

## THE NSP SUBSTANTIAL AMENDMENT

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### ***A. AREAS OF GREATEST NEED***

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction. **Note:** An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction's consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State's own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions' consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity's own plan. HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult [this data](#), in developing this section of the Substantial Amendment.

As part of the Consolidated Plan process, the City of Knoxville conducted a needs assessment in 2005. After performing the housing analysis, conducting assessments, and gathering information from residents and agencies, priorities were set for Knoxville's housing, infrastructure, services and other needs. In its 2008 Annual Action Plan, the City focused resources on four priorities to include: neighborhood stabilization, housing rehabilitation, home ownership, and assistance to the homeless.

The latest data supplied by HUD regarding household income indicates that over 50% of almost the entire city of Knoxville and much of the surrounding County have incomes at or below 120% of the area median income (AMI). The current AMI for the Knoxville/ Knox County metropolitan statistical area is \$58,500 for a family of four. The data shows that more than half of the households in most of the Knoxville area earn less than \$70,200 (for a family of four), defined as low, moderate/middle income (LMMI). Additionally, within a large portion of the City of Knoxville over half of the households have incomes at or below 50% of the AMI, (\$29,500 for a family of four), defined as very-low income. Most of the very-low income census tracts are located within Knoxville's Empowerment Zone, a sixteen square mile area within the heart of Knoxville. Federal entitlement funding received by the City (EZ,CDBG, HOME, ESG) is focused on the EZ to give priority to the area of greatest need. NSP funds will enhance existing efforts in neighborhood stabilization.

HUD data also indicates a foreclosure risk score for each block group within the census tracts based on the percentage of foreclosures, percentage of homes financed with sub-prime mortgage loans and identified as likely to face a rise in the rate of home foreclosures. The scores range from 1 to 10 with 10 being the highest risk. All of the very low-income census tracts and many of the LMMI tracts show foreclosure risk scores of 7 to 10.

The City of Knoxville currently focuses our federal resources on the areas of greatest need as indicated by the HUD data. The Neighborhood Stabilization Program funds will serve to

strengthen and enhance our current projects while providing funding for some new programs focused on foreclosures. (Income and foreclosure data is shown on the attached map.)

***B. DISTRIBUTION AND USES OF FUNDS***

Provide a narrative describing how the distribution and uses of the grantee’s NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note:* The grantee’s narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

The City of Knoxville will use its NSP funds to meet the requirements of Section 2301 (c) (2) of HERA through activities located in the areas of greatest need. As discussed in the response to Section A, the City of Knoxville currently focuses its activities funded with federal dollars (EZ, CDBG, HOME, ESG) on the areas of greatest need. The activities proposed in this NSP plan will serve to strengthen and enhance current programs. The City is proposing to use its NSP funds for the eligible uses listed in Section 2301 (c) (3) (B), (D) and (E) of HERA. Those uses include: (B) purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties; (D) demolish blighted structures; and (E) redevelop demolished or vacant properties.

In this plan, the City is proposing to allocate our direct HUD NSP funding of \$2,735,980 to the eligible activities listed below. If additional NSP dollars are received from the State of Tennessee, funding allocations will be made to the activities listed below.

- NSP funds in the amount of \$934,000 will be provided to three subrecipients, Habitat for Humanity, Knox Housing Partnership, and Knoxville’s Community Development Corporation, to purchase and rehabilitate homes and residential properties that have been foreclosed upon or abandoned in order to sell, rent or redevelop; and/or redevelop demolished or vacant properties. These activities will take place in census tracts where incomes are at or below LMMI and where foreclosure risk scores are 7 or higher.
- NSP funds in the amount of \$180,000 will be used to demolish blighted structures in neighborhoods of greatest need. The City will strategically focus demolition of blighted structures on neighborhoods where other neighborhood stabilization activities are taking place. The structures to be demolished will be vacant, will meet the City’s legal definition of blighted, and have a demolition order from the Better Building Board.
- NSP funds in the amount of \$1,386,400 will be used to redevelop vacant properties, buildings and/or land, for rental housing for very-low income households. KCDC, in support of the Five-Points redevelopment plan, will acquire the old Eastport School to rehabilitate as housing for very-low income elderly persons. As part of the Mayors’ Ten Year Plan to End Chronic Homelessness, Volunteer Ministry Center will create 57 units of permanent supportive housing for the chronically homeless, and Southeastern Housing will develop an additional 50 units of permanent supportive housing. Through these activities, the City will provide 51% of its expected funding to benefit the lowest income households.
- Administrative costs of the NSP program over four years are estimated at \$235,580, which is 8.6% of the funding allocation.

Detailed information on each activity is included in section G of this plan.

**C. DEFINITIONS AND DESCRIPTIONS**

(1) Blighted Structure

The definition of “Blighted Property” as described below is contained in the City of Knoxville, Code of Ordinances, Chapter 6, Article VI, Sec. 6-150.

Blighted and deteriorated property.

