

HOME/ American Dream Down payment Initiative (ADDI)

1. Describe other forms of investment not described in § 92.205(b).
2. If the participating jurisdiction (PJ) will use HOME or ADDI funds for homebuyers, it must state the guidelines for resale or recapture, as required in § 92.254 of the HOME rule.
3. If the PJ will use HOME funds to refinance existing debt secured by multifamily housing that is that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under § 92.206(b). The guidelines shall describe the conditions under which the PJ will refinance existing debt. At a minimum these guidelines must:
 - a. Demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing.
 - b. Require a review of management practices to demonstrate that disinvestments in the property has not occurred; that the long-term needs of the project can be met; and that the feasibility of serving the targeted population over an extended affordability period can be demonstrated.
 - c. State whether the new investment is being made to maintain current affordable units, create additional affordable units, or both.
 - d. Specify the required period of affordability, whether it is the minimum 15 years or longer.
 - e. Specify whether the investment of HOME funds may be jurisdiction-wide or limited to a specific geographic area, such as a neighborhood identified in a neighborhood revitalization strategy under 24 CFR 91.215(e)(2) or a Federally designated Empowerment Zone or Enterprise Community.
 - f. State that HOME funds cannot be used to refinance multifamily loans made or insured by any federal program, including CDBG.
4. If the PJ is going to receive American Dream Down payment Initiative (ADDI) funds, please complete the following narratives:
 - a. Describe the planned use of the ADDI funds.
 - b. Describe the PJ's plan for conducting targeted outreach to residents and tenants of public housing and manufactured housing and to other families assisted by public housing agencies, for the purposes of ensuring that the ADDI funds are used to provide down payment assistance for such residents, tenants, and families.
 - c. Describe the actions to be taken to ensure the suitability of families receiving ADDI funds to undertake and maintain homeownership, such as provision of housing counseling to homebuyers.

Program Year 3 Action Plan HOME/ADDI response:

Program Specific Requirements: HOME

Other Forms of Investment

The City does not plan to use forms of investment other than those specified in 24 CFR 92.205(b).

Homebuyer Recapture/Resale Guidelines

The City uses recapture provisions to ensure affordability in the HOME assisted homeownership program. When HOME funds are used to assist homeownership, the housing will be subject to the following affordability period:

- Five years when the per unit HOME investment is under \$15,000
- Ten years when the per unit HOME investment is \$15-40,000
- 15 years when the per unit HOME investment exceeds \$40,000

If the house is sold by the homebuyer during the affordability period, the City will recapture HOME funds out of net proceeds as follows:

- The amount of HOME investment to be recaptured will be reduced on a pro-rata basis for the time the homeowner has owned and occupied the housing measured against the required affordability period.
- If the net proceeds are not sufficient to recapture the balance owed on the HOME investment as determined above plus enable the homeowner to recover the amount of the homeowner’s downpayment and any capital improvement investment made by the owner since the purchase, the City and the owner will share the net proceeds.
- The net proceeds are the sales price minus loan repayment (other than HOME funds) and closing costs. The net proceeds will be divided proportionally according to the following formulas:

$$\frac{\text{HOME investment}}{\text{HOME investment} + \text{Homeowner investment}} \times \text{Net proceeds} = \text{Amount of HOME to be recaptured}$$

$$\frac{\text{Homeowner investment}}{\text{HOME investment} + \text{Homeowner investment}} \times \text{Net proceeds} = \text{Amount to Homeowner}$$

A forgivable loan will be used to finance the HOME assistance to the homebuyer. The HOME balance due will be reduced by an equal amount annually during the affordability period. The HOME amount will be completely forgiven if the homebuyer remains the owner and occupant for the full affordability period.

The recapture provision will be enforced through the homebuyers financing agreement with the City, which will be secured by a Deed of Trust.

The recaptured amount of HOME funds will be used for HOME eligible activities.

Refinancing of Existing Debt

The City does not intend to use HOME funds to refinance existing debt that is secured by multi-family housing during this program year.

