Annual Report and Key Highlights

July 2022 - June 2023

City of Knoxville
Housing and Neighborhood Development
Knoxvilletn.gov

Inskip Flats Ribbon Cutting Ceremony

Knoxville Affordable Housing Fund

In response to rising construction costs and the lack of availability of housing affordable to persons with low and moderate incomes, the City of Knoxville established the Knoxville Affordable Housing Fund by ordinance in May of 2021. The Fund has been a tremendous addition to the housing ecosystem, quickly facilitating the scale up of the development of affordable housing and resulting in hundreds of new affordable housing and permanent supportive housing units.

The Affordable Housing Fund is a 10-year, $50 million dollar commitment to advance affordable housing opportunities. Developed in response to and in partnership with local housing advocates, and with input and guidance of local housing stakeholders and experts, the Fund builds upon the City's long and successful history of promoting affordable housing through federally funded programs, the Affordable Rental Development Program, the Affordable Housing Trust Fund administered by East Tennessee Foundation, and many capital project investments led by private and public housing providers.

The need for affordable housing is still at a critical point. Median rents rose to historic levels in 2023 with the average renter paying almost $1,400 per month in rent. More than half of Knoxville renters pay too much of their total income for rent. Additional housing options are needed for those with very low and extremely low incomes. There are 13,536 households with incomes below $20,000 and yet less than 5,000 units are affordable to this population.

The Ammons at Asheville Highway Ribbon Cutting Ceremony

The purpose of the Fund is to accept (including from private donations) and disburse funding to address the affordable housing needs of individuals and families of low- and moderate-income households. In order to ensure a strong, stable foundation of funding, the City of Knoxville has made a minimum funding commitment of not less than $5 million per year for 10 years, with funding in Years 1, 2, & 3 (FY2022, FY2023, FY2024) far exceeding this minimum.

Total Affordable Housing Fund Investment to Date - $26.9 M

2021 – 2022

$2.5 M	$1.5 M	$3.78 M	$325 K
Affordable Rental Development	Permanent Supportive Housing	First Creek at Austin	Affordable Housing Trust Fund

2022 – 2023

$2.5 M	$2.9 M	$1.6 M	$4.2 M	$200 K
Affordable Rental Development	Permanent Supportive Housing	First Creek at Austin	Transforming Western	Affordable Housing Trust Fund

2023 – 2024

$2.5 M	$500 K	$4.2 M	$200 K
Affordable Rental Development	Permanent Supportive Housing	Transforming Western	Affordable Housing Trust Fund

During the first three years, the City of Knoxville has contributed $26.9 million toward the Affordable Housing Fund, far exceeding the five-year, $5 million per year commitment. Since 2019, over 2,300 new affordable housing units have been completed, approved, or are under construction. During this period and including the $26.9 contributed through the fund, the City has invested over $40 million in affordable housing development and leveraged over $600 million in other private and public investment. These developments are located in diverse places across the city and have rents designed to be affordable to families with incomes at or below 80% of the area median income, offering additional opportunities for Section 8 voucher holders and others needing subsidized housing.

The data on the real families who have moved into these units indicate that these units are actually serving a population with incomes far lower than the maximum allowable under the fund's rules. Of the families housed in these units, 57% are extremely low-income, with incomes under 30% of the area median; another 26% are very-low income, with household incomes falling between 31% and 50% of the area median. 17% are low income, with household income falling between 51% and 80% area median.

The Affordable Housing Fund is just one way the City of Knoxville supports affordable housing in the community. In addition to local investment, the City also manages significant Federal and State funds which support a number of different affordable housing projects. The total City of Knoxville budget for affordable housing and community development programs in FY23, including Federal funds, is over **$16 million.**

Knoxville Affordable Housing Fund Advisory Committee

The purpose of the Knoxville Affordable Housing Fund Advisory Committee is to advise the Director of Housing and Neighborhood Development regarding the administration of the Knoxville Affordable Housing Fund to assure that the fund addresses local priorities and reflects best practices concerning affordable housing.