(a) *Definitions.* The following terms, whenever used or referred to in this section, shall have the following respective meanings unless a different meaning clearly appears from the context:

(1) *Blighted or deteriorated property* means any vacant structure or vacant or unimproved lot or parcel of ground in a predominantly built-up neighborhood:

- a. Which because of the physical condition or use is regarded as a public nuisance at common law or has been declared a public nuisance in accordance with the city housing, building, plumbing, fire or related codes; or
- b. Which because of physical condition, use or occupancy is considered an attractive nuisance to children, including, but not limited to, abandoned wells, shafts, basements, excavations, and unsafe fences or structures; or
- c. Which because it is dilapidated, unsanitary, unsafe, vermin-infested or lacking in the facilities and equipment required by the housing code of the city has been designated by the department responsible for enforcement of the code as unfit for human habitation; or
- d. Which is a fire hazard or is otherwise dangerous to the safety of persons or property; or
- e. From which the utilities, plumbing, heating, sewerage or other facilities have been disconnected, destroyed, removed or rendered ineffective so that the property is unfit for its intended use; or
- f. Which by reason of neglect or lack of maintenance has become a place for accumulation of trash and debris or a haven for rodents or other vermin; or
- g. Which has been tax delinquent for a period of at least three (3) years; or
- h. Which has not been rehabilitated within the time constraints placed upon the owner pursuant to this article;
- i. Provided, however, "blighted or deteriorated" shall not be construed to apply to any property used for agriculture purposes.

For the purposes of this application for NSP funds, the City will only demolish blighted structures that are vacant, have been posted “unfit for human habitation”, and on which a complaint has been filed and presented to the Better Building Board and the Board has recorded a demolition order on the property.

(2) Affordable Rents

*Note:* Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

The City of Knoxville will apply the affordable rent standards used in its HOME program to the NSP funded activities. Every NSP assisted unit is subject to rent controls designed to ensure rents remain affordable to lower-income families over time. There are two NSP rents established for projects:

1. Low NSP Rents: For projects containing five or more assisted rental units, or in the case of an owner who has multiple projects which together contain a total of five or more assisted rental units, a minimum of 20% of all the NSP assisted units must have rents, adjusted for utilities, that do not exceed 30% of the gross income for a household earning 50% of the AMI, and
2. High NSP Rents: All other NSP assisted units in each project must have rents, adjusted for utilities, that do not exceed the lesser of the Section 8 Fair Market Rents or 30% of the adjusted income for a household earning 65% of the AMI.

The current published rent limits for Knoxville are shown below:

# of bedrooms	0	1	2	3	4	5	6
<b>LOW HOME RENT LIMIT</b>	457	525	633	760	848	935	1023
<b>HIGH HOME RENT LIMIT</b>	457	525	633	848	875	1006	1138

(3) Continued affordability

Housing constructed or rehabilitated with the assistance of NSP funds will be required to maintain affordability. Affordable rent standards, as described in C (2) of this plan, are required for a period of not less than 15 years. For sale housing units will be required to be sold to households meeting the LMMI limits and is considered affordable if the purchaser’s monthly payments of principal, interest, taxes and insurance do not exceed 30% of the family’s income. By using Energy Star systems, the City will ensure that utility costs are affordable for the residents of the proposed units.

(4) Housing rehabilitation standards that will apply to NSP assisted activities.

As a condition for receiving monies from the United States Department of Housing and Urban Development (HUD), the City of Knoxville Community Development Department must make reference to a code or document that defines a ‘standard’ that housing rehabilitation cases shall be brought to; the Neighborhood Housing Standards have been that ‘standard’ for many years.

The intent of these Neighborhood Housing Standards is to provide a guideline for the rehabilitation of housing units under the various housing programs administered by the City of Knoxville that use HUD funds. The Neighborhood Housing Standards incorporates a minimum housing standard that can be used to:

- a.) Meet (and many times exceed) the minimum standards dictated by the 2006 International Residential Code;
- b.) Meet (and many times exceed) the minimum standards dictated by the HUD Section Eight Housing Quality Standards for living units;
- c.) Serve as an outline for the rehabilitation specialist in preparing a work write-up for an existing unit that meets (and many times exceeds) the requirements of the codes and standards referenced above, and;
- d.) Serve as a reference that can be used in resolving disputes with homeowners when their expectations exceed the intent of our programs.

The Neighborhood Housing Standards play a major role in providing the housing staff a set of guidelines for the housing rehabilitation process, assuring the following set of priorities is provided: Safety, Health and Sanitation, Code Requirements, Program Requirements, Economy and Maintenance.

Items covered by the Neighborhood Housing Standards include: general design criteria, bath facilities, facilities, systems & equipment, light & ventilation, insulation, heating, maintenance standards, windows & doors, painting & ceiling/wall finishes, siding, floors, and replacement houses.

It shall be recognized that any new construction (i.e., replacement or infill housing) shall be designed and constructed according to the guidelines set forth by the United States Environmental Protection Agency's - Energy Star program.