Tenant Based Rental Assistance

The City does not plan to use HOME funds for tenant-based rental assistance during this program year. In lieu of HOME funds, HOUSE program income will be used to support a project that will develop 24-32 units of permanent, supportive housing for the chronically homeless on multiple sites. This will help further the goals of developing this type of housing in support of the Ten Year Plan to End Chronic Homelessness.

Affirmative Marketing

The City will meet affirmative marketing requirements for HOME assisted projects containing five or more units through the following policy and procedures:

1. The City will inform the public, owners, and potential tenants about Federal Fair Housing laws and the City's Affirmative Marketing Policy through:
 - The City's Fair Housing Program. The City Community Development Division will educate and inform the public of their fair housing rights and options under the City's Fair Housing Ordinance and any other applicable laws. The City also provides counseling and information to citizens regarding rights and remedies under the Fair Housing Law.
 - The equal housing opportunity logo, slogan, or statement will be used in all media announcements, requests for proposals, and informational and application materials.
 - A summary of the policy will be included in informational materials for owners and the policies and procedures will be discussed.
 - Potential tenants will be informed in general through the methods mentioned above.

2. During the required affordability period, owners of housing facilities containing five or more units must:
 - Use the equal housing opportunity logo or slogan in advertising vacant units.
 - Advertise the vacancy in the *Knoxville News Sentinel* if more than four vacancies exist in a project and the owner does not have a sufficient waiting list to fill the vacancies, or list the property with KCDC's list of properties available for Rental Assistance Certificate holders.
 - Inform and solicit applications from persons not likely to apply for the housing without special outreach. This will be done by notifying the Knoxville Area Urban League (KAUL) when it is known that a vacancy will occur and/or provide the unit as a referral for tenants on KCDC's waiting list.

3. In order to document affirmative marketing efforts and results, the following records will be kept:

Owners

- Data on the racial, ethnic, and gender characteristics of tenants occupying units before rehabilitation, tenants moving from and into units after rehabilitation, applicants for tenancy, and how the applicants heard about the housing opportunities.

- Information regarding applicants for initial occupancy must be provided to the City within 120 days following completion of rehabilitation.

- During the affordability period, owners must keep copies of newspaper advertisements to fill vacancies and information on vacancies. The owner may submit copies of these advertisements directly to the City.

City

- The racial, ethnic, and gender characteristics of owners of projects rehabilitated and applicants for HOME funds.
- Data indicating the race and ethnicity of households displaced as a result of program activities, and if available, the address and census tract of the housing unit to which each displaced household relocated.
- Copies of advertisements or meeting notices that the City places in the newspaper or relevant articles appearing in the paper.
- Samples of informational materials.

4. Effectiveness of the City's affirmative marketing efforts will be assessed as follows:

- To determine if good faith efforts have been made, owners will be asked to provide information and documentation on the efforts they have taken regarding vacancies and affirmative marketing for the past year at the time of the annual review of rental activities. If the City determines that the required actions have been carried out, the City will assume that the owners have made good faith efforts to carry out these procedures.
- To determine results, the City will assess property owner's affirmative marketing efforts in relation to whether or not minority, Caucasian, and female headed households have applied for and/or become tenants in the rehabilitated units. If the City determines that they have, the City will assume that owners have carried out affirmative marketing procedures effectively.

If different racial, ethnic, and gender groups are not represented, the City will review the owner's affirmative marketing procedures to determine what changes, if any, may be made to improve effectiveness.

5. The City will take corrective action if it finds that an owner has not made a good faith effort to carry out the affirmative marketing procedures or fails to maintain the required records on tenants and applicants for tenancy. If, after discussing with the owner ways to improve procedures, the owner continues to fail to meet the affirmative marketing requirements, the City will disqualify the owner from future participation in the HOME Program.

The City will carry out its assessment activities and will complete a written assessment of affirmative marketing efforts in time to report the results in its annual performance report to HUD.

Minority and Woman Owned Business Outreach

The City will meet the requirements of 24 CFR 92.350 for establishing and overseeing a minority and women's business outreach program through the following policies and procedures.

By policy, the City prohibits discrimination against any person in pursuit of business opportunities on the basis of race, color, national origin, religion, sex, age, disability or veteran status. It is also City policy to provide minorities, women, and small businesses equal opportunity for participating in all aspects of the City's contracting and procurement programs, including but not limited to construction, development projects, procurement, professional services and lease agreements. In support of this, the City operates the Equal Business Opportunity Program, which is essentially an outreach program targeted to increase minority and female participation in government contracting.

Additionally, the Community Development Division will carry out the following activities to ensure the inclusion, to the maximum extent possible, of minorities and women in all contracting activities entered into by the City to facilitate the provision of affordable housing under the National Affordable Housing Act or any other applicable federal housing law:

1. Maintenance of a bid registry which includes minority- and woman-owned business enterprises (M/WBE) participating in the housing rehabilitation program. Local agencies, such as the State of Tennessee Office of Minority Business Enterprise and Knoxville Area Urban League have been informed of the City's bid process and have been encouraged to refer minority firms to the City's rehabilitation programs. Property owners who do not act as their own contractor or who have not selected a contractor on their own obtain bids for the rehabilitation work from contractors on the bid solicitation list.
2. All general contractors are encouraged to utilize M/WBE when subcontracts are let and to take affirmative steps to do so. Provisions describing appropriate actions are made a part of each construction agreement. The Division continually seeks to increase the total number of qualified M/WBEs on the bid solicitation list.
3. Community Development provides informational materials (fact sheets, program guides, brochures, etc.) about housing and development related contracting opportunities for M/WBEs. These materials are be sent to local trade, nonprofit, education (Pellissippi State) and small business organizations located in Knox County.
4. The City will place a notice in the *Knoxville News-Sentinel* describing the availability of contracting opportunities through the Housing Rehabilitation bid registry and stating the City's commitment to assure equal opportunity for contracting opportunities/ for M/WBEs. A copy will be sent to local trade, nonprofit and small business organizations.
5. Notices of announcements for HOME and other housing related activities will be sent to appropriate community, trade, and nonprofit organizations throughout Knox County when formal advertising is required.
6. The Community Development Division will participate in and/or conduct M/WBEs business opportunity-related meetings and seminars upon request.
7. Community Development will maintain records on the steps taken to implement outreach activities to minority-owned and female-owned businesses including data on racial/ethnic or gender character of each business entity receiving a contract or subcontract of \$25,000 or more paid, or to be paid, with HOME funds; the amount of the contract or subcontract, and documentation of affirmative steps to assure that

minority business and women's business enterprises have as equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction, and services.

8.

Minority Homeownership

The City anticipates that 40% of households assisted with HOME and/or ADDI homeownership assistance will be minorities.

Matching Funds

Match funding for the HOME Program has been provided primarily from the State of Tennessee HOUSE Program and the THDA Local Match Program. The City currently has match in excess of the match requirement. Additional match may be provided with HOUSE program income and HOPE3 sales proceeds.

Program Specific Requirements: ADDI

Planned Use of ADDI Funds

ADDI funds will be used for downpayment assistance for eligible first-time homebuyers. The base award will be \$5,000 and the base will be increased by \$2,500 for homebuyers below 60% of the Annual Median Income and an additional \$2,500 will be awarded for homes purchased in the Empowerment Zone. The City will ask local nonprofit organizations that provide homeownership counseling, training or other assistance to refer eligible homebuyers who need the assistance. Training is currently being provided by Knox Housing Partnership, Consumer Credit Counseling Service, Knoxville Area Urban League and UT Agricultural Extension Service.

Targeted Outreach

The City will work with KCDC to identify and target public housing residents and other assisted tenants who could use the assistance. We will target assisted tenants particularly by coordinating with the Section 8 for Homeownership Program.

Household Suitability

All households receiving ADDI assistance are required to successfully complete a homeownership education course. The City will use CDBG funding again in 2007 to provide homebuyer education, credit counseling, and IDA savings programs through Knox Housing Partnership.