By ordinance, the committee consists of appointees who possess an expertise or interest in issues related to affordable housing, including at least one (1) representative from the community of non-profit affordable housing developers and at least one (1) representative of the community of non-profit low-income housing-related service providers operating in the Knoxville metropolitan statistical area.

The current members of the Affordable Housing Fund Advisory Committee are:

- Ben Bentley - Executive Director, Knoxville's Community Development Corporation (KCDC)
- Craig Cobb - Vice President, DGA Capital
- Misty Goodwin - Director of Social Services, Knoxville-Knox County Community Action Committee (CAC)
- Joshalyn Hundley - Vice President Community Development Manager, First Horizon Bank
- C. Danny Johnson - Co-President, Justice Knox
- Jeanette Kelleher -Vice President of Operations, East Tennessee Foundation
- Houston Smelcer - Vice President of Development & Government Relations, McNabb Center

The committee provides recommendations to the Director of Housing and Neighborhood Development regarding the City's Annual Action Plan and fund priorities, income limits and goals, as well as the fund's rules and regulations. The committee also reviews the fund's annual budget of administrative expenses, past fund disbursements, and the impact thereof to inform the annual report. The Affordable Housing Fund Advisory Committee meets quarterly.

Knoxville Affordable Housing Fund Uses in Fiscal Year 2023

In Fiscal Year 2022-2023 (FY2023), which began July 1, 2022 and ended June 30, 2023, the Affordable Housing Fund allocated $11,400,000 toward eligible uses, as outlined below.

Project 1: Transforming Western

FY23 Contribution: $4,200,000*

In 2023, Knoxville's Community Development Corporation and Brinshore Development broke ground on Phase 1 of the Transforming Western project. This ambitious project will renovate 244 units of existing affordable housing and develop 196 replacement units for extremely low-income families, including 184 new affordable units, and 99 new market-rate units. Amenities and services requested by area residents will also be provided to the neighborhood.

Phase 1 is located on vacant land between Virginia and Vermont Avenues and will include 76 units of housing and a community center. Through the Affordable Housing Fund, the City of Knoxville allocated $4.2M towards the infrastructure work needed to develop housing on the site. The infrastructure work is in progress and the construction of the housing units will begin in early 2024. Future phases will include 180 units of housing, a destination park/playground, an anchor building that will house the relocated Knoxville Arts Center, UT Medical Center walk-in clinic, and KPD field office.

	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom	Total Units per Phase
Phase 1	21	36	15	2	2	76
Target	21	36	15	2	2	76
Phase 2	16	21	11	2	0	50
Target	16	22	10	2	0	50
Phase 3	50	50	23	4	2	129
Target	51	48	23	4	2	128
Phase 4	54	50	20	2	2	128
Target	51	49	21	4	2	127
Phase 5	16	20	10	2	0	48
Target	16	22	10	1	0	49
Phase 6	17	20	10	2	0	49
Target	16	22	10	1	0	49
TOTAL	174	197	89	14	6	480
Target	171	199	89	14	6	479

PHASING

KCDC IMPLEMENTATION PLANNING / KNOXVILLE, TENNESSEE / JULY 2023

Transforming Western Project

**FY23 funding is part of a multi-year commitment by the City to contribute a total of $25,000,000 over six years to support the full transformation of Western Heights*

Project 2: Affordable Rental Development (ARD) Program
FY23 Contribution: $2,500,000

The Affordable Rental Development (ARD) program provides incentives to both non-profit and for-profit housing developers in order to leverage private dollars to build quality affordable rental housing. In 2017, the City of Knoxville created the ARD fund to jumpstart construction of new affordable rental housing.

Since that time, city funding has helped create 1,726 affordable housing units, including permanent supportive housing. Since July 1, 2022, 144 affordable housing units opened and are now occupied by eligible families. Housing & Neighborhood Development has received applications from developers for potential ARD projects that could support an additional 277 affordable units. In fiscal year 2023, funding was awarded to three projects, Central Terrance – a multifamily development of 112 units, Five Points Infill project – a scattered site single family home development of 10 units, and Callahan Flats – a multifamily development of 30 units.

Central Terrance
Affordable Rental Development Program Contribution: $2,065,000
112 multifamily units including 28 accessible units.

Five Points Infill
Affordable Rental Development Program Contribution: $300K
10 units (ranging from 2 to 5 bedrooms) on scattered site lots

Callahan Flats
Affordable Rental Development Program Contribution: $900K
30 two and three bedroom multifamily
units

Project 3: East Tennessee Foundation - Affordable Housing Trust Fund
FY23 Contribution: $200,000

East Tennessee Foundation's Affordable Housing Trust Fund supports the production, preservation, and rehabilitation of owner-occupied housing for low-income households as well as programs dedicated to enhancing rental opportunities for very low-income households within the City of Knoxville. Eligible projects include new construction and major rehabilitation of single-family homes or condominiums/cooperative multi-unit housing, and stabilization, education, and assistance programs such as down-payment assistance, minor home repairs, and homebuyer/owner counseling. In 2023, East Tennessee Foundation's Affordable Housing Trust Fund celebrated 30 years of making grants and loans which now total over $39,880,373 and have served 5,863 qualified households in the City. In FY23, 56 low-income households were assisted through three nonprofit organizations funded through the Affordable Housing Trust Fund.

Project 4: Permanent Supportive Housing: Callahan Flats
FY23 Contribution: $2,900,000 awarded to the Affordable Housing Fund by the HOME Investment Partnerships American Rescue Plan (HOME-ARP)

Permanent Supportive Housing (PSH) provides permanent housing assistance and supportive services to households where at least one member has a disability so that they can achieve housing stability. Increasing the availability of affordable PSH units in Knoxville is a critical need for the community's efforts to provide pathways to stable housing for individuals who have experienced chronic homelessness and may be struggling with mental illness or addiction.

Due to the intensity of services offered by PSH, development of these units is an especially complex challenge requiring partnerships between housing developers and providers of supportive services. The Knoxville Leadership Foundation and Nelson Community Partners is developing 88 units on 7.08 acres in North Knoxville; 30 units are designated multifamily (the ARD units discussed previously) and 58 are Permanent Supportive Housing (PSH). Case managers and 24-hour/day staffing will assist formerly homeless individuals to successfully live independently alongside thirty low-income families, which will qualify for the units available at HUD's Fair Market Rents. PSH units will serve very low-income individuals (<50% AMI).

Callahan Flats ground breaking

Looking Ahead

The City of Knoxville intends to build on the burgeoning success of the Affordable Housing Fund with a more comprehensive housing strategy to grow Knoxville's housing ecosystem. The City's past efforts to provide more affordable housing and protect those experiencing housing instability has been productive. The Housing Strategy will look to add additional bandwidth and provide policy direction related to advancing land use and development, enhancing housing stability, preserving naturally occurring affordable housing (NOAH), and redeveloping blighted, vacant, and underutilized properties.

On December 1, 2023, HND, in partnership with the Affordable Housing Fund Advisory Committee, hosted a half-day retreat at the United Way of Greater Knoxville with for-profit and non-profit developers, housing practitioners, and representatives from Justice Knox. The purpose of the meeting was to affirm the City's approach to affordable housing development. In the first half of 2024, HND will be hosting public meetings and finalizing the City's Housing Strategy in coordination with the development of HUD's Five-Year Consolidated Plan for Housing and Community Development.

December 1 Housing Strategy Update Meeting hosted by HND and the Affordable Housing Fund Advisory Committee

CITY OF KNOXVILLE

Report Date – December 2023

The Knoxville Affordable Housing Fund is administered by the City of Knoxville Housing and Neighborhood Development department.

2022 – 2023 Affordable Housing Fund Advisory Committee Members:
Ben Bentley
Craig Cobb
Misty Goodwin
Joshalyn Hundley
C. Danny Johnson
Jeannette Kelleher
Houston Smelcher