#### ***D. LOW INCOME TARGETING***

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$1,386,400 (50% of total award available). *Note:* At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

The City of Knoxville will use 50% (\$1,386,400) of the total available award of \$2,735,980 to develop housing for the elderly and the chronically homeless. A total of 132 efficiency and one-bedroom units for individuals whose incomes are at or below 50% AMI will be developed to provide housing and supportive services for those with the greatest need of housing. Twenty-five units of housing will be developed in an abandoned school to serve a growing very low income elderly population located within the Five Points redevelopment area.

One hundred and seven units of permanent supportive housing will be developed in two projects to serve the chronically homeless. People who are chronically homeless are unaccompanied disabled individuals who have been homeless for over a year, or who have experienced at least four episodes of homelessness in the last three years. They are disabled persons, often mentally ill, substance addicted, or both. They experience frequent crises and are heavy users of community emergency and public safety resources (emergency rooms, inpatient and outpatient hospital, detox, jails, ambulance service, etc.). It is estimated that a person who is chronically homeless in the Knoxville MSA consumes approximately \$37,000 worth of such services every year. It is also demonstrated in communities across the nation that if people who are chronically homeless are stabilized as rapidly as possible in permanent housing and surrounded with the supportive services that they need to successfully manage their disability, they can stay housed.

#### ***E. ACQUISITIONS & RELOCATION***

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., ≤ 80% of area median income). If so, include:

- The number of low- and moderate-income dwelling units—i.e., ≤ 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., ≤ 120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

The City of Knoxville’s NSP Plan does not anticipate demolishing or converting any existing low and moderate income dwelling units. Demolition activities will be focused on vacant and blighted structures.

It is anticipated that through the activities proposed in the NSP plan, 17 affordable housing units will be made available to families at or below 120% AMI. Additionally, 132 affordable housing units will be made available to households with incomes at or below 50% AMI. Detailed information by activity is located in section G of this plan.

***F. PUBLIC COMMENT***

Provide a summary of public comments received to the proposed NSP Substantial Amendment. **Note:** proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction’s website for no less than 15 calendar days for public comment.

**Public comments will be accepted from November 11-26 and will be included in this section of the final document.**

**G. NSP INFORMATION BY ACTIVITY**

**ACTIVITY #1**

- (1) Activity Name: Knoxville Habitat for Humanity NSP Grant Program
- (2) Activity Type: Purchase and rehabilitate properties that have been abandoned or foreclosed to sell to LMMI families, or redevelop demolished or vacant properties for housing to be sold to LMMI families. This activity will be focused in the areas of greatest need within the City of Knoxville.
- (3) National Objective: LMMH (Low, Moderate, Middle income Housing)
- (4) Activity Description: NSP funds in the amount of \$200,000 will be provided to Knoxville Habitat for Humanity to be used to purchase 4 foreclosed and abandoned properties, including properties with houses, which will be rehabilitated to sell to a qualified Habitat for Humanity family. Upon completion of construction or rehabilitation, HFH will sell these homes to approved Habitat for Humanity partner families with incomes at or below 80% percent AMI. The properties will be purchased within 18 months of the receipt of the NSP funds by the Grantee, and all renovations and sales to approved Habitat for Humanity partner families will be completed within 4 years. The purchase price for these homes will comply with the requirements of HERA and the NSP regulations, and will be paid pursuant to a 0 percent purchase money mortgage under the following terms:
  - **No Interest Charged**: The mortgage financing that is provided will charge no interest.
  - **First Mortgage Term**: The term of the mortgage will be at least 20 years and no more than 30 years.
  - **Fully Amortizing First Mortgage Loans**: The loan secured by the mortgage will fully amortize over the set term of the mortgage.
  - **Balloon Loans Prohibited**: Loans which require full payment before the end of the term of the loan are prohibited.
  - **Use of Habitat for Humanity House**: The Affiliate requires that the homeowner use the house as their principal/primary residence.

In order to maintain the continued affordability of the home, HFH will incorporate a right of first refusal in all mortgage documents. This allows HFH to retain the home as an affordable unit of housing, and can inhibit predatory lenders from gaining a controlling interest in the property. In addition, HFH will require the partner families to enter into a second mortgage which is the difference between the appraised value and the first mortgage. This amount is forgiven over 20 years which allows HFH to control the equity of each house. Hence, when selling the house, HFH will sell at the appraised value, the real value, so the family and the community know their true investment into homeownership and the community knows the true value of the homes. All home buyers will participate in a minimum of 8 hours of home ownership counseling prior closing.

- (5) Location Description: Habitat for Humanity will focus their activities in the Lonsdale, Vestal, Five Points, Burlington, Parkridge, Mechanicsville and Lincoln Park

neighborhoods. Within the aforementioned neighborhoods, over 50% of the households have incomes less than 50% AMI and the foreclosure risk scores are at 7 or higher.

