

In compliance with commitments made during the EZ designation process and the neighborhood revitalization area strategy identified in the *2005-2010 Consolidated Plan*, the highest priority for use of CDBG and HOME funds in 2007 will be for redevelopment areas or other areas in need of comprehensive revitalization in the EZ. Other areas within the EZ will receive the next level of priority, with activities outside the EZ receiving lower priority. This does not mean that use of CDBG and/or HOME funding will be restricted to redevelopment areas or the Empowerment Zone. Housing and service programs are available on a citywide basis, although preference may be given to EZ residents. Improved infrastructure and facilities that are physically located within the EZ will also be available for use by the City's general population.

ESG funding will not be targeted for the redevelopment areas. However, as many of the agencies providing services to homeless individuals or families operate in central Empowerment Zone locations, it is anticipated that most of this year's ESG funding will be used within the EZ.

Maps showing the Empowerment Zone and redevelopment areas are located in Appendix C.

Addressing Obstacles to Meeting Under-Served Needs

The City of Knoxville will continue to support non-profit agencies, the local housing authority, homeless providers, and special needs groups in their goal to meet the underserved persons of the community.

Federal, State and Local Resources

HUD Funding to the City of Knoxville

The City receives several types of funding from the U.S. Department of Housing and Urban Development. Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), and Emergency Shelter Grant (ESG) program funds are all received on an entitlement basis. These are the three primary sources of funds the City will use to carry out the activities covered by the Consolidated Annual Action Plan, which is the official application document for these programs. The City also receives Fair Housing Assistance Program funds (FHAP) from HUD on an annual basis.

- **CDBG** - The primary goal of the Community Development Block Grant program is to provide decent housing, a suitable living environment, and expanded economic opportunities for low and moderate-income persons or neighborhoods. Effective March 2007, a four-person household earning up to \$43,850 per year could qualify for programs funded with CDBG monies. CDBG can be used for a variety of activities, including housing improvement programs, sidewalks and parks, services (such as literacy or health care), economic development activities, and historic preservation. The City expects to receive a 2007 CDBG allocation of \$1,926,071.
- **ESG** - Emergency Shelter Grant funding may only be used to assist persons who are homeless. It is typically used to operate and improve emergency shelters, provide essential services, and conduct activities that will help prevent future homelessness. Activities in this funding source are strongly tied to the *Knoxville-Knox County Ten Year Plan to End Chronic Homelessness*. The City awards ESG funds to subgrantees through a request for proposal process. Agencies using ESG funds through the City are required to provide a 1:1 match in the form of cash or in-kind donations. The City expects to receive a 2007 ESG allocation of \$83,225.

- **HOME** - Use of HOME Investment Partnerships Act funding is restricted to housing activities, including housing rehabilitation, new construction, homeownership assistance, and rental assistance. The program uses the same maximum income limits as the CDBG program, although additional restrictions may apply depending on the type of project. At least 15% of each year's HOME allocation is set aside for use by Community Housing Development Organizations (CHDOs). These are non-profit agencies that are required to maintain strong Board representation and input from the low/moderate income communities they serve. There are currently four (4) CHDOs in Knoxville. The City's 2007 HOME allocation (excluding ADDI) is \$1,301,752.

The **American Dream Downpayment Initiative (ADDI)** program is a restricted form of HOME funding that provides first-time homebuyers with downpayment assistance. Funds are used to purchase single-family homes that will serve as the household's primary residence. The City's 2007 HOME ADDI allocation is \$30,175.

- **Program Income** - The City receives program income from HOME and CDBG activities in the form of loan repayments from persons who have received CDBG or HOME funded loans for downpayment, housing rehabilitation, or similar assistance and from sales proceeds from acquisition and disposition activities. These monies are turned around and put back into further loans or other HOME/CDBG eligible activities to benefit the community. The City projects \$170,000 CDBG and \$400,000 HOME program income for 2007.
- **Carryover/Reprogrammed Funds** - The City is reprogramming prior year funds that will not be committed as of the end of the 2006 program year to fund new projects. This is prior year funding that is available because of project cancellation, projects that required less than the budgeted amount for completion, or when alternate funding sources were made available for the project. Reallocated funds available in 2007 include \$892,219 for CDBG and \$1,551,611 for HOME.
- **Fair Housing Assistance Program (FHAP)** - FHAP funding is received because the City's Fair Housing Ordinance has been determined substantially equivalent to the federal Fair Housing Act. Because of this, the City is able to investigate housing discrimination complaints, conduct outreach and education for citizens and housing practitioners, and coordinate discrimination testing. Anticipated FHAP funding for 2007 is \$30,300.
- **Empowerment Zone (EZ)** - EZ funding is used for revitalization and economic development efforts within the EZ. Funds have been used for new business start-up loans, job training, commercial development, and a variety of other projects. Tax incentives such as Brownfields Tax Credits, Academy Bonds and Work Opportunity Tax Credits are also available in the EZ. Approximately \$25.6 million in EZ funding has been allocated to Knoxville since its Empowerment Zone designation. No additional funding is anticipated during the 2007 fiscal year.

