

Chattanooga Affordable Housing Fund

Application Information and Guidance

OVERVIEW

Mayor Andy Berke and the Chattanooga City Council have established the Chattanooga Affordable Housing Fund (CAHF) in order to provide an additional resource in the City's ongoing commitment to the preservation and production of quality, affordable housing. The first of its kind in the city, the Chattanooga Affordable Housing Fund was capitalized with \$1 million dollars per year for 5 years to leverage affordable housing initiatives in the community.

The City seeks to leverage CAHF funding with other Federal, State, and private dollars to target households earning below 80% of the Area Median Income (AMI). Funding for projects is provided in the form of grants and forgivable loans.

Projects are identified through an on-going application process. Applications are vetted by the Department of Economic & Community Development (ECD) and presented to the Health, Educational and Housing Facilities Board (HEB) for consideration. The HEB meets monthly on the fourth Wednesday.

<i>Eligibility Partner/Location</i>	<i>Eligible Usages</i>	<i>Target Beneficiaries</i>
Nonprofit and for-profit entities are eligible to apply	RENTAL HOUSING <ul style="list-style-type: none">• Acquisition• Renovation• New Construction	RENTAL PROJECTS Households with incomes at or <u>below 60%</u> of the area median income
Housing opportunities must be located within the City limits of Chattanooga	HOMEOWNER HOUSING <ul style="list-style-type: none">• Acquisition• Renovation• New Construction	HOME BUYER/OWNER: Households with incomes at or <u>below 80%</u> of the area median income
<i>Periods of affordability ranging from 7 to 20 years apply, based on level of funding received.</i>		

OBJECTIVES

To implement strategies and programs to address the needs for affordable housing through:

- Creating or preservations of affordable rental units and housing for homeownership through new construction and/or renovation
- Increasing access to homeownership through collaborative homebuyer programs
- Leveraging funding by working with for-profit and nonprofit entities - home builders, Realtors, foundations, financial institutions, etc.
- Exploring various tools to achieve the desired outcomes, including possible policy changes

FUNDING AWARDS

Funds from the Chattanooga Affordable Housing Fund may be used as supplemental funding for activities furthering the preservation and production of affordable housing located within the city limits. The minimum request, per application, is \$25,000 and the maximum is \$500,000 annually.

For construction and renovation projects, funding is made available in the form of no-interest/no-payment loans with the potential to convert to forgivable grants. These loans accrue no interest and require no payment for the term, provided all guidelines are met by the applicant. Loans are not transferable from an original grantee/owner to another grantee/owner without prior written approval from the City of Chattanooga.

Awards to projects may vary based on the following:

- Alignment with the City's affordable housing goals and objectives
- Leverage ratio of the project
- Number of housing units being developed
- Available funding in the Affordable Housing Fund

The City will also consider the needs of the project, the experience of the developer and any associated risk in the project. The City reserves the right to adjust the maximum funding amount to any borrower on a case-by-case basis.

ELIGIBLE APPLICANTS

For-profit and nonprofit entities with a minimum of 3 years of experience in construction and/or renovation may submit proposals for consideration. For-profit entities partnering with nonprofit entities serving special needs populations (physical/mental illness, veterans, homeless, etc.) will receive an additional 10 points toward their overall score. Applicants with no experience may apply if partnered with an experienced entity. City departments may also apply.

ELIGIBLE PROJECTS

The following types of activities are eligible for Fund allocation:

- Newly-constructed single-family homes for rent or for sale
- Renovated single-family homes for rent or for sale
- Newly-constructed small and large-scale apartment developments for rent, i.e. LIHTC projects
- Renovated small and large-scale apartment developments for rent, i.e. LIHTC projects
- Newly-constructed or renovated mixed-use developments
- Acquisition/renovation/construction of duplexes for owner-occupied rental
- Pre and post development tools to achieve desired outcomes in support of affordable housing
- Projects may be located anywhere within the City limits of Chattanooga

TARGET BENEFICIARIES

Applicants seeking funds for rental projects must develop or rehab projects that are affordable to tenants with household incomes at, or below, 60% of the area median income, as defined by HUD, adjusted for family size.

Newly-constructed or renovated units developed for homeownership must be sold at prices that are affordable to purchasers with incomes at, or below, 80% of the area median income.

LONG-TERM AFFORDABILITY REQUIREMENTS

Based on the amount of funding provided, **PER UNIT**, assisted projects must comply with affordability and habitability requirements accordingly:

< \$25,000	7 Years
\$25,000 - \$40,000	10 Years
Over \$40,000	20 Years

APPLICATION PROCESS

APPLICATIONS ARE ACCEPTED ON AN ON-GOING BASIS AS FUNDS ARE AVAILABLE

Prior to submitting an application, applicants are required to meet with ECD staff to discuss proposed project to ascertain feedback on project eligibility and feasibility as well as requirements for funding.

Contact via email at HousingFund@Chattanooga.gov to schedule meeting.

Applicants must complete and submit the following items:

1. Application
 - A separate application must be submitted for **EACH** proposed project/program
2. Application Fee
 - An application fee is due along with **EACH** application submitted. The fee is based on the total amount of funds being requested, as follows:

< \$100,000	\$100.00
\$100,001 - \$200,000	\$250.00
\$200,001 - \$300,000	\$500.00
\$300,001 - \$400,000	\$1,000.00
\$300,001 - \$500,000	\$1,500.00

SUBMITTAL PROCESS

Applicants must provide the City with 5 printed copies and an electronic version of each project application which can be emailed to: HousingFund@Chattanooga.gov. The hard copies of the application, along with the application fee made payable to the City Of Chattanooga, should be mailed or hand delivered to the following address:

City of Chattanooga
Department of Economic & Community Development
Attn: Sandra Gober
101 E. 11th Street, Suite 200
Chattanooga, TN 37402

REVIEW PROCESS

Applications are vetted by the ECD Project Review Team for eligibility, completeness, overall feasibility, and alignment with the City's housing goals and objectives and are presented to the Health, Educational and Housing Facilities Board (HEB) for consideration. The HEB is scheduled to meet monthly on the fourth Wednesday.

The initial review of the application and the supporting documents will occur within 30 business days of receipt. The timeline from receipt of application to funding approval is determined by the completeness of the application, when it is received, and the speed by which any discrepancies identified by the project team during the review are addressed by the applicant. INCOMPLETE APPLICATIONS WILL NOT BE CONSIDERED FOR FUNDING.

Award of any funds will be based on an evaluation of the merits of the proposal and its furtherance of the City's goal of providing access to affordable housing. The following are considered when evaluating requests for funds:

- Public purpose
- Financial feasibility, including timeline for completing the project
- Developer's capability and experience
- Location (proximity to services, transportation and employment opportunities)
- Number of affordable units and targeted incomes
- Period of affordability

The following scoring criteria/points are used in evaluating each proposal. Projects must have a minimum score of 80 to be considered for a funding recommendation.

Criteria	Max. Points
Leverage (percentage of funding request to total project cost)	20
Experience (including track record with developing and managing similar projects)	20
Period of Affordability	20
Location (proximity to services, transportation and employment opportunities)	15
Number of Affordable Units Based On Percentage Of Total Units	15
Readiness (time until project completion)	10
Bonus Points: 10 points for projects proposing to create housing to serve special needs populations (physical/mental illness, veterans, homeless, etc).	10
Total Possible Points	110

I. Application Summary

Applicant Information and Contact Form	
Name of Individuals(s) or Legal Entity:	
Mailing Address for Entity:	
City/State/Zip Code	
Name/Title of Primary Contact	
Phone No. of Primary Contact	
Email of Primary Contact	
Other Contact Information	
Project Information	
Street Address	
City/State/Zip Code	
Map/Lot Number	
Current Number of Units	
Number Units Upon Completion	
Number of Affordable Units	
Total Project Cost	
Total Request From City	
Proposed Years of Affordability	

II. APPLICATION DETAILS

A. Applicant's organization/background information

1. Provide the following information regarding the applicant(s) for the project:
 - a. Legal name of business
 - b. Director/President of the organization
 - c. Articles of Incorporation and current bylaws
 - d. IRS 501 c (3) determination letter (if non-profit)
 - e. Type of Organization, (corporation, a general partnership, Limited Liability Corporation, etc)
 - f. List of Board of Directors (Include address and telephone numbers). List officers and their positions
 - g. Current organizational chart
 - h. Federal Tax ID# or Social Security # of owners
 - i. Name any of the following that will be involved with the Project (with the address and phone numbers):
 - i. Legal Counsel for the Applicant
 - ii. Architects and Engineers
 - iii. Contractor, if known
2. Briefly and concisely, provide background information on the applicant and guarantors, including development experience, if any, and all other relevant information that may need to be considered while reviewing the application. State the names of the applying entity's representative(s) and any other financial guarantors of the Project and their addresses and telephone numbers if different from above. Please disclose whether any applicant, guarantor or any other person involved with the project is currently engaged in any civil or criminal proceeding. Also disclose whether any individual involved with the project has ever been charged or convicted of any felony or is currently under indictment.

