$10,000.
 - (c) The periods of access and examination in paragraphs (a) and (b) above for records relating to:
 - (i) appeals under the clause titled Disputes;
 - (ii) litigation or settlement of claims arising from the performance of this contract; or,
 - (iii) costs and expenses of this contract to which the HA, HUD, or Comptroller General or any of their duly authorized representatives has taken exception shall continue until disposition of such appeals, litigation, claims, or exceptions.

A breach of these Contract clauses may be grounds for termination of the Contract and for debarment or denial of participation in HUD programs as a Contractor and a subcontractor as provided in 24 CFR Part 24.

5. Rights in Data (Ownership and Proprietary Interest)

The HA shall have exclusive ownership of, all proprietary interest in, and the right to full and exclusive possession of all information, materials and documents discovered or produced by Contractor pursuant to the terms of this Contract, including but not limited to reports, memoranda or letters concerning the research and reporting tasks of this Contract.

6. Energy Efficiency

The contractor shall comply with all mandatory standards and policies relating to energy efficiency which are contained in the energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub.L. 94-163) for the State in which the work under this contract is performed.

7. Disputes

- (a) All disputes arising under or relating to this contract, *except for disputes arising under clauses contained in Section 111, Labor Standards Provisions*, including any claims for damages for the alleged breach there of which are not disposed of by agreement, shall be resolved under this clause.
- (b) All claims by the Contractor shall be made in writing and submitted to the HA. A claim by the HA against the Contractor shall be subject to a written decision by the HA.
- (c) The HA shall, with reasonable promptness, but in no event in no more than 60 days, render a decision concerning any claim hereunder. Unless the Contractor, within 30 days after receipt of the HA's decision, shall notify the HA in writing that it takes exception to such decision, the decision shall be final and conclusive.
- (d) Provided the Contractor has (i) given the notice within the time stated in paragraph (c) above, and (ii) excepted its claim relating to such decision from the final release, and (iii) brought suit against the HA not later than one year after receipt of final payment, or if final payment has not been made, not later than one year after the Contractor has had a reasonable time to respond to a written request by the HA that it submit a final voucher and release, whichever is earlier, then the HA's decision shall not be final or conclusive, but the dispute shall be determined on the merits by a court of competent jurisdiction.
- (e) The Contractor shall proceed diligently with performance of this contract, pending final resolution of any request for relief, claim, appeal, or action arising under the contract, and comply with any decision of the HA.

8. Contract Termination; Debarment

9. Assignment of Contract

The Contractor shall not assign or transfer any interest in this contract; except that claims for monies due or to become due from the HA under the contract may be assigned to a bank, trust company, or other financial institution. If the Contractor is a partnership, this contract shall inure to the benefit of the surviving or remaining member(s) of such partnership approved by the HA.

10. Certificate and Release

Prior to final payment under this contract, or prior to settlement upon termination of this contract, and as a condition precedent thereto, the Contractor shall execute and deliver to the HA a certificate and release, in a form acceptable to the HA, of all claims against the HA by the Contractor under and by virtue of this contract, other than such claims, if any, as may be specifically excepted by the Contractor in stated amounts set forth therein.

11. Organizational Conflicts of Interest

- (a) The Contractor warrants that to the best of its knowledge and belief and except as otherwise disclosed, it does not have any organizational conflict of interest which is defined as a situation in which the nature of work under this contract and a contractor's organizational, financial, contractual or other interests are such that:
 - (i) Award of the contract may result in an unfair competitive advantage; or
 - () The Contractor's objectivity in performing the contract work may be impaired.
- (b) The Contractor agrees that if after award it discovers an organizational conflict of interest with respect to this contract or any task/delivery order under the contract, he or she shall make an immediate and full disclosure in writing to the Contracting Officer which shall include a description of the action which the Contractor has taken or intends to take to eliminate or neutralize the conflict. The HA may, however, terminate the contract or task/delivery order for the convenience of the HA if it would be in the best interest of the HA.
- (c) In the event the Contractor was aware of an organizational conflict of interest before the award of this contract and intentionally did not disclose the conflict to the Contracting Officer, the HA may terminate the contract for default.
- (d) The terms of this clause shall be included in all subcontracts and consulting agreements wherein the work to be performed is similar to the service provided by the prime Contractor. The Contractor shall include in such subcontracts and consulting agreements any necessary provisions to eliminate or neutralize conflicts of interest.