2007 Action Plan Funding Summary:

The City anticipates receiving the following direct HUD funding during FY 2007-08 to address priority needs and objectives identified in the strategic plan:

Grant Program	Fund Type	Amount
CDBG	2007 Allocation	\$1,926,071
	Carryover/Reprogrammed Funds	892,219
	Projected Program Income	170,000
	Total CDBG	\$2,988,290
HOME	2007 Allocation	\$1,301,752
	2007 ADDI Allocation	30,175
	Carryover/Reprogrammed Funds	1,551,611
	Projected Program Income	400,000
	Total HOME	\$3,283,538
ESG	2007 Allocation	\$83,225
Fair Housing Assistance Program	Projected 2007 Allocation	\$30,300
Total Plan Resources		\$6,385,353

Other Resources

This section describes additional funds available to the City for carrying out Consolidated Plan activities described in this Plan as well as other resources available to the community for activities that meet Consolidated Plan priorities and objectives.

Local Funds:

- General Fund monies are used for administrative expenses and capital programs that further the objectives of the Community Development Division. Capital funds anticipated for FY 2007-08 total \$1.19 million. If received, these funds will be used for accessibility modifications (\$300,000), chronic problem property remediation (\$250,000), commercial façade improvements (\$100,000), blighted property acquisition (\$200,000), sidewalk repairs adjacent to façade projects (\$150,000), infill housing in the 5-Points redevelopment area (\$150,000), and loan management software (\$40,000).
- Sales proceeds and program income are received from closed out grants, including the HOPE 3 for Homeownership Program, State of Tennessee House Program, and State of Tennessee Bicentennial Grant Program. These funds are used to assist with low/moderate income housing costs, and are also used as match for the HOME program.
- The Affordable Housing Trust Fund supports homeownership opportunities and the production, preservation, and rehabilitation of housing for lower income households. This program began with a Demonstration Fund that received monies from the City of Knoxville and Knoxville's Community Development Corporation. A permanent Trust

Fund was established in 1997. For-profit and non-profit entities are eligible to apply, and must show evidence of community participation in planning the project and support for the application.

Other HUD Funds:

- HUD's Property Disposition Program provides discount priced houses that the City is able to purchase, renovate, and sell to lower income homebuyers through the HOPE 3 Program.
- Knoxville's Community Development Corporation (KCDC) is making application to use HUD Replacement Housing Funds to construct 12 duplexes over the next three years to be occupied by elderly families in the Park City community. The City of Knoxville is reserving \$150,000 from this year's capital funds and \$150,000 in HOUSE program income to provide match for this activity.
- HUD provides Section 8 Funds to KCDC to administer a rental assistance program. KCDC administers three types of Housing Choice Vouchers:
 - Tenant-based Housing Choice Vouchers pay a portion of the rent for participants in affordable privately-owned rental housing
 - Mainstream Housing Choice Vouchers enable a participant with disabilities, or a family which includes a person with disabilities, to lease affordable housing of their choice in the private market. Assistance is provided to help with the difficulties in locating suitable and accessible housing.
 - Homeownership Housing Choice Vouchers pay a portion of the monthly mortgage for participants that meet the program eligibility guidelines.
- Continuum of Care funding is HUD funding that is provided to assist homeless persons. The City coordinates this application process, which covers three programs: Supportive Housing, Shelter Plus Care and Moderate Rehabilitation for Single Room Occupancy Housing. Grants are made through a national competition. The submission deadline for the 2007 fiscal year is in June 2007. Knoxville submits a consolidated application, which includes a single Continuum of Care and applications from local nonprofit homeless service providers. This is a primary source of funding for implementing programs to address the *2005-2010 Consolidated Plan* priority of reducing homelessness.
- The Section 202 program helps expand the supply of affordable housing with supportive services for the elderly. It provides very low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, etc. The program is similar to Supportive Housing for Persons with Disabilities (Section 811). HUD provides interest-free capital advances to private, nonprofit sponsors to finance the development of supportive housing for the elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years. Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent. Project rental assistance contracts are approved initially for 5 years and are renewable based on the availability of funds.
- Section 811 Special Needs Housing program allows persons with disabilities to live as independently as possible in the community by increasing the supply of rental housing with the availability of supportive services. The program also provides project rental assistance, which covers the difference between the HUD-approved operating costs of the project and the tenants' contribution toward rent. The program is similar to Supportive Housing for the Elderly (Section 202).