B. Project Details

3. Description and scope of the project, acquisition/ construction/rehabilitation goals.
 - a. Total square footage of the proposed new or renovated unit(s)/building
 - b. Total square footage, if any, to be used for non-residential rental
 - c. If applicable, the nature of any non-residential rental uses
 - d. Total acreage of parcel(s) on which the building, parking, etc. will be constructed or renovated
 - e. Number of residential units, please include mix of unit type (1 BR, 2 BR, etc.) and number of income restricted and market rate.
 - f. Income levels to be served (specify the number of units at each income level).
 - g. If a renovation, attach architectural drawings and any available history on existing building(s).
 - h. Attach architectural drawings for new construction
 - i. Schedule of rent rates upon which the project's pro forma is based
 - j. The number of units that will meet the Handicap Building Codes and Standards ("HBCS") and the Americans with Disabilities Act ("ADA") requirements (if applicable)

4. **Project Schedule** - Please include:
 - a. Estimated project cost broken down by major categories (i.e. land, buildings, construction, equipment, soft costs, etc.)
 - b. Proposed schedule of the anticipated project:
 - i. Closing of loan or availability of contributing financing
 - ii. First expenditures and anticipated uses of funds
 - iii. Anticipated start and completion of construction/renovation
5. Evidence of site control – (Site control can be exhibited through an option to purchase, purchase contract, or executed deed)
6. Photographs of the site including buildings and other significant structures
7. Map of the site
8. Proximity to amenities – services, transportation, and employment opportunities
9. Legal description of real estate
10. Description of known or suspected environmentally significant site condition(s)
11. Description of requiring Historic Review (if applicable)
12. **Project Financing** -Please provide the following:
 - a. Project budget (including relocation if applicable)
 - b. Proposed sources and uses of funds
 - c. Statement detailing use of the loan proceeds, type (loan or grant) and terms
 - d. Statement of the purpose of the loan/grant request and projected impact of the project
 - e. Proposed project - 20-year pro-forma for multi-family rental developments (with reasonable assumptions for percentages of annual changes in rents, in income, and in expenses)
 - f. Real Estate Taxes – State the assumptions used to arrive at the annual real estate taxes proposed in the pro-forma
 - g. Proposed terms of the City funding request, specify lien position and collateral (if applicable)
 - h. Detail any developer fees and equity share
 - i. Statement of the purpose of the loan/grant request and projected impact of the project
 - j. Verification of any committed and/or anticipated funding for the project (i.e. approval letters, letters of intent, and feasibility letters)
13. Estimated value of Project, including the method used to determine the estimated value. If available, Project appraisal determined by a Member of the American Institute (MAI) – Land and building(s). Appraisal should be no older than 6 months. Older appraisals will be accepted for review purposes but must be updated prior to final Project approval.
14. Description of any supportive services (if applicable)
15. Detail management plan for housing (if applicable)
16. Statement or list of any outstanding uncorrected noncompliance issues for properties managed by the proposed management company (if applicable)
17. List of any properties managed by the proposed management company that have been in default in the last ten (10) years. (if applicable)
18. Relocation plan and statement of proposed relocation assistance (if applicable)
19. Specify the number of years the unit will remain affordable (period of affordability).

FAQ

Is the Chattanooga Affordable Housing Fund a grant or a loan?

The funds are loans.

Funds are no-interest/no-payment loans that potentially convert to forgivable grants. The loans accrue no interest and require no payment for the loan term, provided all conditions are met by the applicant.

Are the funds recaptured?

In some cases. However, full compliance results in the loans being forgiven.

The funds are subject to recapture and repayment at the time of sale if the property is sold to a new owner unable or unwilling to assume the low-to-moderate income restrictions and other conditions of the loan agreement during the affordability period.

The funds are subject to recapture and repayment to the Fund if the owner is found to be non-compliant with the terms of the Fund agreement.

Are there minimum and maximum grant amounts?

The minimum request, per application is \$25,000 and the maximum is \$500,000 annually

How long is the loan term?

The loan term varies from 7-20 years, depending on the amount of the funding amount, per unit.

< \$25,000	7 Years
\$25,000 - \$40,000	10 Years
Over \$40,000	20 Years

What types of activities are eligible uses?

Acknowledging changing lifestyles are requiring changes in housing types, the Fund is available to the following types of projects:

- Newly-constructed single-family homes for rent or for sale
- Renovated single-family homes for rent or for sale
- Newly-constructed small and large-scale apartment developments for rent
- Renovated small and large-scale apartment developments for rent
- Newly-constructed or renovated mixed-use developments
- Owner-occupied duplexes

Who will manage the Fund?

Overall management of the Fund falls under the Department of Economic and Community Development (ECD). ECD manages the application submission process and provides technical support to the Health, Educational and Housing Board (HEB) in reviewing requests and making recommendations for approval.