12. Inspection and Acceptance

- (a) The HA has the right to review, require correction, if necessary, and accept the work products produced by the Contractor. Such review(s) shall be carried out within 30 days so as to not impede the work of the Contractor. Any

product of work shall be deemed accepted as submitted if the HA does not issue written comments and/or required corrections within 30 days from the date of receipt of such product from the Contractor.

- (b) The Contractor shall make any required corrections promptly at no additional charge and return a revised copy of the product to the HA within 7 days of notification or a later date if extended by the HA.
- (c) Failure by the Contractor to proceed with reasonable promptness to make necessary corrections shall be a default. If the Contractor's submission of corrected work remains unacceptable, the HA may terminate this contract (or the task order involved) or reduce the contract price or cost to reflect the reduced value of services received.

13. Interest of Members of Congress

No member of or delegate to the Congress of the United States of America or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit to arise there from, but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

14. Interest of Members, Officers, or Employees and Former Members, Officers, or Employees

No member, officer, or employee of the HA, no member of the governing body of the locality in which the project is situated, no member of the governing body in which the HA was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the project, shall, during his or her tenure, or for one year thereafter, have any interest, direct or indirect, in this contract or the proceeds thereof.

15. Limitation on Payments to Influence Certain Federal Transactions

(a) Definitions. As used in this clause:

"Agency", as defined in 5 U.S.C. 552(f), includes Federal executive departments and agencies as well as independent regulatory commissions and Government corporations, as defined in 31 U.S.C. 9101(1).

"Covered Federal Action" means any of the following Federal actions:

- (i) The awarding of any Federal contract;
- (ii) The making of any Federal grant;
- (iii) The making of any Federal loan;
- (iv) The entering into of any cooperative agreement; and
- (v) The extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

Covered Federal action does not include receiving from an agency a commitment providing for the United States to insure or guarantee a loan.

"Indian tribe" and "tribal organization" have the meaning provided in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450B). Alaskan Natives are included under the definitions of Indian tribes in that Act.

"Influencing or attempting to influence" means making, with the intent to influence, any communication to or appearance before an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any covered Federal action.

"Local government" means a unit of government in a State and, if chartered, established, or otherwise recognized by a State for the performance of a governmental duty, including a local public authority, a special district, an intrastate district, a council of governments, a sponsor group representative organization, and any other instrumentality of a local government

"Officer or employee of an agency" includes the following individuals who are employed by an agency:

- (i) An individual who is appointed to a position in the Government under title 5, U.S.C., including a position under a temporary appointment;
- (ii) A member of the uniformed services as defined in section 202, title 18, U.S.C.;
- (iii) A special Government employee as defined in section 202, title 18, U.S.C.; and,
- (iv) An individual who is a member of a Federal advisory committee, as defined by the Federal Advisory Committee Act, title 5, appendix 2.

"Person" means an individual, corporation, company, association, authority, firm, partnership, society, State, and local government, regardless of whether such entity is operated for profit or not for profit. This term excludes an Indian tribe, tribal organization, or other Indian organization with respect to expenditures specifically permitted by other Federal law.

"Recipient" includes all contractors, subcontractors at any tier, and subgrantees at any tier of the recipient of funds received in connection with a Federal contract, grant, loan, or cooperative agreement. The term excludes an Indian tribe, tribal organization, or any other Indian organization with respect to expenditures specifically permitted by other Federal law.

"Regularly employed means, with respect to an officer or employee of a person requesting or receiving a Federal contract, grant, loan, or cooperative agreement, an officer or employee who is employed by such person for at least 130 working days within one year immediately preceding the date of the submission that initiates agency consideration of such person for receipt of such contract, grant, loan, or cooperative agreement. An officer or employee who is employed by such person for less than 130 working days within one year immediately preceding the date of submission that initiates agency consideration of such person shall be considered to be regularly employed as soon as he or she is employed by such person for 130 working days.