- Healthy Homes Lead Hazard Control Programs assist states, Native American Tribes, and local governments in undertaking comprehensive programs to identify and control lead-based paint hazards in eligible privately owned housing for rental or owner-occupants. Also, the Operation Lead Elimination Action Program (LEAP) provides grants to private sector and nonprofit organizations to leverage funds for addressing lead hazards in privately owned housing units and eliminating lead poisoning as a major public health threat to young children. Currently, Middle Tennessee State University is a recipient of a LEAP grant which offers assistance in addressing lead hazards throughout the State. The Knoxville Empowerment Zone is one of the targeted areas.
- Brownfields Economic Development Initiative (BEDI) Grants target Economic Development Initiative funds to brownfields projects. BEDI grants are made to local governments for use in supporting brownfield redevelopment activities and projects financed in whole or in part with Section 108 loan guarantees.
- Economic Development Initiative (EDI) provides grants to be used in tandem with Section 108 guaranteed loans for economic revitalization projects. These grants will enhance the viability of such projects (through interest rate subsidies and debt service/operating reserves) and increase the likelihood that the Section 108 loans can be repaid from project revenue.

Other Federal or State Funds:

- The Low-Income Housing Tax Credit is a credit against federal income tax liability each year for 10 years for owners and investors in low-income rental housing. Developers submit an application for a tax credit allocation to Tennessee Housing Development Agency (THDA). States can allocate tax credits equal to a total of \$1.80, plus the cost of living adjustment specified in Section 42(h)(3)(H) x Tennessee's population. For Tennessee, this provides approximately \$10 million in tax credits each year. Developments with tax-exempt financing can receive tax credits outside of the state allocation limit. At least ten percent of total credits in each state can only be allocated to non-profit organizations.
- THDA Homeownership Mortgage Programs: The Tennessee Housing Development Agency administers reduced interest rate mortgage financing programs for first-time homebuyers. The program is limited to very low, low and moderate-income households by income and sales price. Currently four programs are under their homeowner ownership mortgage program including Homeownership, Homeownership Plus, Start, and Start Plus. THDA also offers second mortgages for down payment and closing costs assistance. Local lenders take the applications for approval and funding.
- Federal Historic Preservation Tax Incentives are available for buildings listed in the *National Register of Historic Places* or located in certain historic districts that are substantially rehabilitated for income-producing purposes according to standards set by the Secretary of the Interior.
- New Markets Tax Credit (NMTC): Enacted by Congress in December 2000, the NMTC program authorized tax credits for the financing of economic development in low-income communities. The tax credits are available to investors in community development entities that will use the proceeds to make loans and investments in businesses located in low-income communities. The credits can bridge financing gaps; create new partnerships among investors, communities, businesses, and government; and generate

jobs, services and revitalization in distressed areas, in much the same way that LIHTC's did for affordable housing.

Leveraged/Private Funds

Several programs operated by the City encourage or require leveraging of private resources.

- The Owner Occupied Housing Rehabilitation program may combine CDBG or HOME funds with private lender funds to complete rehabilitation work.
- The Rental Rehabilitation program provides gap financing, with property owners borrowing an amount that is financially feasible from a private lender.
- The American Dream Downpayment Initiative program provides downpayment assistance. The primary mortgage is secured by the homebuyer from a private lender.
- The City's Façade Improvement program requires that participants provide 20% matching funds to expenses paid by the City.
- The Homemakers program leverages the cost of development. The City acquires the property, which may be sold at a discount. In most cases, the total development cost comes from private sources.
- Empowerment Zone and other large improvement projects frequently require a variety of resources, including City general funds, County funds, private funding, and in-kind donations.
- ESG funds require subgrantees to provide a 1:1 match in the form of cash or in-kind donations.

Managing the Process

1. Identify the lead agency, entity, and agencies responsible for administering programs covered by the consolidated plan.
2. Identify the significant aspects of the process by which the plan was developed, and the agencies, groups, organizations, and others who participated in the process.
3. Describe actions that will take place during the next year to enhance coordination between public and private housing, health, and social service agencies.

Program Year 3 Action Plan Managing the Process response:

Lead Agency and Purpose

The lead agency responsible for the development of the City's Consolidated Plan for Housing and Community Development is the City of Knoxville Community Development Division. The jurisdiction of the Consolidated Plan is the City limits of Knoxville. The Consolidated Plan is a 5-year plan to address the needs of lower income neighborhoods and lower income residents of Knoxville. An element of the Consolidated Plan is its emphasis on citizen participation and the collaborative nature of the process. The City of Knoxville uses the input from its citizens and its community development partners to identify needs, develop strategies for addressing the needs, and undertake specific actions consistent with those strategies.