- (6) Performance Measures: The performance of this Activity will be measured as follows:
- (a) Four properties will be acquired, renovated and/or rehabilitated;
  - (b) Income levels of each partner family will be provided to the City of Knoxville to prove the affordability component of this program within 30 days after the closing of each home.
- (7) Total Budget: The total budget for the project is \$200,000, which will be provided from NSP funds.
- (8) Responsible Organization: Knoxville Habitat for Humanity, 1501 Washington Ave. Knoxville, TN 37917. Phone: 865-523-3539. Kelle Shultz, Executive Director, email [Kshultz@khfh.com](mailto:Kshultz@khfh.com) .
- (9) Projected Start Date: Upon approval of award.
- (10) Projected End Date: Within four years of award approval.
- (11) Specific Activity Requirements:
- discount rate: a minimum of 5%.
  - range of interest rates: 0%
  - duration or term of assistance: 30 years
  - tenure of beneficiaries: homeownership;

As described above, continued affordability is ensured with deed restrictions.

## ACTIVITY #2

- (1) Activity Name: Knox Housing Partnership-City NSP Rental/Homeownership Plan
- (2) Activity Type: Purchase and rehabilitate properties that have been abandoned or foreclosed to sell or rent to LMMI families, or redevelop demolished or vacant properties for housing to be sold to LMMI families. This activity will be focused in the areas of greatest need within the City of Knoxville.
- (3) National Objective: LMMH. Provide rental and/or homeownership opportunities to Knoxville residents who are at or below 120% of the Knoxville MSA area median income guideline.
- (4) Activity Description: Knox Housing Partnership (KHP) proposes to buy 5 foreclosed properties to create rental homes and potential homeownership units for people meeting the income guidelines established by the NSP grant. The focus of the activity will be in the South Knoxville area where there is a high percentage of foreclosures and census tracts with over 50% of the population at or below 120% AMI.

Option 1) Acquire a vacant and foreclosed unit that is substandard. Demolish the substandard unit that has been vacant and foreclosed and build back a high-performance house (LEED or at a minimum energy star qualified).

Option 2) Acquire a vacant and foreclosed property that can be renovated but needs substantial renovation before being put back into service as a rental unit. Use “green” renovation standards that are financially viable, as determined by a proforma, which in turn helps the renter/homeowner over the long-term use or ownership of the property.

Option 3) Acquire a vacant and foreclosed property that has minimum renovation needs and put back into service to be rented or sold to a household meeting the income eligibility requirements.

KHP will identify properties that are in close proximity to each other so that a greater positive neighborhood impact is gained from the infusion of funds into the area. KHP has experience in managing rental property and with Section 8 rental assistance. Having available rental homes in South Knoxville that meet and/or exceed HUD’s Housing Quality Standards (HQS) will provide opportunities for families who wish to live or remain in South Knoxville the ability to do so. KHP expects that some of the renters, based on past experience, will meet the 50% of area median income. All home buyers will participate in a minimum of 8 hours of home ownership counseling prior to closing.

- (5) Location Description: Knox Housing Partnership will concentrate its efforts in the Knoxville city’s census tracts of 8, 22 and 23 which are located in South Knoxville. The census data indicates that the income for these tracts range from 60% to 91.1% of the area median income. KHP obtained information on October 28, 2008 from Realty Trac, the nation’s online foreclosure information system, to further identify the level of foreclosure activity in the census tracts 8, 22 and 23. Approximately 23 bank owned properties were listed in the Old Sevier, South Haven, Woodlawn Pike, and East Red Bud areas of South Knoxville. There were also three auction properties listed and three pre-foreclosure

properties listed. The foreclosure risk scores of the block groups in census tracts 8, 22, and 23 are 7, 8, and 9 respectively, indicating a fairly high risk.

- (6) Performance Measures: KHP proposes to purchase up to 5 homes that will be acquired and either renovated or demolished and rebuilt to serve households with incomes at or below 120% AMI either as a rental unit or a homeownership unit.
- (7) Total Budget: Based on KHP's past experience in housing rehabilitation as well as new construction, the budget per house would be approximately up to \$145,000 per unit, for a total of \$725,000 of which \$234,000 will be provided from NSP funds. HOME CHDO funds in the amount of \$491,000 will be used for the balance of the funding. Individual pro formas will be submitted once properties have been identified. KHP has access to credit lines from various sources to accommodate short-term cash needs while awaiting reimbursement.
- (8) Responsible Organization: Knox Housing Partnership, Inc. is a Community Housing Development Organization (CHDO) located at 109 N. Winona Street, Knoxville, TN, 37917. Phone 865-637-1679. Contact: Jackie Mayo, Executive Director, e-mail: [jmayo@khp.org](mailto:jmayo@khp.org).
- (9) Projected Start Date: Upon approval of award.
- (10) Projected End Date: NSP funds will be expended within four years of the award.
- (11) Specific Activity Requirements:
  - discount rate: At a minimum of 5% discount of appraised market value
  - duration or term of assistance: Down payment assistance will be treated as due upon sale which in the case of a homeowner that remains in the home could go well beyond a typical 30 year first mortgage.
  - tenure of beneficiaries--rental or homeownership: The tenure will be ongoing for rental properties while tenants will be encouraged to work toward homeownership. Financial literacy will be offered as well as homebuyer education to help move renters towards homeownership.
  - a description of how the design of the activity will ensure continued affordability: Rental properties will follow the HOME posted rental rates for the area. This ensures rental affordability. Green renovation standards and LEED and energy star certification will ensure utility costs remain affordable for the life of the property.