"State" means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, a territory or possession of the United States, an agency or instrumentality of a State, and a multi-State, regional, or interstate entity having governmental duties and powers.

(b) Prohibition.

- (i) Section 1352 of title 31, U.S.C. provides in part that no appropriated funds may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(v) The prohibition does not apply as follows:

(1) Agency and legislative liaison by Own Employees.

(a) The prohibition on the use of appropriated funds, in paragraph (i) of this section, does not apply in the case of a payment of reasonable compensation made to an officer or employee of a person requesting or receiving a Federal contract, grant, loan, or cooperative agreement, if the payment is for agency and legislative activities not directly related to a covered Federal action.

(b) For purposes of paragraph (b)(i)(1)(a) of this clause, providing any information specifically requested by an agency or Congress is permitted at any time.

(c) The following agency and legislative liaison activities are permitted at any time only where they are not related to a specific solicitation for any covered Federal action:

(1) Discussing with an agency (including individual demonstrations) the qualities and characteristics of the person's products or services, conditions or terms of sale, and service capabilities; and,

(2) Technical discussions and other activities regarding the application or adaptation of the person's products or services for an agency's use.

(d) The following agency and legislative liaison activities are permitted where they are prior to formal solicitation of any covered Federal action:

(1) Providing any information not specifically requested but necessary for an agency to make an informed decision about initiation of a covered Federal action;

(2) Technical discussions regarding the preparation of an unsolicited proposal prior to its official submission; and

(3) Capability presentations by persons seeking awards from an agency pursuant to the provisions of the Small Business Act, as amended by Public Law 95-507 and other subsequent amendments.

(e) Only those activities expressly authorized by subdivision (b)(ii)(1)(a) of this clause are permitted under this clause.

(2) Professional and technical services.

(a) The prohibition on the use of appropriated funds, in subparagraph (b)(i) of this clause, does not apply in the case of-

(i) A payment of reasonable compensation made to an officer or employee of a person requesting or receiving a covered Federal action or an extension, continuation, renewal, amendment, or modification of a covered Federal action, if payment is for professional or technical services rendered directly in the preparation, submission, or negotiation of any bid, proposal, or application for that Federal action or for meeting requirements imposed by or pursuant to law as a condition for receiving that Federal action.

(i) Any reasonable payment to a person, other than an officer or employee of a

person requesting or receiving a covered Federal action or an extension, continuation, renewal, amendment, or modification of a covered Federal action if the payment is for professional or technical services rendered directly in the preparation, submission, or negotiation of any bid, proposal, or application for that Federal action or for meeting requirements imposed by or pursuant to law as a condition for receiving that Federal action. Persons other than officers or employees of a person requesting or receiving a covered Federal action include consultants and trade associations.

(b) For purposes of subdivision (b)(ii)(2)(a) of clause, "professional and technical services" shall be limited to advice and analysis directly applying any professional or technical discipline.

(c) Requirements imposed by or pursuant to law as a condition for receiving a covered Federal award include those required by law or regulation, or reasonably expected to be required by law or regulation, and any other requirements in the actual award documents.

(d) Only those services expressly authorized by subdivisions (b)(ii)(2)(a)(i) and (ii) of this section are permitted under this clause.

(iii) Selling activities by independent sales representatives.

(c) The prohibition on the use of appropriated funds, in subparagraph (b)(i) of this clause, does not apply to the following selling activities before an agency by independent sales representatives, provided such activities are prior to formal solicitation by an agency and are specifically limited to the merits of the matter:

(i) Discussing with an agency (including individual demonstration) the qualities and characteristics of the person's products or services, conditions or terms of sale, and service capabilities; and

(ii) Technical discussions and other activities regarding the application or adaptation of the person's products or services for an agency's use.

(d) Agreement. In accepting any contract, grant, cooperative agreement, or loan resulting from this solicitation, the person submitting the offer agrees not to make any payment prohibited by this clause.

(e) Penalties. Any person who makes an expenditure prohibited under paragraph (b) of this clause shall be subject to civil penalties as provided for by 31 U.S.C. 1352. An imposition of a civil penalty does not prevent the Government from seeking any other remedy that may be applicable.

