



KNOXVILLE AFFORDABLE HOUSING FUND

AFFORDABLE RENTAL DEVELOPMENT PROGRAM GUIDELINES

Created in 2017, the affordable rental development program (ARDP) fund was developed in response to the need for rental units that are affordable to low- and moderate-income renters. As market rents continue to rise and supply remains low, this fund provides a critical tool to increase the City's supply of affordable housing. The goal is expand the supply and long-term availability of quality, rental housing options for individuals and families with modest incomes.

Eligible Applicants:

Eligible applicants may be private individuals, for-profit or non-profit entities or public agencies. All applicants must have development capacity and be able to document successful experience in the type of project proposed. Applicants must also have the financial capacity to complete the project. Developers are expected to be current on all property taxes, to have favorable maintenance and management history with existing rental properties and to have no record of fair housing violations.

Eligible Projects:

Funds are available for **new** construction of multifamily (5+ units) projects and for retrofitting of existing buildings that will have 5+ units within Knoxville city limits. Properties may be located anywhere within city limits and can be mixed income housing, low-income housing, or supportive housing for special needs (as long as sufficient operating funds are available from other sources). Funding awards will be determined by several factors, such as cash flow, income of target tenants, and maximum rents. With City discretion, the maximum award is \$30,000 per unit, or \$50,000 per unit for Permanent Supportive Housing. Rehabilitation of existing rental units is not eligible under this program, but is eligible through the City's [Rental Rehabilitation Program](#).

Developers are required to meet with all active neighborhood organizations in the community where the project will be located and consider all community input regarding the proposed project. Construction plans and designs must be provided to Housing and Neighborhood Development for review and approval. A neighborhood directory produced by the City's department of [Neighborhood Empowerment](#) is available.

All developments are required to meet or exceed 2018 International Residential Code for energy efficiency guidelines as adopted by Housing and Neighborhood Development.

Financing:

Funding is provided in the form of a Deferred Payment Loan (DPL) which forgives over the length of the loan. The length of the loan corresponds with the extent of the restrictive (affordability) period. The DPL must be secured with a Trust Deed and will typically be subordinate financing. Proceeds from the DPL pay actual construction costs according to the construction contract and payment schedule. Other financing strategies will be considered on a case-by-case basis, such as a providing a payable loan.

Restrictions:

All funded units must be leased to households earning less than 100% of median income, adjusted for family size, and will be restricted to affordable rents for a specified period of time, known as the affordability period, with priority for those developments that lease to persons at less than 80% of area median income. The initial maximum rent is the current year’s Fair Market Rent (FMR), published by the U.S. Department of Housing and Urban Development. An exception to the FMR may be requested if a development will be located within the Central Business Improvement District (CBID). Rent increases throughout the affordability period must be approved by the City and will be limited to 2% per year or the current year’s FMR, whichever is lower. The affordability period will be between 20 and 30 years, depending on the amount of assistance provided and the established occupancy and rent limits. Properties receiving tax credits will automatically have an affordability period of 30 years.

Developers who wish to serve very low-income tenants (<50%) and agree to rents lower than Fair Market Rents may qualify for a higher funding level than developers who serve low-income tenants (50% - 100%) and agree to FMR. Occupancy and maximum rents will be determined at the beginning of the project and will be enforced with a Restrictive Covenant on the property.

All tenant income must be verified with documentation prior to leasing a restricted unit. To ensure compliance with these restrictions, developers will be required to contract with a property management firm that has LIHTC property management or equivalent experience. The firm must be approved by the City of Knoxville.

If federal HOME funds are provided to a project in addition to the local funds, then all HOME rules and City of Knoxville Rental Rehabilitation Program rules will apply. In the case of conflicting rules, the more restrictive rules apply.

Monitoring:

Projects will be desk monitored annually for compliance with all restrictions. On-site inspection and file monitoring will occur at least every three years, with frequency depending on the number of units and history of compliance.

Application Process and Funding Priorities:

Applications will be taken on an on-going basis and are available [online](#). Projects will be evaluated and ranked based on the following priorities:

- Expands supply of affordable housing for individuals 80% AMI or below 50 pts.
- Includes a mix of incomes or uses 20 pts.
- Development of site would include blight remediation 10 pts.
- Located within ½ mile of a transit corridor 10 pts.
- Incorporates new or improved public spaces within the project’s footprint 5 pts.
- Located in an existing development area 5 pts.

Approval:

With City staff recommendation, projects requesting a forgivable loan require City Council approval.