Homes will be sold at least to the first buyer at the cost of the unit which will be below the market rate and therefore meet the affordability standards. Another option is to restrict the deed so that the home could only be sold to households who do not exceed the 120% AMI for at least a 10 or 15 year period.

### ACTIVITY #3

- (1) Activity Name: Hope VI Foreclosure Program.
- (2) Activity Type: Purchase and rehabilitate homes that have been abandoned or foreclosed upon in order to sell to LMMI families
- (3) National Objective: LMMH. Housing for LMMI households
- (4) Activity Description: KCDC completed a Hope VI project in December 2006 consisting of homeownership and rental units. The project is located in the Mechanicsville neighborhood in a low-income census tract on the site of a former public housing development. The recent economic downturn in the sub-prime mortgage business and stagnated home prices are affecting homeowners in the Hope VI area. Currently there are five (5) mortgages in bankruptcy and eight (8) additional homes that have been foreclosed on to date. There is concern that real estate investors may purchase the foreclosed properties in this community for rental purposes, which will have a negative impact on the homeowner property value, making it difficult to convince potential home buyers to investment in this community. KCDC proposes to purchase 8 homes to sell to families with incomes at or below 120% AMI. Each home buyer will participate in a minimum of 8 hours of home ownership counseling prior to closing.
- (5) Location Description: Mechanicsville Commons located within the Mechanicsville Redevelopment Plan boundary. The homes are located in Census tract 12 where more than 50% of the households have incomes less than 50% AMI. The foreclosure risk score for this area is 10.
- (6) Performance Measures: The purchase of 8 houses for resale as homeownership units to individual(s) or families who earn 120% or less of the Area Median Income for the Knoxville MSA.
- (7) Total Budget: The total budget for this activity is estimated at \$620,000 of which \$500,000 will be provided from the NSP funds. It is estimated that \$500,000 will be used to purchase 8 houses for \$62,500 each. KCDC will make available \$80,000 to provide up to \$10,000 in down payment assistance per home to qualified homebuyers. In addition, KCDC anticipates the need for minor repairs to the repurchased homes and some marketing expenses. KCDC is budgeting \$40,000 from available funds to cover these costs.
- (8) Responsible Organization: Knoxville's Community Development Corporation, 901 Broadway Knoxville, TN 37917. Phone 865 403-1106. Contact: Alvin J. Nance, Executive Director/CEO, email [anance@kcdc.org](mailto:anance@kcdc.org).
- (9) Projected Start Date: January 2009, or as soon as the NSP funds are available.
- (10) Projected End Date: Due to the current environment in the real estate market it is difficult to determine the completion date; however KCDC will start marketing the homes immediately upon acquisition. KCDC will attempt to complete this project within two years of the award date.

(11) Specific Activity Requirements

- Duration or term of assistance: NSP funds would be used for the purchase price of the foreclosed houses acquired by KCDC. These funds would be obligated with the signing of a sales contract and disbursed at the mortgage closing. Assistance is requested for two years.
- Tenure of beneficiaries: Homeownership for low, moderate, middle income individual(s) or families (equal to or less than 120% of AMI).
- Description of how the design of the activity will ensure continued affordability: This community was revitalized with the help of a \$22 million HUD HOPE VI grant that leveraged an additional \$23 million in private and public investment in the neighborhood. KCDC, the public housing authority for the City of Knoxville, desires to protect the objectives of the HOPE VI revitalization plan which included development of affordable housing opportunities for low and moderate households in the Mechanicsville Community.