(f) Cost Allowability. Nothing in this clause is to be interpreted to make allowable or reasonable any costs which would be unallowable or unreasonable in accordance with Part 31 of the Federal Acquisition Regulation (FAR), or OMB Circulars dealing with cost allowability for recipients of assistance agreements. Conversely, costs made specifically unallowable by the requirements in this clause will not be made allowable under any of the provisions of FAR Part 31 or the relevant OMB Circulars.

16. Equal Employment Opportunity

During the performance of this contract, the

Contractor/Seller agrees as follows:

(a) The [contractor/seller] will not discriminate against any employee or applicant for employment because of race, color, religion, sex, sexual orientation, gender identity, disability, or national origin. The

[contractor/seller] will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, sexual orientation, gender identity, disability, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The [contractor/seller] agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(b) The [contractor/seller] will, in all solicitations or advertisements for employees placed by or on behalf of the [contractor/seller], state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender identity, disability, or national origin.

(c) The [contractor/seller] will not discharge or in any other manner discriminate against any employee or applicant for employment because such employee or applicant has inquired about, discussed, or disclosed the compensation of the employee or applicant or another employee or applicant. This provision shall not apply to instances in which an employee who has access to the compensation information of other employees or applicants as a part of such employee's essential job functions discloses the compensation of such other employees or applicants to individuals who do not otherwise have access to such information, unless such disclosure is in response to a formal complaint or charge, in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by the employer, or is consistent with the [contractor/seller]'s legal duty to furnish information.

(d) The [contractor/seller] will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the [contractor/seller]'s commitments under section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(e) The [contractor/seller] will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(f) The [contractor/seller] will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(g) In the event of the [contractor/seller]'s non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated or suspended in whole or in part and the [contractor/seller] may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) In the event of the [contractor/seller]'s non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated or suspended in whole or in part and the [contractor/seller] may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(h) The [contractor/seller] will include the provisions of paragraphs (a) through (h) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each sub[contractor/seller] or vendor. The [contractor/seller] will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the [contractor/seller] becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the [contractor/seller] may request the United States to enter into such litigation to protect the interests of the United States.

17. Equal Opportunity for Workers with Disabilities

1. The [contractor/seller] will not discriminate against any employee or applicant for employment because of physical or mental disability in regard to any position for which the employee or applicant for employment is qualified. The [contractor/seller] agrees to take affirmative action to employ and advance in employment individuals with disabilities, and to treat qualified individuals without discrimination on the basis of their physical or mental disability in all employment practices, including the following:

- i. Recruitment, advertising, and job application procedures;
- ii. Hiring, upgrading, promotion, award of tenure, demotion, transfer, layoff, termination, right of return from layoff and rehiring;
- iii. Rates of pay or any other form of compensation and changes in compensation;
- iv. Job assignments, job classifications, organizational structures, position descriptions, lines of progression, and seniority lists;
- v. Leaves of absence, sick leave, or any other leave;
- vi. Fringe benefits available by virtue of employment, whether or not administered by the [contractor/seller];
- vii. Selection and financial support for training, including apprenticeship, professional meetings, conferences, and other related activities, and selection for leaves of absence to pursue training;
- viii. Activities sponsored by the [contractor/seller] including social or recreational programs; and
- ix. Any other term, condition, or privilege of employment.

2. The [contractor/seller] agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the act.

3. In the event of the [contractor/seller] noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the act.

4. The [contractor/seller] agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Director, Office of Federal Contract Compliance Programs, provided by or through the contracting officer. Such notices shall state the rights of applicants and employees as well as the [contractor/seller]'s obligation under the law to take affirmative action to employ and advance in employment qualified employees and applicants with disabilities.

