



COMMUNITY DEVELOPMENT DEPARTMENT

Blighted Properties Redevelopment Program

Program Requirements

March 11, 2011

1. Summary

The Blighted Property Redevelopment Program (BPRP) provides short-term development & construction financing through subsidized loans for the purpose of redeveloping and renovating unoccupied residential dwelling units, or constructing new dwelling units on vacant properties, for sale, rent or owner occupation. Proposals and properties must meet the requirements described in Sections 4 and 5 below. In addition, projects will be scored and ranked based on the criteria discussed in Section 6. Due to limited funding, higher scoring proposals will receive priority over lower scoring projects.

Loans must be repaid upon completion of the development, when the property is sold, or when the owner obtains permanent financing. When necessary, a portion of the financing may need to be in the form of a grant to make a project affordable, cover lead-based paint remediation and/or make the project financially feasible.

2. Available Funds

As loans are repaid, they will be made available to fund additional applications. Applications will continue to be accepted as long as funds remain available.

3. Use of Funds

Program funds can be used only to finance the cost of developing one- to four-unit residential properties. These costs include: acquisition, new construction of residential housing units (including site preparation), rehabilitation of housing units, utility connections, and reasonable and necessary soft costs related to the development as approved by the Review Committee.

Types of funding available are:

- **Project Development Loan**
 1. Loans financing rental and owner-occupied projects must be repaid with permanent financing within six months of BPRP construction loan closing.
 2. Loans financing projects to be sold must be repaid within eight months of BPRP closing with the buyer's permanent financing.
 3. There are no interest or principal payments during the term of the loan.
- **Project Grant** — If the development cost exceeds the appraised value, then a project grant (if awarded) cannot exceed the difference between the post-construction appraisal and the total approved project development cost.

- **Lead Remediation Grant** — Pre-1978 rehabilitation projects may require lead remediation. These costs may be offset with a grant.

4. Proposal Eligibility and Project Requirements

The following are minimum requirements that must be met by all applicants and projects:

- a. Eligible applicants for funding include individuals, non-profit organizations and for-profit businesses who have previous experience with residential development, or who are partners with other individuals or groups who have these qualifications. Credit worthiness will be considered.
- b. Applicants must be able to demonstrate their capacity to complete the proposed project, or to partner with another organization or individual with the capacity to complete the project.
- c. Proposals must be compatible with the goals and objectives of the City of Knoxville Consolidated Plan and Annual Action Plan (copies available in the Community Development Office and at www.cityofknoxville.org/development).
- d. Proposals must meet applicable code and zoning requirements.
- e. All new construction and gut rehab projects must meet the requirements of and be certified under the *Energy Star for New Homes* program. In addition, all rehab projects must meet Community Development's Neighborhood Housing Standards (NHS).
- f. All rehabilitation work, new construction or other alterations shall conform to the area zoning requirements and design guidelines.
- g. All new construction must meet the visitability requirements of and be certified under the *EasyLiving Homes* program. Extreme site circumstances may allow a waiver or partial waiver of this requirement.
- h. All development not covered under an existing historic or other design standard must be consistent with the "Heart of Knoxville Infill Housing Guidelines".
- i. An environmental site-specific checklist will be completed by the City of Knoxville in compliance with 24 CFR part 58 prior to presentation to the BPRP committee. Any environmental concerns must be addressed prior to approval of the loan.

5. Property Eligibility

- a. The property must be located in the City of Knoxville, and
- b. The property (lot or building) must be vacant or unoccupied, and
- c. The applicant must have site control of the property; i.e. either own the property or have a contract/option to purchase the property, and
- d. The property must be:

- 1) Listed in the City of Knoxville's Homemakers Program, or
- 2) Identified by Knox Heritage and/or included in their "Fragile Fifteen" list, or
- 3) Determined eligible by Community Development, or
- 4) Determined or Certified as "Blighted" or Condemned by the Better Building Board, or
- 5) Posted "unfit for human habitation", or
- 6) Listed on the City of Knoxville's Chronic Problem Property List.

6. Criteria to Rate the Strength of Proposals

The following criteria will be used to help determine which proposals are selected for funding by awarding priority points:

- a. Projects located in the following communities (census tracts) will receive **10 points**:
 - 1) East Knoxville (census tracts 5, 6, 19, 20, 21, 32)
 - 2) Mechanicsville, Lonsdale, Beaumont (census tracts 12, 13, 14, 28)
 - 3) Oakwood Lincoln Park and Cecil Avenue area (census tracts 15, 17, 29)
 - 4) South Knoxville (census tracts 8, 24)

The following link can be used to verify the census tract of a particular address:

<http://www.ffiec.gov/geocode/default.aspx>

- b. Projects that will repay 100% of the BPRP loan funds except for any necessary lead-based paint remediation grants will receive **10 points**.
- c. Projects that will utilize a contractor and/or subcontractors who are or employ low income persons or public housing residents will receive **10 points**.
- d. Projects that target and receive a third-party-verified green building certification (e.g. EarthCraft, LEED for Homes, Enterprise Foundation Green Communities, etc.) will receive **5 points**.
- e. Projects that will be occupied by low-income families (< 80% of HUD AMI) will receive **5 points**.
- f. Projects located in a redevelopment area will receive **5 points**. See: <http://www.kcdc.org/en/Redevlopment/RedevelopmentPlans.aspx>
- g. Renovation projects that meet the visitability requirements and are certified under the *EasyLiving Homes* program (required for new construction) will receive **5 points**.
- h. Projects that will result in owner-occupied units rather than rental units will receive **5 points**.
- i. Properties identified as potentially eligible as a contributing structure in a historic district or potential historic district by the Metropolitan Planning Commission's Historic Preservation Officer will receive **5 points**.

7. Other Requirements

For housing unit(s) financed in whole or in part by the Blighted Property Redevelopment Program, loan and/or grant recipients must comply with all applicable federal requirements,

including but not limited to the Civil Rights Act of 1964, Fair Housing regulations, and the lead-based paint hazard elimination regulations.

The applicant must contribute 5% in cash toward the redevelopment costs. The funds will be collected at the BPRP loan closing and be paid out by the administrator (City) for eligible development costs in the approved budget.

A credit report will be reviewed for financial capacity and history.

8. Proposal Submittal and Contact Information

Applicants must complete, sign and submit the following:

- *Part I Application for Blighted Property Redevelopment Program Funding* with applicable attachments, including:
 - Documentation of experience and capacity of applicant and partners.
 - Previous development, sales and rental experience.
- *Part II Application for Blighted Property Redevelopment Program Funding* (after approval of Part I or submitted simultaneously with Part I) with applicable attachments, including:
 - Documentation of site control (e.g. deed, option to buy, sales contract, approved Homemaker's Agreement).

Applicants who have applied for property on the Homemaker's List, but who have not yet been approved, will be considered. However, no funding will be awarded until the Homemaker's application has been approved and property title has been transferred to the applicant.
 - If applicant will own the BPRP-assisted property following construction (i.e. property will not be sold), please submit recent pre-qualification letter from lender describing ability to secure permanent financing.

Once an application is deemed complete, Community Development staff will review the Part I and Part II application and score the application using the criteria listed in Section 6 above. The department then will send the application to the BPRP Loan Review Committee. The Committee will review the application, scoring and other related factors before approving or rejecting the application.

To obtain application forms and program information, contact Community Development at 215-2120 or visit www.cityofknoxville.org/development. Please call for assistance in completing your proposal.

The city reserves the right to modify these regulations as necessary to improve the effectiveness of the Blighted Properties Redevelopment Program.