#### ACTIVITY #4

- (1) Activity Name: Eastport Senior Housing Project
- (2) Activity Type: Redevelop vacant property
- (3) National Objective: LMMH. Rental housing for seniors with incomes at or below 50% of AMI.
- (4) Activity Description: As a part of the broader Five Points Redevelopment Plan, Knoxville's Community Development Corporation (KCDC) is acquiring the old abandoned Eastport Elementary School from The Knox County School System. The building will be rehabilitated into 25 one bedroom elder units for individuals at or below 50% of the area median income. The units will be constructed using "green" building standards and will be LEED certified and Energy Star compliant. This project will assist in the planned revitalization of Walter P. Taylor Homes, a public housing development adjacent to Eastport School. Studies have shown a decrease in quality housing stock and a huge increase in vacant lots within the neighborhood. Approximately 23% of the residential lots are vacant, while an additional 26% contain substandard housing.
- (5) Location Description: Old Eastport Elementary School, 2036 Bethel Avenue, Knoxville, TN 37915 adjacent to Walter P. Taylor Homes located within the Five Points Redevelopment Plan boundary. The project is located in census tract 6 where over 50% of the population has incomes at or below 50% AMI. The foreclosure risk score for this area is 10.
- (6) Performance Measures: Twenty-five units of housing constructed for seniors with incomes at or below 50 percent of area median income.
- (7) Total Budget: \$3.9 million. \$321,400 is requested from NSP. (See budget below.)
- (8) Responsible Organization: Owner and Developer will be Knoxville's Community Development Corporation, 901 Broadway, Knoxville, TN 37917. Contact: Alvin J. Nance, Executive Director/CEO, email [anance@kcdc.org](mailto:anance@kcdc.org).
- (9) Projected Start Date: Pre-development activities such as architectural, engineering and environmental review will begin in February, 2009. Construction will begin in June, 2009.
- (10) Projected End Date: Two years from construction start date, June 2011.
- (11) Specific Activity Requirements:
  - Duration or term of assistance: NSP funds will be used for hard construction related costs. Money will be obligated with the signing of a construction contract and paid out during two year construction contract.
  - Tenure of beneficiaries: The project will create housing for low-income seniors for a period of not less than forty years.
  - Description of how the design of the activity will ensure continued affordability: Since the project is partially funded with Public Housing funds, the required

affordability period for rents will be 40 years. Additionally, energy efficiency built into the units will ensure lower utility costs for the residents throughout the life of the project.

Knoxville's Community Development Corporation  
Eastport Elderly - Phase I

	KCDC Housing Funds	Tax Credits (LIHTC)	FHLB Direct Grant	NSP	Total Funds
<b>A. Development Sources</b>					
Equity - Tax Credits(LIHTC)		1,500,000			1,500,000
Capital Funds 2009	500,000				500,000
Capital Funds 2010	500,000				500,000
Federal Home Loan Bank Direct Grant			500,000		500,000
Neighborhood Stabilization Program (NSP)				321,400	321,400
KHDC (KCDC-related entity)	297,600				297,600
<b>Subtotal Development Sources</b>	<b>\$ 1,297,600</b>	<b>\$ 1,500,000</b>	<b>\$ 500,000</b>	<b>\$ 321,400</b>	<b>\$ 3,619,000</b>
<b>B. Additional Project Sources</b>					
Replacement Housing Funds	300,000				300,000
<b>TOTAL SOURCES (A &amp; B)</b>	<b>\$ 1,597,600</b>	<b>\$ 1,500,000</b>	<b>\$ 500,000</b>	<b>\$ 321,400</b>	<b>\$ 3,919,000</b>

25 unit - 1 bedroom elderly development  
TDC=\$156,760 per unit

## ACTIVITY #5

- (1) Activity Name: Minvilla Manor
- (2) Activity Type: Redevelop vacant property
- (3) National Objective: LMMH. Housing for very low-income residents. 100% of residents of Minvilla Manor will be at or below 50% of AMI.
- (4) Activity Description: Minvilla Manor is a renovation of the historic Fifth Avenue Motel as a 57-unit permanent supportive housing facility for people who are chronically homeless. This property is presently abandoned. Minvilla will include efficiency and one-bedroom units and community/service areas. On-site case management and continuous supervision will be provided. Additionally, Energy Star appliances and systems will be included in the construction to reduce utility costs.
- (5) Location Description: Minvilla is located at 447 N. Broadway, Knoxville, TN 37917. Minvilla is located in census tract 2 where more than 50% of the households have incomes at or below 50% AMI and the foreclosure risk score is 7.
- (6) Performance Measures: Minvilla will be developed into 57 efficiency and one-bedroom apartments. 100% of Minvilla Manor's units will serve residents below 50% of AMI.
- (7) Total Budget: Total development budget for Minvilla Manor is \$7 million. NSP funds in the amount of \$585,000 will be used for construction. See attached .
- (8) Responsible Organization: Volunteer Ministry Center, Inc., 103 S. Gay Street, Knoxville, TN 37902. Phone 865 524-3926. Contact: Ginny Weatherstone, Executive Director, email: [ginny@vmcinc.org](mailto:ginny@vmcinc.org).
- (9) Projected Start Date: Upon approval of award.
- (10) Projected End Date: December 2010
- (11) Specific Activity Requirements:
  - Duration or term of assistance: NSP funds will be provided during the period of construction which is anticipated to be one year. The rental affordability period mandated by use of Low-Income Housing Tax Credits is 15 years.
  - Tenure of beneficiaries: The project is constructing rental housing for very-low income individuals. Beneficiaries may stay as long as they choose and can fulfill the terms of their leases.
  - Description of how the design of the activity will ensure continued affordability: Rents must remain affordable as mandated by use of Low-Income Housing Tax Credits as a source of development funds. Additionally, residents will have access to Section 8 vouchers via Knoxville's Community Development Corporation, the local Public Housing Authority. Energy star components will ensure affordable utility costs for the life of the project.