The [contractor/seller] must ensure that applicants or employees with disabilities are provided the notice in a form that is accessible and understandable to the individual applicant or employee (e.g., providing Brail or large print versions of the notice, or posting a copy of the notice at a lower height for easy viewing by a person using a wheelchair). With respect to employees who do not work at a physical location of the [contractor/seller], a [contractor/seller] will satisfy its posting obligations by posting such notices in an electronic format, provided that the [contractor/seller] provides computers, or access to computers, that can access the electronic posting to such employees, or the [contractor/seller] has actual knowledge that such employees otherwise are able to access the electronically posted notices. Electronic notices for employees must be posted in a conspicuous location and format on the company's intranet or sent by electronic mail to employees. An electronic posting must be used by the [contractor/seller] to notify job applicants of their rights if the [contractor/seller] utilizes an electronic application process. Such electronic applicant notice must be conspicuously stored with, or as part of, the electronic application.

5. The [contractor/seller] will notify each labor organization or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the [contractor/seller] is bound by the terms of section 503 of the Rehabilitation Act of 1973, as amended, and is committed to take affirmative action to employ and advance in employment, and shall not discriminate against, individuals with physical or mental disabilities.

6. The [contractor/seller] will include the provisions of this clause in every subcontract or purchase order in excess of \$ 10,000, unless exempted by the rules, regulations, or orders of the Secretary issued pursuant to section 503 of the act, as amended, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the Director, Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

7. The [contractor/seller] must, in all solicitations or advertisements for employees placed by or on behalf of the [contractor/seller], state that all qualified applicants will receive consideration for employment and will not be discriminated against on the basis of disability.

18. Dissemination or Disclosure of Information

No information or material shall be disseminated or disclosed to the general public, the news media, or any person or organization without prior express written approval by the HA.

19. Contractor's Status

It is understood that the Contractor is an independent contractor and is not to be considered an employee of the HA, or assume any right, privilege or duties of an employee, and shall save harmless the HA and its employees from claims suits, actions and costs of every description resulting from the Contractor's activities on behalf of the HA in connection with this Agreement.

20. Other Contractors

HA may undertake or award other contracts for additional work at or near the site(s) of the work under this contract. The contractor shall fully cooperate with the other contractors and with HA and HUD employees and shall carefully adapt scheduling and performing the work under this contract to accommodate the additional work, heeding any direction that may be provided by the Contracting Officer. The contractor shall not commit or permit any act that will interfere with the performance of work by any other contractor or HA employee.

21. Liens

The Contractor is prohibited from placing a lien on HA's property. This prohibition shall apply to all subcontractors.

22. Training and Employment Opportunities for Residents in the Project Area (Section 3, HUD Act of 1968; 24 CFR 135)

- (a) The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- (b) The parties to this contract agree to comply with HUD's regulations in 24 CFR Part 75, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the Part 75 regulations.
- (c) The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 prioritization requirements, and shall state the minimum percentages of labor hour requirements established in the Benchmark Notice (FR-6085-N-04)..
- (d) The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 75, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 75. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 75.
- (e) Noncompliance with HUD's regulations in 24 CFR Part 75 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts
- (f) Contracts, subcontracts, grants, or subgrants subject to Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5307(b)) or subject to tribal preference requirements as authorized under 101(k) of the Native American Housing Assistance and Self-Determination Act (25 U.S.C. 4111(k)) must provide preferences in employment, training, and business opportunities to Indians and Indian organizations, and are therefore not subject to the requirements of 24 CFR Part 75.

23. Procurement of Recovered Materials

- (a) In accordance with Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, the Contractor shall procure items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR Part 247 that contain the highest percentage of recovered

materials practicable consistent with maintaining a satisfactory level of competition. The Contractor shall procure items designated in the EPA guidelines that contain the highest percentage of recovered materials practicable unless the Contractor determines that such items: (1) are not reasonably available in a reasonable period of time; (2) fail to meet reasonable performance standards, which shall be determined on the basis of the guidelines of the National Institute of Standards and Technology, if applicable to the item; or (3) are only available at an unreasonable price.

- (b) Paragraph (a) of this clause shall apply to items purchased under this contract where: (1) the Contractor purchases in excess of \$10,000 of the item under this contract; or (2) during the preceding Federal fiscal year, the Contractor: (i) purchased any amount of the items for use under a contract that was funded with Federal appropriations and was with a Federal agency or a State agency or agency of a political subdivision of a State; and (ii) purchased a total of in excess of \$10,000 of the item both under and outside that contract