**Minvilla Manor**

<b>Development Sources</b>	Tax credits (HTC)	Tax credits (LIHTC)	FHLB Grant	HUD SHP	THDA HTF	City Funds	County Funds	First Mortgage	Developer	Total Funds
Equity-Tax Credits (HTC)	1,146,609									1,146,609
Equity- Tax Credits (LIHTC)		1,767,872								1,767,872
CDBG(2006)						460,000				460,000
CDBG (2008)						100,000	250,000			350,000
HOME						275,000				275,000
NSP						585,000				585,000
HOUSE						215,000				215,000
Federal Home Loan Bank			500,000							500,000
HUD Supportive Housing program				250,000						250,000
THDA					300,000					300,000
Developer Contribution									850,068	850,068
First Mortgage								366,014		366,014
<b>Total Sources</b>	<b>1,146,609</b>	<b>1,767,872</b>	<b>500,000</b>	<b>250,000</b>	<b>300,000</b>	<b>1,635,000</b>	<b>250,000</b>	<b>366,014</b>	<b>850,068</b>	<b>7,065,563</b>
<b>Development Uses</b>										<b>Total Costs</b>
Acquisition						131,523				131,523
Construction Costs	1,146,609	1,303,401	500,000	186,491	300,000	1,110,736	250,000	366,014		5,163,251
Architectural and Consulting Fees				63,509		142,741				206,250
Soft Costs		464,471				250,000				714,471
Developer Fee									850,068	850,068
<b>Total Uses</b>	<b>1,146,609</b>	<b>1,767,872</b>	<b>500,000</b>	<b>250,000</b>	<b>300,000</b>	<b>1,635,000</b>	<b>250,000</b>	<b>366,014</b>	<b>850,068</b>	<b>7,065,563</b>

57 unit – efficiency and one bedroom

TDC – \$123,957 per unit

## ACTIVITY #6

- (1) Activity Name: Development of Permanent Supportive Housing
- (2) Activity Type: Redevelop demolished or vacant properties.
- (3) National Objective: LMMH. Housing for very low-income residents with incomes at or below 50% of AMI.
- (4) Activity Description: Development of approximately 48-50 units of permanent supportive housing will be developed in a location to be determined. The City of Knoxville will locate vacant or abandoned property on which to build new or rehabilitate a structure to provide efficiency and one-bedroom units as permanent supportive housing for the chronically homeless. Case management services for the residents and constant property supervision will be provided as part of the project. Green building techniques and energy star components will be used to ensure affordable utilities for the residents. Affordable rents will be maintained for a period of no less than fifteen years. It has been demonstrated in communities across the nation that if people who are chronically homeless are stabilized as rapidly as possible in permanent housing and surrounded with the supportive services that they need to successfully manage their disability, they can stay housed.
- (5) Location Description: The location of this permanent supportive housing project is to be determined. The City of Knoxville will locate property with access to public transportation to allow residents to obtain the supportive services needed for the project to be successful.
- (6) Performance Measures: This permanent supportive housing project will add 48-50 one-bedroom apartments to Knoxville's affordable housing stock. 100% of its units will serve residents below 50% of AMI.
- (7) Total Budget: The total development budget for this permanent supportive housing project is estimated at \$4,800,000. NSP funds in the amount of \$480,000 will be provided for the development of the project.
- (8) Responsible Organization: Southeastern Housing Foundation, LLC, 901 E. Summit Hill Drive, Suite 300, Knoxville, TN 37915. Phone 865-524-2774. Contact: David Arning, Ten-Year Plan Housing Coordinator, email: [darning@klf.org](mailto:darning@klf.org).
- (9) Projected Start Date: Upon approval of award.
- (10) Projected End Date: Within four years of award approval.
- (11) Specific Activity Requirements:
  - Duration or term of assistance: Affordable housing will be provided for a period of at least fifteen years, mandated by use of Low-Income Housing Tax Credits.
  - Tenure of beneficiaries: The housing developed will be very-low income rental housing. Beneficiaries may stay as long as they choose and can fulfill the terms of their leases.

- Description of how the design of the activity will ensure continued affordability: Rents will remain affordable as mandated by use of Low-Income Housing Tax Credits as a source of development funds. Additionally, residents will have access to Section 8 vouchers via Knoxville’s Community Development Corporation, the local Public Housing Authority. Green building techniques and energy star systems will ensure affordable utility costs for the life of the project.

**ACTIVITY #7**

- (1) Activity Name: Demolition of Blighted Structures
- (2) Activity Type: Demolish Blighted Structures, Clearance for blighted structures only.
- (3) National Objective: LMMA (Low, Moderate Income Area Benefit)
- (4) Activity Description: Located within census tracts designated as having 50% of the population with incomes at 120%AMI or below, the City will strategically demolish blighted structures to improve the area and enhance other neighborhood stabilization efforts.
- (5) Location Description: Census tracts with incomes less than 120% AMI and with high foreclosure risk scores.
- (6) Performance Measures : It is estimated that over the four year period of NSP eligibility, the City will demolish approximately 9 structures.
- (7) Total Budget: The total budget is \$180,000 of NSP funds.
- (8) Responsible Organization: The City of Knoxville
- (9) Projected Start Date: Upon approval of award.
- (10) Projected End Date: Within four years of award approval.
- (11) Specific Activity Requirements: *not applicable*.

## CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds  $\leq$  120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment

attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

\_\_\_\_\_  
Signature/Authorized Official

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

## NSP Substantial Amendment Checklist

For the purposes of expediting review, HUD asks that applicants submit the following checklist along with the NSP Substantial Amendment and SF-424.

### Contents of an NSP Action Plan Substantial Amendment

Jurisdiction(s): _____ Lead Agency Jurisdiction Web Address: (URL where NSP Substantial Amendment materials are posted)	NSP Contact Person: Address: Telephone: Fax: Email:
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The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

#### **A. AREAS OF GREATEST NEED**

Does the submission include summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction?

Yes  No . Verification found on page \_\_\_\_\_.

#### **B. DISTRIBUTION AND USES OF FUNDS**

Does the submission contain a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures?

Yes  No . Verification found on page \_\_\_\_\_.

**Note:** The grantee's narrative must address the three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

#### **C. DEFINITIONS AND DESCRIPTIONS**

For the purposes of the NSP, do the narratives include:

- a definition of "blighted structure" in the context of state or local law,  
Yes  No . Verification found on page \_\_\_\_\_.
- a definition of "affordable rents,"  
Yes  No . Verification found on page \_\_\_\_\_.
- a description of how the grantee will ensure continued affordability for NSP assisted housing,  
Yes  No . Verification found on page \_\_\_\_\_.

- a description of housing rehabilitation standards that will apply to NSP assisted activities?  
Yes  No . Verification found on page \_\_\_\_\_.

**D. LOW INCOME TARGETING**

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?  
Yes  No . Verification found on page \_\_\_\_\_.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50% of area median income?  
Yes  No . Verification found on page \_\_\_\_\_.  
Amount budgeted = \$\_\_\_\_.

**E. ACQUISITIONS & RELOCATION**

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

- Yes  No . (If no, continue to next heading)  
Verification found on page \_\_\_\_\_.

If so, does the substantial amendment include:

- The number of low- and moderate-income dwelling units—i.e.,  $\leq 80\%$  of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities?  
Yes  No . Verification found on page \_\_\_\_\_.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e.,  $\leq 120\%$  of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion)?  
Yes  No . Verification found on page \_\_\_\_\_.
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income?  
Yes  No . Verification found on page \_\_\_\_\_.

**F. PUBLIC COMMENT PERIOD**

Was the proposed action plan amendment published via the grantee jurisdiction's usual methods and on the Internet for no less than 15 calendar days of public comment?

- Yes  No . Verification found on page \_\_\_\_\_.

Is there a summary of citizen comments included in the final amendment?

- Yes  No . Verification found on page \_\_\_\_\_.

***G. INFORMATION BY ACTIVITY***

Does the submission contain information by activity describing how the grantee will use the funds, identifying:

- eligible use of funds under NSP,  
Yes  No . Verification found on page \_\_\_\_.
- correlated eligible activity under CDBG,  
Yes  No . Verification found on page \_\_\_\_.
- the areas of greatest need addressed by the activity or activities,  
Yes  No . Verification found on page \_\_\_\_.
- expected benefit to income-qualified persons or households or areas,  
Yes  No . Verification found on page \_\_\_\_.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?  
Yes  No . Verification found on page \_\_\_\_.
- appropriate performance measures for the activity,  
Yes  No . Verification found on page \_\_\_\_.
- amount of funds budgeted for the activity,  
Yes  No . Verification found on page \_\_\_\_.
- the name, location and contact information for the entity that will carry out the activity,  
Yes  No . Verification found on page \_\_\_\_.
- expected start and end dates of the activity?  
Yes  No . Verification found on page \_\_\_\_.
- If the activity includes acquisition of real property, the discount required for acquisition of foreclosed upon properties,  
Yes  No . Verification found on page \_\_\_\_.
- If the activity provides financing, the range of interest rates (if any),  
Yes  No . Verification found on page \_\_\_\_.
- If the activity provides housing, duration or term of assistance,  
Yes  No . Verification found on page \_\_\_\_.
- tenure of beneficiaries (e.g., rental or homeownership),  
Yes  No . Verification found on page \_\_\_\_.

- does it ensure continued affordability?  
Yes  No . Verification found on page \_\_\_\_\_.

**H. CERTIFICATIONS**

The following certifications are complete and accurate:

- |  |                              |                             |
|--|------------------------------|-----------------------------|
| (1) Affirmatively furthering fair housing                  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (2) Anti-lobbying  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction                              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (4) Consistency with Plan                                  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (5) Acquisition and relocation                             | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (6) Section 3  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (7) Citizen Participation                                  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (8) Following Plan   | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (9) Use of funds in 18 months                              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (10) Use NSP funds $\leq$ 120 of AMI                       | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (12) Excessive Force                                       | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures           | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (15) Compliance with laws                                  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |