



**CITY OF KNOXVILLE**  
B I L L H A S L A M , M A Y O R

Community Development Department And Consortium Partners

**NEIGHBORHOOD STABILIZATION PROGRAM  
ROUND 2**

**Application for Funding**

Application # **689495629**

**DRAFT**

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**NSP 2 Application**  
**Knoxville, TN #689495629**

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**NEIGHBORHOOD STABILIZATION PROGRAM – ROUND 2  
CITY OF KNOXVILLE AND CONSORTIUM PARTNERS  
APPLICATION FOR FUNDING # 689495629**

**Application Overview**

The City of Knoxville, Tennessee (the City) in collaboration with the local public housing agency and non-profit consortium partners proposes a Neighborhood Stabilization Program 2 (NSP2) plan to address and reduce the negative effects of abandoned and foreclosed properties within our targeted area. The City will serve as the lead entity for the consortium and is requesting funding in the amount of \$13,800,000 in order to implement the NSP2 plan. The City will engage the consortium partners as subrecipients to implement the activities presented in the NSP2 plan. The NSP2 plan builds on the City's current efforts to develop viable urban communities, by providing decent housing, a suitable living environment, and economic opportunity for persons of low and moderate income. The NSP2 plan meets the goals of the City's consolidated plan and will enhance the NSP1 program currently underway by:

- Reducing the destabilizing influences of abandoned and foreclosed properties,
- Focusing resources on activities to strategically address our local market conditions,
- Targeting resources for the maximum impact, and
- Laying the ground work for further neighborhood improvement and revitalization.

The consortium partners participating in the NSP2 plan include the City of Knoxville's Community Development Department, Knoxville's Community Development Corporation (KCDC), Knoxville - Knox County Community Action Committee (CAC), Knoxville Habitat for Humanity (KHFH), Knox Housing Partnership (KHP), Knoxville Area Urban League (KAUL), Helen Ross McNabb Center (HRM), East Tennessee Housing Development Corporation (ETHDC), Neighborhood Housing Inc. (NHI) and Southeastern Housing Foundation (SHF). The activities listed below will be implemented by the consortium partners with funds allocated as shown. A minimum of 201 housing units will be developed.

- 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. \$8,800,000 will be allocated to this eligible use, which includes \$200,000 for home ownership counseling and \$3,885,000 to provide housing for families with income at or below 50% of the area median income. The NSP2 requires that 25% of the funds received be allocated in this category for families at or below 50% AMI.
- Establish and operate land banks for homes and residential properties. \$2,500,000 will be allocated to this eligible use.
- Redevelop demolished or vacant properties as housing. \$1,500,000 will be allocated to this eligible use.
- Administration of the grant. \$1,000,000 will be allocated for this eligible use. No more than 10% of the grant can be used for administration.

Knoxville's NSP2 plan exceeds all of the eligibility thresholds as shown below.

**Funding Request...\$13,800,000**

**Number of homes/properties to be affected...201**

**Consortium Capacity... In the past 24 months consortium partners have completed the following:**

**Number of Acquisitions...132**

**Number of Rehabilitations...1006**

**Number of Persons Receiving Housing Counseling...834**

**Number of New Housing Units Constructed...139**

## Factor 1: Need/Extent of Problem

### a. Target Geography

The target geography for NSP2 is comprised of the census tracts that are eligible based on the Department of Housing and Urban Development (HUD) data regarding foreclosure and vacancy risk. HUD has identified a foreclosure risk score and vacancy risk score for each census tract. The scores range from 1 to 20 with 20 being the highest risk. In order to be qualified for funding, the average of the foreclosure risk scores or the vacancy risk scores of the target geography has to be equal to or greater than 18. Knoxville's target geography has an average vacancy risk score of 18.17. The table below lists the 18 census tracts identified in the target geography to be the focus of the NSP2 plan. A map of the target geography is located in Appendix 1. The target geography is comprised of older neighborhoods that encircle the central business district of the City.

**TABLE 1**  
**Target Geography / Risk Scores /Types of Abandoned & Foreclosed Properties**

Census Tract	HUD Foreclosure Risk Score	HUD Vacancy Risk Score	Bank Owned	Abandoned or Foreclosed through City Tax Sale	FANNIE MAE	Total
5	14	20	16	20	0	36
6	17	16	11	9	0	20
8	12	16	4	8	0	12
12	17	19	1	14	0	15
13	14	19	13	25	1	39
14	13	20	15	34	3	52
15	13	18	10	11	1	22
17	15	19	12	12	1	25
19	13	20	15	19	0	34
20	15	20	35	81	0	116
21	13	18	16	31	1	48
24	15	19	14	24	0	38
28	15	17	15	69	1	85
29	13	18	15	14	0	29
30	13	16	14	5	0	19
32	15	18	21	33	1	55
34	12	16	11	7	1	19
39	17	15	18	8	3	29
	Avg. 18.17		256	424	13	693

As indicated in the table above, 693 properties located in the target geography are abandoned or foreclosed. Data for the number of bank owned properties was researched from RealtyTrac. Tax foreclosure information was provided by the City Property tax collection office. FannieMae data is from the FannieMae website.

Besides the number of abandoned and foreclosed properties, additional factors contribute to the destabilization of the target geography. A large percentage of the foreclosed properties are vacant and many are in poor condition. When a property is vacant and it is evident that no one is taking care of it, real estate agents and potential buyers are likely to see it as a symptom of neighborhood distress and potential decline in property values. Unsecured properties can be invaded by squatters, vandalized, or gutted of valuable fixtures and appliances. Some unsecured homes may become drug houses and increase the risk of all types of crimes for surrounding residents. Long term vacancy without heat, electricity or maintenance contributes to the physical deterioration of the property. According to HUD and local data, over 10% of all the properties located within the target area are vacant.

According to 2008 estimates, the City of Knoxville had an unemployment rate of 6.6%, while in the target geography, the rate was 9.7%. In 2009, the unemployment rate for the City increased to 12.1%, while in the target geography the rate increased to 17.9%. Median household income for the target area for 2009 is estimated at \$27,045 as compared to the area median income for Knox County of \$58,800. Between 2004 and 2007, HMDA (Home Mortgage Disclosure Act) data indicates that high cost mortgages accounted for over 30% of those within the target area. An unstable employment situation coupled with local falling house prices make mortgage refinancing unlikely, contributing to increased foreclosures. Within the target area, eleven of the 18 census tracts are located in Knoxville's Empowerment Zone.

#### **b. Market conditions and demand factors**

Between 1/1/08 and 5/18/09, a total of 134 bank owned foreclosures were sold in Knox County with 37 of those sold within the target area. The average monthly absorption rate for foreclosed properties with the target geography is 2.2 for the 1/08 to 5/09 time period. According to the Mortgage Banker's Association latest National Delinquency Survey in May 2009, delinquencies and foreclosures continue to climb nationally. It is estimated that local job loss coupled with national trends will increase abandoned and foreclosed properties within the target area over the next three years.

Since 2008, twenty-two companies have closed or laid off employees in Knox County resulting in 3,651 unemployed workers. Approximately 42% of Knox County's unemployment has come from the manufacturing sector with the largest single source coming from Sea Ray boats with 858 layoffs. Manufacturing was the leading industry sector that laid off the greatest number of workers. Within the target area, 11% of the workforce was employed by the manufacturing sector, compared to 9% of the City as a whole. (2000 Census) Fourteen percent of the workforce living in the target area was employed in the retail industry. (2000 Census) The recent closing of Goody's Family Clothing corporate office and 8 stores resulted in the loss of 856 jobs locally. Additional retail stores that have closed in Knoxville include KB Toys, Comp USA, Sharper Image, Circuit City, Steve and Barry, Lines and Things and Mervyns. It follows that decreases in the number of manufacturing jobs and retail jobs within Knoxville will have a greater negative impact on the residents living in the target geography.

As discussed earlier, according to 2008 estimates, the City of Knoxville has an unemployment rate of 6.6% while the unemployment rate in the target area was 9.7%. In 2009, the unemployment rate for the City increased to 12.1%, while the unemployment rate within the target area has increased to 17.9%. Loss of employment is the most critical factor causing abandonment and foreclosure within the target geography.

The area median income for the households located within the NSP 2 target area is \$27,045 which is less than 50% of the area median income for Knox County, \$58,800. The table below shows the 2009 income percentages and housing cost burden calculated at 30%.

**TABLE 2**

<b>Knox County Income Limits</b>	<b>2009</b>	<b>Maximum Housing Cost Burden</b>
AMI	\$58,800	\$1470 per month
50% AMI for 4-person household	\$29,400	\$735 per month
80% AMI for 4-person household	\$47,050	\$1176 per month
120% AMI for 4-person household	\$70,560	\$1764 per month

The target area is comprised of older neighborhoods surrounding the central city with 53% of the housing units constructed prior to 1960. Vacant parcels with residential zoning currently total 3,407 comprising 1,968 acres. Information provided by the local utility company, Knoxville Utilities Board, indicates that in the last five years, utility service to 2,837 residential properties within the target geography has been disconnected, and not reconnected, indicating a large number of vacant properties.

The table below indicates the building conditions for detached houses as indicated by the 2005 CAMA Tax Rolls from the Knox County Property Assessor.

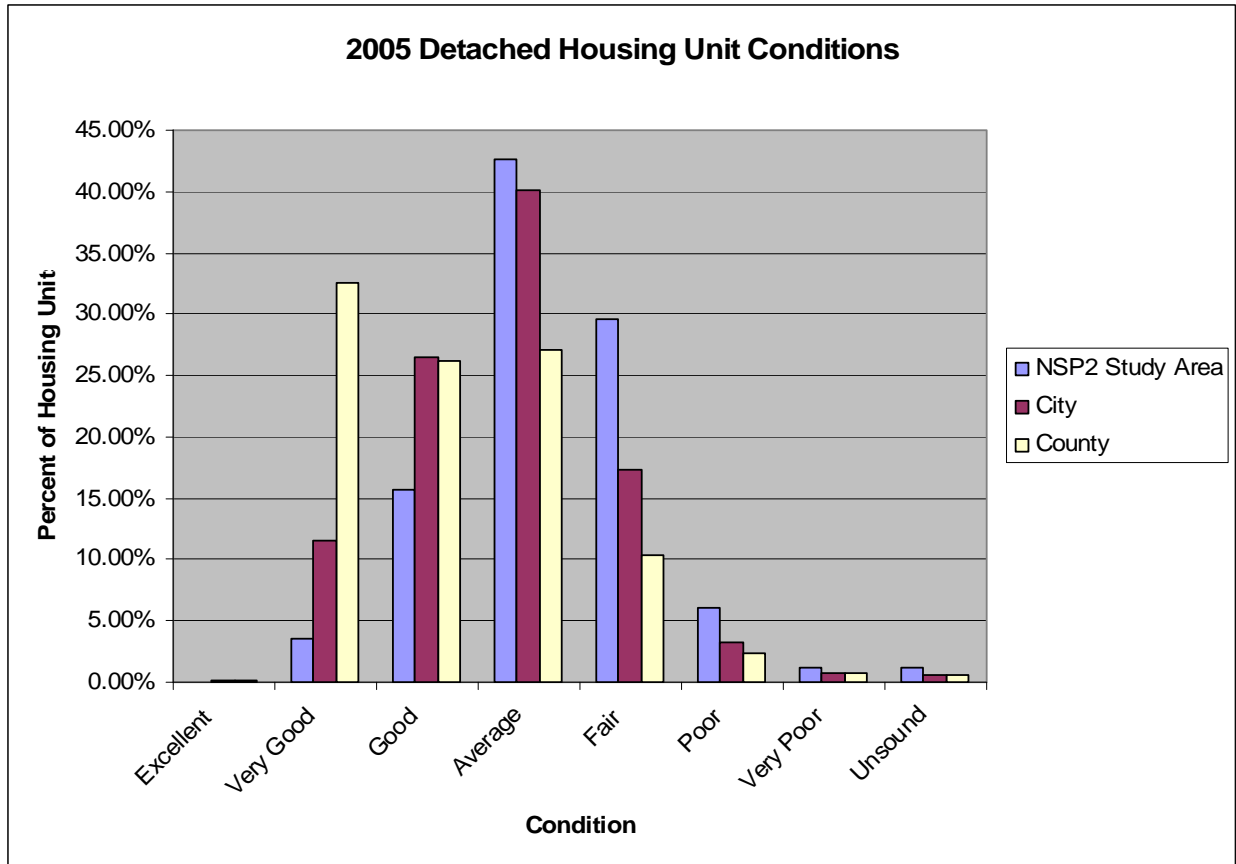
**TABLE 3: Dwelling Units**

<b>Condition</b>	<b>NSP2 Study Area</b>	<b>City<sup>1</sup></b>	<b>County<sup>2</sup></b>
Excellent	0	59	275
Very Good	688	6198	43165
Good	2984	14267	34722
Average	8142	21653	35877
Fair	5662	9364	13771
Poor	1170	1719	3188
Very Poor	232	374	1068
Unsound	213	290	688
Total Units	19091	53924	132754

<sup>1</sup>City totals for dwelling units are inclusive of the NSP2 Study Area

<sup>2</sup>County totals for dwelling units are inclusive of the NSP2 Study area and the City of Knoxville

The building conditions within the target geography are primarily average to fair. Looking at the building conditions city-wide, however, indicate that 68% of the buildings rated “poor”, 62% of the buildings rated “very poor” and 73% of the buildings rated “unsound” are located within the target geography as indicated by the chart below.



According to the Knoxville Fire Department, between January 2008 and June 2009 there were 32 arson fires in vacant structures within the City and 24 of them were within the target geography.

The market conditions, economic situation and building conditions of the target geography indicate that the most effective strategy to (1) arrest decline in home values in the target geography and (2) reduce vacant and abandoned property in the target geography is to focus on acquisition, rehabilitation and redevelopment of affordable housing. The long-term outcomes of implementing the NSP2 plan will be (1) increased residential sales and (2) increased home market values. Through the NSP2 plan, abandoned and foreclosed homes will be purchased in strategic areas to most effectively arrest further decline, reduce vacant properties and remove blighting influences. Non-profit housing developers will be used to create affordable, energy efficient, good quality housing through rehabilitation or redevelopment of the properties

and market them for sale or rent to their clients. Housing counseling will be provided by HUD approved housing counseling agencies.

Land banking will be used to hold, secure and maintain those properties for which a market has not been determined. Redevelopment of vacant properties will be used to remove blight and provide affordable, energy efficient housing.

## **Factor 2: Demonstrated Capacity**

### **a. Past Experience**

The City of Knoxville's Community Development Department is the lead entity of the Knoxville NSP2 Consortium applying for funding. The City of Knoxville will administer the funds, complete environmental reviews, monitor compliance with federal regulations, monitor progress, and report required data in HUD's Disaster Recovery Grant Reporting (DRGR) system. The City is currently implementing an NSP1 program using several of the consortium partners as subrecipients engaged in similar activities as those proposed in this application. Staff is currently using the DRGR system to report information and draw funds.

The City's Community Development Department administers annual allocations of Community Development Block Grant (CDBG), HOME Investments Partnerships (HOME), and Emergency Shelter Grant (ESG) funds. Additionally, the department houses a Fair Housing Assistance Program (FHAP) that investigates fair housing discrimination complaints in the City of Knoxville. Annual funding for the 2009-2010 year for the CDBG, HOME, ESG and FHAP programs is \$4.3 million. During the current year, and in the coming year, the City has focused its federal resources on neighborhood stabilization, housing rehabilitation, home ownership and assistance to the homeless. Additionally, Community Development receives City general funds for initiatives such as chronic problem properties, façade improvements and property acquisitions all of which complement or enhance the federally funded projects. NSP2 will further leverage the resources of the City and partner agencies as we seek to stabilize and improve the housing stock in our target neighborhoods, increase home ownership and strengthen the viability of these communities.

Community Development administers the Empowerment Zone program awarded to Knoxville in 1999 as a Round 2 recipient. Approximately \$25.6 million in EZ funding has been allocated to Knoxville since its designation. Funds have been used for new business start-up loans, job training, commercial development and housing improvement. Eleven of the eighteen census tracts identified in the NSP2 target geography are located in Knoxville's Empowerment Zone.

The following activities demonstrate Community Development's specific experience in neighborhood stabilization efforts.

- *Housing rehabilitation:* Funded with CDBG and HOME funds annually, the Community Development Department provides loans to low-income home owners in order to make home improvements focused on code violations and health and safety issues and provides oversight of the projects. Housing Rehabilitation Specialists provide detailed specifications for ensuring that the activity meets Neighborhood Housing Standards and cost estimates to ensure that construction bids are reasonable and allowable. During the construction process, all activities are monitored by Housing Rehabilitation Specialists for compliance with the terms of the construction contract and Neighborhood Housing Standards. The Housing Manager reviews and approves work and activities during each step of the rehabilitation process – financial analysis, write-up/cost estimate, bid, and construction. Over the last 24 months, 29 homes and 58 rental units have been rehabilitated.
  
- *Property acquisition:* The Community Development Department administers redevelopment areas in partnership with Knoxville’s Community Development Corporation (KCDC), the local housing and redevelopment agency for the City. All of the redevelopment areas contain properties that have remained blighted, undeveloped and underutilized for several years due to title or environmental problems. The City works with KCDC to acquire abandoned properties, clear such problems and offer properties for sale for redevelopment. Over the last 24 months, 4 properties have been acquired. Twelve properties are in the process of acquisition.
  
- *Chronic Problem Properties:* The Community Development Department works with several other City departments including Codes Enforcement, Fire, Police, Tax Collections and Law to identify properties that have numerous reported problems and have an extreme negative impact on the surrounding area. Solutions for such properties include increased code enforcement, police monitoring, acquisition or demolition. Through a combined effort, problem properties are improved and redeveloped. Over the last 24 months, 12 properties have been transferred to the watch list and 11 have been corrected and removed from the list.
  
- *Blighted Properties Redevelopment Program:* Funded with EZ dollars, the Blighted Properties Redevelopment Program was established as a revolving loan fund to provide financial assistance through loans and grants to individuals and organizations for the renovation of vacant dwelling units, or new construction of housing for either sale or rent. Eligible properties for this program are residential properties that are deemed unfit for human habitation, vacant lots, problem properties identified by the surrounding neighborhood and endangered historic properties. Over the last 24 months, 16 properties have been developed through this program.

The City Community Development Department also administers contracts with Community Housing Development Organizations (CHDO’s) including KHP, NHI and

ETHDC for the use of HOME funds to develop housing primarily on vacant infill lots for low-income families.

The City of Knoxville's Community Development Department and NSP2 partners have a proven track record in the development of green affordable housing. Demonstrated green building organizational capacity is evidenced in the following green projects already undertaken by consortium members:

The City of Knoxville Community Development Department currently requires *Energy Star New Homes* certification for all replacement homes built under the City's owner-occupied rehab program and any new home built by a nonprofit CHDO partner. Since implementing this requirement in 2008, 10 new homes have achieved *Energy Star New Home* certification (Performance Path) and another 7 homes are under construction. City Housing Rehab staff has completed the Healthy Homes Specialist training. In addition Knoxville was recently designated a Department of Energy Solar City and through this partnership solar hot water heaters will be installed on low-income homeowner rehab projects.

The nonprofit Knox Housing Partnership (KHP) celebrated the completion of seven affordable and visitable Gold-certified LEED homes in late 2008. At that time, the only other LEED certified home in the entire state was Al Gore's home in Nashville. The houses have garnered national attention and serve as a point of pride for the Park City neighborhood that is included in the NSP2 target area. In addition, KHP is building on that success to implement an energy efficiency and healthy home rehab program utilizing CDBG-R funds in the target geography.

Knoxville's Community Development Corporation (KCDC) implemented an innovative energy performance contract under HUD's PHA energy performance contract program. KCDC is expected to save more than \$950,000 in the first year alone and \$27 million over the life of the project. KCDC borrowed \$9 million to pay for electricity, gas and water efficiency measures in its 3,576 apartments and four administration and maintenance buildings. The annual savings will retire debt service payments over 20 years. In addition, KCDC will utilize NSP1 funds to complete a gut rehab of a historic school achieving LEED certification and creating affordable senior apartments.

The Southeast Housing Foundation (SHF) is targeting *Energy Star New Home* certification in a complex gut rehab of National Historic Registry property, Minvilla Manor, near downtown. Fifty-seven energy efficient units of permanent supportive housing for the chronically homeless will be created. Preliminary energy modeling, construction and contract documents and engagement of an Energy Star consultant will ensure a successful outcome on this unique project.

Knoxville Habitat for Humanity (KHFH) and the East Tennessee Housing Development Corporation (ETHDC) have committed to EarthCraft certification in their affordable home projects.

Neighborhood Housing, Inc. (NHI) is nearing completion on their first three *Energy Star New Homes* that also highlight visitable design. They were built within the NSP2 target area.

## **Consortium Partners**

### **Knoxville's Community Development Corporation, KCDC**

To fulfill the promise for safe, decent and affordable housing for Knoxville, the City of Knoxville established the Knoxville Housing Authority, known today as Knoxville's Community Development Corporation (KCDC) in 1936.

Currently, KCDC operates 13 housing developments with over 3700 affordable housing units. In addition to its role as the public housing authority, KCDC is the redevelopment agency for the City of Knoxville. KCDC is legally a Section 115 agency under IRS regulations and is a political sub-division of the State of Tennessee. Under Tennessee law (TCA 13-20-104, 202) housing authorities have land-banking powers and currently KCDC functions as a land bank for the City through its powers to acquire, hold and convey land.

KCDC is changing the face of affordable housing with its long-term plan to redesign and modernize its properties. The agency has expanded its role over the years to include economic development and KCDC has completed major redevelopment projects in Knoxville such as:

- \* Howard H. Baker Jr. U.S. Courthouse
- \* Waterfront Redevelopment/Volunteer Landing
- \* Market Square Redevelopment
- \* Hope VI/Mechanicsville Redevelopment
- \* Five Points Redevelopment

For nearly 70 years, KCDC has been enhancing the quality of life for the citizens of Knoxville by providing affordable housing, advancing redevelopment initiatives, fostering self-sufficiency and improving neighborhoods and communities.

Over the past 24 months, KCDC has acquired 99 properties, rehabilitated 268 housing units and constructed 32 new housing units. The rehab and new construction properties are located in Knoxville's target geography.

### **Knox Housing Partnership, KHP**

Knox Housing Partnership (KHP) is a 501 (c) (3) charitable organization located in Knoxville, Tennessee. The KHP mission statement reads "Enhancing communities through quality housing and building wealth through homeownership." KHP's articles of incorporation state that KHP is to provide the opportunity for affordable and desirable housing for all low-income residents and to foster a collaboration between local government, neighborhood organizations, business and civic leaders and other

agencies, individuals and organizations interested in expanding housing opportunities for low-income households.

KHP provides quality housing counseling to residents in the Knoxville region. KHP offers high-quality pre and post homebuyer education to customers seeking the knowledge and skills to make informed decisions about homeownership. KHP has adopted the National Industry Standards for Homebuyer Education and Counseling. KHP operates a loss-mitigation and foreclosure counseling program available to help those families struggling with homeownership. For fiscal year 2007, KHP counseled 232 people and, for fiscal year 2008, KHP counseled 315 people. Counseling included homebuyer education, financial literacy, loss mitigation and foreclosure counseling, as well as one-on-one counseling.

Long-term sustainability is a critical piece in creating homeownership opportunities for homeowners. KHP is a certified Community Housing Development Organization (CHDO) and works with the City of Knoxville, Knox County and the Tennessee Housing Development Agency (THDA) to develop programs and housing that will provide low-income residents with additional options of affordable housing choices. In addition, KHP has developed multi-family units of senior housing and also has single-family units that it rents to low and moderate income households. KHP is a NSP1 subrecipient of the City, acquiring foreclosed properties to redevelop as rental housing for families with incomes at or below 50% area median income.

Within the last 24 months, KHP has acquired 2 homes in foreclosure and constructed 13 new homes, of which 7 are visitable, LEED Gold homes. These homes are located within Knoxville's target geography.

### **Knoxville Habitat for Humanity, KHFH**

Habitat for Humanity is an independent, nonprofit, ecumenical Christian housing ministry that partners with people of all beliefs. Knoxville Habitat for Humanity (KHFH) has been an affiliate of Habitat for Humanity International since 1985. KHFH builds simple, decent, affordable homes in partnership with those in need. Volunteers and the future homeowners provide the labor in building the homes. Homes are sold to low-income families with no profit and KHFH finances the mortgages at 0% interest for 20-30 years. Homebuyer's payments are deposited in a revolving fund enabling KHFH to build more homes. KHFH is a NSP1 subrecipient of the City, acquiring foreclosed properties to redevelop and sell to families with incomes at or below 50% area median income.

In the past 24 months, KHFH has rehabilitated one home, acquired 23 vacant lots and constructed 48 new homes. A large number of the homes are located in Knoxville's target geography.

## **Knoxville-Knox County Community Action Committee, CAC**

The Knoxville-Knox County Community Action Committee (CAC) is a local public agency serving the community with a comprehensive range of federal, state and locally funded programs. CAC serves Knoxville and Knox County citizens of all ages from infants through Early Head Start to the elderly through the Office on Aging. CAC's Housing and Rehabilitation and Construction programs provide the opportunity for safe, decent affordable housing to low and moderate income citizens in order to create a desirable living environment and to stimulate neighborhood stabilization. CAC's Home Repair Program improves the safety, functionality and accessibility of owner occupied homes. CAC is a CDBG subrecipient of the City providing emergency and minor home repair services to low-income home owners.

In the past 24 months, CAC has completed the construction of 20 new homes and the rehabilitation of 633 homes.

## **Knoxville Area Urban League, KAUL**

The Knoxville Area Urban League (KAUL) was established in Knoxville in 1968. The KAUL affiliate is one of 105 affiliates across the country. The KAUL's mission is to help African Americans and others to participate fully in the economic and social mainstream of American life. In pursuit of this goal, the KAUL offer programs in five areas: economic empowerment, education and youth services, workforce development, housing counseling and civic engagement. While black Americans are the KAUL's primary clientele, services are open to all and over 33% of the KAUL's clients are white and Hispanic.

The KAUL's purpose as an Urban League is summarized in the Opportunity Compact. The Opportunity Compact focuses on programs for children; helping people find jobs; helping people to obtain housing; and helping people start and expand small businesses.

Since 1971, the KAUL has been designated a HUD approved non-profit counseling agency. The housing program provides services in the following areas:

1. Home buyer education classes
2. First time homebuyer education classes
3. Foreclosure prevention and loss mitigation counseling
4. Post foreclosure counseling
5. Budget and credit counseling

There are three certified housing counselors on the KAUL staff with over seven years of experience.

In 2008, the KAUL housing program counseled approximately 600 people. The most active area was in foreclosure counseling which is expected to counsel over 250 foreclosure clients this year. Over the past two years, KAUL has been able to assist 60% of their clients to remain in their houses. In 2008, KAUL assisted 37 first time homebuyers; and so far this year they have helped 17 households to purchase their first home. They expect to serve over 700 clients in their housing program in 2009.

### **Helen Ross McNabb Center, HRM**

For 61 years, the Helen Ross McNabb Center has been providing out-patient mental health care services in Knoxville and East Tennessee. In the beginning, the McNabb Center began as a child guidance clinic and has evolved through the years to become a multi-service regional agency. HRM currently operates in 17 East Tennessee counties, providing mental health care, addiction/recovery treatment and social services for children, adults and families. Their staff cares for the most vulnerable of our society many of whom have no resources or insurance coverage to pay for care. Nearly 8,000 children, adults, and families are expected to receive services through HRM programs this year.

In recent years, HRM has developed housing for special needs populations including disabled families and the chronically homeless. In the last 24 months, HRM has purchased 4 properties, constructed 16 one bedroom apartments and rehabilitated a residential alcohol and drug treatment facility adding 16 beds. Development of two 8 unit projects for disabled individuals and families is currently in process.

### **Neighborhood Housing Inc., NHI**

Neighborhood Housing, Inc. (NHI) is a supporting corporation of Knoxville Leadership Foundation (KLF). NHI started operations as a separate non-profit organization in January 2002. NHI is governed by its own Board of Directors and is a Community Housing Development Corporation (CHDO) that works with the City to develop affordable housing. Knoxville Leadership Foundation (KLF) is a faith-based, nonprofit agency formed in 1994 that believes our city can be transformed through reconciliation. Reconciliation occurs when people from different communities and walks of life roll up their sleeves, work side-by-side and really begin to understand and appreciate each other. NHI has completed 9 new construction homes for sale in the last two years. These homes are located on in-fill lots throughout Knoxville's target geography.

### **Southeastern Housing Foundation, SHF**

Southeastern Housing Foundation (SHF) is another supporting corporation of Knoxville Leadership Foundation (KLF) [see above]. SHF is a nonprofit developer of affordable housing and a strategic partner of the Knoxville/Knox County Ten-Year Plan to End Chronic Homelessness. SHF is a single-member LLC, wholly owned by KLF. SHF has an ownership interest in 7 low-income housing tax credit projects consisting of 1,421 units located across the state of Tennessee. Currently, SHF is developing Minvilla

Manor, a historic rehabilitation project consisting of 57 units of permanent supportive housing, and it is actively pursuing other supportive and affordable housing opportunities in Knoxville.

### **East Tennessee Housing Development Corporation, ETHDC**

East Tennessee Housing Development Corporation (ETHDC) is a 501©3 nonprofit organization dedicated to providing affordable housing for low-to-moderate income individuals, primarily in inner city neighborhoods that have a substantial number of substandard, blighted and abandoned houses as well as a large number of vacant lots. The ETHDC is a certified City of Knoxville Community Housing Development Organization (CHDO). The mission of the ETHDC is to assist in the development of decent affordable housing in the East Tennessee area for low and moderate income people. ETHDC's history began in 1991 as a subsidiary organization of the East Tennessee Community Design Center (ETCDC), which has a long reputable history of working with local community organizations.

ETHDC is now a stand-alone nonprofit CHDO organization. ETHDC board members designed and built a 1328 square foot single family home that was subsequently purchased by a low income buyer in September 2008. Over the next two years, ETHDC will build five more new homes for low-to-moderate income buyers.

### **b. Management Structure**

The City of Knoxville's Community Development Department is the lead entity of the consortium applying for NSP2 funding and will serve as the fiscal agent for the project. The City will also ensure compliance with federal regulations, complete environmental reviews, monitor the projects for performance and timeliness and maintain data to report to HUD on the DRGR system. KCDC will purchase abandoned and foreclosed homes and properties and convey them to the non-profit housing developers listed above who will, once developed, sell or rent the homes to qualified families. Home ownership counseling will be provided by the HUD certified housing counselors listed above. KCDC will operate a land bank to hold, secure and maintain currently unmarketable properties. As neighborhoods stabilize, end uses for currently unmarketable properties will be developed.

Key City staff members responsible for administration of the NSP2 program are Madeline Rogero, Community Development Director and Becky Wade, Community Development Administrator. Madeline Rogero is an urban planner and former county commissioner with 35 years experience in community and economic development, program and grant management, community organizing, and executive leadership. Becky Wade has 34 years of experience administering HUD programs including managing Knoxville's HOPE VI project. Ms. Wade will be responsible for contract development, environmental reviews, project monitoring, data entry and review of requests for payment. Tim Dimick, Housing Manager, will oversee the rehabilitation

and construction activities. Tim Dimick is a LEED accredited professional with 10 years of experience in affordable housing development.

Organizational charts for each consortium partner are included in Appendix 2. Key personnel from the consortium partners responsible for program management are listed below:

- KCDC – Alvin Nance, Executive Director/CEO
- KHP – Jackie Mayo, Executive Director; Ken Block, Project and Asset Manager; Yvonne Hall, Home Ownership Center Manager
- KHFH – Tom Pfalzar, Director of Programs
- CAC – Jason Estes, Director of Housing Rehabilitation and Construction Services
- KAUL – Sherman Jones, Vice President, COO
- HRM – Houston Smelcer, Director of Development
- NHI – Steve Pearson, Director of NHI
- SHF – David Arning, Ten Year Plan Coordinator
- ETHDC – Terrence Carter, Executive Director

If awarded, individual consortium agreements will be executed between the City and each Consortium partner specifying the scope of work, milestones and amount of funding to be made available for the activity.

Appendix 3 contains HUD's latest review of the City's Community Development Department's Consolidated Annual Performance and Evaluation Report.

### **Factor 3: Soundness of Approach**

#### **a. Proposed Activities**

Knoxville's NSP2 plan proposes to purchase abandoned and foreclosed homes and residential properties within the target geography. Homes with the greatest potential for rehabilitation and re-occupation and those that will make the greatest impact in stabilizing the surrounding area will be developed first. KCDC will use NSP2 funds to purchase the properties at the required 1% discount and convey them to the non-profit housing developers. NSP2 funds will be provided to the housing developers to rehabilitate and redevelop the properties. Each organization will contribute additional funds to assist in the redevelopment of properties including Low-Income Housing Tax Credit equity, HOME CHDO funds, private donations and in-kind services. Homes to be purchased and redeveloped will be chosen in a strategic manner to have the greatest impact on stabilizing the neighborhoods in the target geography. When selecting properties for acquisition, other projects underway will be considered, such as those activities funded by NSP1 and the City's other programs discussed earlier. In this way, NSP2 will build and strengthen existing neighborhood stabilization efforts.

Properties that are not presently marketable even with rehabilitation will be held by KCDC in the land bank and secured and maintained. As neighborhoods stabilize, it is anticipated that these properties can be redeveloped and marketed. Demolition of some blighted properties may be required. NSP1 funds will be used to assist in the cost of demolition.

NSP2 funds will be used to redevelop vacant properties or buildings as housing. New affordable, energy efficient housing for sale or rent will serve to strengthen the target geography by replacing vacancy and blight with viable sustainable housing. Organizations that develop housing for special needs populations such as SHF and HRM will create needed permanent supportive housing for disabled individuals and families.

The table below indicates how NSP2 funds will be allocated. In total, 201 units of housing will be affected. Not shown on the table are 40 units of housing counseling which will be included in eligible Use B.

**TABLE 4**

<b>NSP Eligible Use</b>	<b>Correlated CDBG Regulations</b>	<b>Consortium Partners</b>	<b>Number of Units</b>	<b>Amount Allocated</b>
(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.	24 CFR 570.201 (a), (b), (i), (n) 24 CFR 570.202	KHP, KHFH, HRM, KCDC, ETHDC, SHF, CAC, KAUL	93	\$8,800,000
(C) Establish and operate land banks for homes and residential properties.	24 CFR 201 (a), (b)	KCDC	50	\$2,500,000
(E) Redevelop demolished or vacant properties as housing.	24 CFR 201(a), (b), (c), (e), (i), (n) 24 CFR 202	HRM, SHF	58	\$1,500,000
Administration		COK		\$1,000,000
<b>Total</b>			<b>201</b>	<b>\$13,800,000</b>

**b. Project Completion**

To meet the requirements of NSP2, 50% of the funds received will be spent within two years of the grant award. The entire grant will be spent within three years of award. The NSP2 plan proposes the following schedule to ensure compliance with the timeliness

regulations. Shown in the table is the number of housing units to be completed in each quarter for each activity. The project administration activity is broken down by percent of total funds to be expended for each quarter.

**TABLE 5  
Timeline for Completion of Activities**

<b>Activity</b>	<b>Qtr 1 1/10- 3/10</b>	<b>Qtr 2 4/10- 6/10</b>	<b>Qtr 3 7/10- 9/10</b>	<b>Qtr 4 10/10- 12/10</b>	<b>Qtr 5 1/11- 3/11</b>	<b>Qtr 6 4/11- 6/11</b>	<b>Qtr 7 7/11- 9/11</b>	<b>Qtr 8 10/11- 12/11</b>	<b>Qtr 9 1/12- 3/12</b>	<b>Qtr 10 4/12- 6/12</b>	<b>Qtr 11 7/12- 9/12</b>	<b>Qtr 12 10/12- 12/12</b>
(B) purchase and rehab./sell or rent	10	10	10	10	10	10	10	10	5	4	3	1
(C) land- bank	5	5	5	5	5	5	5	5	5	5		
(E) redevelop	3	3	3	10	10	10	10	9				
Admin.	8%	8%	8%	9%	9%	9%	9%	8%	8%	8%	8%	8%

**c. Income Targeting**

At a minimum, \$3,450,000 will be used to purchase and rehabilitate abandoned and foreclosed homes and residential properties for rent or sale to families with incomes at or below 50% area median income. All other homes will be developed for families with incomes less than 120% area median income. As discussed earlier, the median income for the target geography is \$27,045, less than 50% of the area median income for Knoxville.

**d. Continued Affordability**

Non-profit housing developers will provide soft second mortgages to qualified families purchasing homes. Home buyers will be assisted by the housing counseling agencies to secure first mortgage financing at the lowest possible fixed rate. KHP accesses first mortgage financing from the Tennessee Housing Development Agency, THDA, at 0% interest for their home buyers. KHFH finances their own first mortgages at 0% interest. Additionally, the City offers down payment assistance to low income home purchasers.

Rental housing to be developed will serve families with Section 8 vouchers. It is anticipated that in addition to NSP2 funds, Low-Income Housing Tax Credits, LIHTC, will be used to finance the rental housing component of NSP2. The required affordability period for units developed with LIHTC is 15 years. The definition of affordable rents for the NSP2 plan is included in Appendix 6.

Energy affordability for occupants will be realized through the use of energy efficient building techniques and the use of Energy Star appliances and systems.

#### **e. Consultation, Outreach, Communications**

The Knoxville NSP2 Consortium has been meeting on a weekly basis since the release of the notice of funding availability. The group has reviewed and analyzed foreclosure and vacancy data, set priorities and established strategies for the NSP2 plan. Advertisement of the plan and comment opportunities was published in the Knoxville News Sentinel on June 28, 2009. The plan was posted on the City of Knoxville's website on July 2, 2009 and hard copies of the plan were available at the City's Community Development office. Citizen comments on the plan are included in Appendix 4. The plan was approved by the Knoxville City Council on July 14, 2009 at its regularly scheduled public meeting.

On a track parallel to the NSP1 and NSP2 application processes, the Community Development Department and Office of Neighborhoods collaborated with the City's neighborhood codes enforcement team, the tax collection office, Knox County government, Knoxville's Community Development Corporation, and the Council of Involved Neighborhoods (COIN, an independent group of neighborhood organizations many of which are in the target area) to send a total of 12 individuals to the June 2009 "Reclaiming Vacant Properties" conference in Louisville, Ky.

Staged by the well-regarded National Vacant Properties Campaign, the conference is the only national conference focused on equipping local communities with the tools and innovative approaches they need to reclaim vacant, blighted and abandoned properties.

Community Development and its Office of Neighborhoods organized and led this delegation, and gained much from the three-day meeting. Upon return, conference participants organized an intergovernmental Vacant Properties Task Force. The Task Force has already met several times and committees have been formed to work on data collection, codes enforcement and remediation, tax sale foreclosures, and land banks and strategic reuse. One of the products expected from the work of the Task Force is an "on the ground" property survey. This information will be valuable in implementing the NSP2 program to direct property acquisition in a strategic manner. Additionally, research into ways Knoxville may more effectively deal with tax foreclosures and land banking will serve to assist in the meeting of the NSP2 goals. This effort will be expanded to include other departments and community representatives as needed.

This collaboration builds on several years of inter-departmental collaboration in the form of a Chronic Problem Properties Committee, described earlier in this plan.

At the same time, the Community Development Department and Office of Neighborhoods are key players in:

- An inter-agency and community-based effort to transform the Oakwood School building — a little-used, dilapidated but historic elementary school in the Empowerment Zone — into a productive community asset.
- A long-range planning process to address land use, zoning, and a plethora of community issues in Tennessee’s most densely populated neighborhood – Fort Sanders – which is home to the University of Tennessee at Knoxville. This effort includes U.T., two major hospitals, several city departments, the neighborhood association, an emerging neighborhood CDC, landlords, businesses, students, and homeowners.
- A variety of efforts to collaboratively address nuisance and problem properties at a block level in several neighborhoods.

Marketing and outreach for potential home buyers and renters will be the responsibility of each housing developer. KHP, KHFH, NHI and ETHDC are experienced in marketing and selling homes to low income families. SHF and HRM work with very-low income populations in need of permanent housing.

Communication about NSP2 and the progress of the program will be featured on the City of Knoxville’s website and sent out in the Office of Neighborhood’s weekly newsletter.

#### **f. Performance and Monitoring**

The City of Knoxville will monitor and audit the activities of the Consortium partners in implementing the NSP2 plan. The City’s established monitoring plan will be followed and is below.

#### **NSP2 Monitoring Plan**

The City of Knoxville Community Development Department as “the Grantee” is responsible for ensuring that the federal funds it receives are used in accordance with all program requirements while meeting the goals described in the NSP2 plan. To accomplish this, the City is required to monitor its subrecipients to ensure that (1) subrecipients comply with all regulations governing their administrative, financial and programmatic operations; and (2) subrecipients achieve their performance objectives on schedule and within budget.

The objectives of this monitoring plan are to establish a process that encourages open communications between the City and its subrecipients, and provides a way to avoid problems and improve performance. Monitoring is an on-going process of planning, implementation, communication and follow-up.

Monitoring will include review of administrative and financial requirements for accounting standards, cost principles and procurement. Additionally, individual projects will be reviewed to evaluate timeliness and progress meeting the program goals.

The City will perform a risk assessment to identify which subrecipients are “high risk” and require an on-site monitoring review during the program year. “High-risk” subrecipients may include:

- Subrecipients new to the program,
- Subrecipients that have experienced turnover in key staff positions,
- Subrecipients with previous compliance or performance problems, including failure to meet schedules, submit timely reports or clear monitoring or audit findings, and,
- Subrecipients taking on multiple projects for the first time.

Subrecipients that are identified as “low-risk” will be monitored, at a minimum, through in-house desk reviews.

#### On-Site Monitoring Review Process

1. Prior to the visit, the subrecipient will be notified by letter to confirm the dates for the review, the scope of monitoring, information needed for the review, and staff needed for interviews and assistance during the review.
2. An entrance conference with key program staff will be held to outline the scope and schedule for monitoring.
3. Information will be reviewed and documented.
4. An exit conference with key program staff will be held to present preliminary results of the monitoring, secure additional information, and allow the subrecipient to clarify any misunderstandings. If applicable, the subrecipient may report on the steps taken to address any noncompliance or nonperformance.
5. Following the visit, a letter will be sent to the subrecipient with the results of the monitoring review.

#### **Factor 4: Removal of Substantial Negative Effects**

Knoxville’s target geography will be stabilized by a reduction in distressed housing stock and selected acquisition and rehabilitation. The plan will reduce the negative effect of vacant properties in the target area. The calculation below follows the HUD required rubric for assessing a score for rating factor 4.

#### Calculation of removal of Substantial Negative Effect

1.5 X (number of homes to be acquired and rehabbed + number of blighted homes to be demolished) divided by the total number of vacant properties in area.

$$1.5 \times 201 = 301.5$$

$$301.5 \text{ divided by } 693 = .435 \sim 44\%$$

## **Factor 5: Energy Efficiency Improvement and Sustainable Development Factors**

### **a. Transit Accessibility**

Knoxville's NSP2 target geography has good access to transit that is provided by Knoxville Area Transit (KAT). All the NSP2 targeted census tracts are served by KAT services described below. See Appendix 5 for a map showing bus routes that serve the target geography.

KAT provides regular, fixed route bus service on 25 routes throughout the City of Knoxville and portions of Knox County. In addition, KAT operates three Express routes from outlying areas into downtown Knoxville as well as the T service, serving the University of Tennessee community. KAT provides service from 5:30 a.m. until 12:30 a.m. on weekdays, 6:30 a.m. until 12:30 a.m. on Saturdays, and 11:00 a.m. to 7:00 p.m. on Sundays. Service times for each individual bus routes varies.

The LIFT is a demand response service KAT provides for persons with disabilities. LIFT customers must be eligible under the Americans with Disabilities Act (ADA) and certified by KAT. This service operates the same hours as KAT's regular fixed route service.

### **b. Green Building Standards**

In addition to complying with the NSP2 rehabilitation standards, the Knoxville NSP2 consortium is making additional green building practices and third-party certification a priority requirement for NSP2 funded projects.

In addition to the NSP2 required *Energy Star for New Homes* certification, new construction and gut rehabilitation activities (up to 3 stories) will be required to meet either the *LEED for Homes* or *EarthCraft New Homes* certification, where applicable. *EarthCraft New Homes* is a green building certification program developed by the Southface Energy Institute in Atlanta and the U.S. Green Building Council (USGBC) developed the *LEED for Homes* certification. Currently, the City of Knoxville requires *Energy Star for New Homes* certification in all new homes funded with HOME/CHDO dollars.

Rehabilitation activities (single family and town home) that are not gut rehabs will be required to meet *the EarthCraft House Renovation* certification (in addition to the NSP2 required use of Energy-Star and WaterSense labeled products).

Local and qualified Home Energy Rating System (HERS) green raters are available to provide third part certification for *LEED for Homes* and *EarthCraft* projects funded under Knoxville's NSP2 program. In addition, the City of Knoxville has an *EarthCraft House Renovation* training scheduled for July 20, 2009 to further develop green building capacity in the NSP2 target geography.

Multi-family rehab activities (up to 3 stories) that are not gut rehabs will be required to meet the Enterprise Foundation's *Green Communities Criteria* for substantial or moderate rehabilitation (as applicable) in addition to all NSP2 standards.

Mid-or high-rise (over 4-stories) new construction or rehabilitation is not planned under this proposal.

### **c. Re-use of Cleared sites**

It is anticipated that some vacant lots produced as a result of the NSP2 plan could be re-used as community gardens. Currently, there are several community gardens within the target geography that were established on vacant lots. They are described below.

The Parkridge Community Organization, located in the target area in East Knoxville, received a \$1,500 Neighborhood Small Grants award for help with several projects, including a community garden on a vacant lot which they own.

Working with Knox County, the City's Community Development Department helped a local church obtain a vacant lot that borders their parking lot and that Knox County acquired from a tax sale. The lot is located in the Park City area of East Knoxville and is also in the target area. The church agreed to work closely with the local neighborhood watch group, which had been searching for a plot of ground on which to develop a garden to counter the negative image of the community and the hopelessness felt by some members of the community in the face of blight and crime. The City waived its demolition and dirty lot liens on the property, and the church agreed that it would never pave the lot. This lot will now serve as a more pleasing buffer between the church's parking lot and the single family homes next door and down the block.

In another portion of the target area, an advocacy organization working with a growing Hispanic population has obtained permission from a large steel fabrication company to use two lots for gardens and corn production. The City's Office of Neighborhoods has committed to helping this group work toward its dream of creating a multi-ethnic garden by networking with the largely African American neighborhood group and the largely Caucasian neighborhood group in this same neighborhood.

### **d. Deconstruction – not applicable**

### **e. Sustainable development**

Knoxville NSP2 target geography is concentrated in older, inner city neighborhoods with existing infrastructure, sidewalks and mixed use neighborhoods that facilitate non-motorized transportation. Building on the inherent sustainable infrastructure of the target geography, the Knoxville NSP2 project will attempt to assemble a number of contiguous properties in order to create a mixed-use and mixed income infill LEED Neighborhood Development (LEED-ND).

This LEED-ND model re-development will be the first LEED-ND project in the Knoxville area and highlight the promise of sustainable affordable neighborhood planning. The LEED-ND criteria and the target geography will facilitate the creation of compact, walkable, vibrant, neighborhood with good connections to nearby communities while revitalizing a distressed area. In addition, the sustainable neighborhood development concept will encourage renewable energy services (solar hot water and for solar photovoltaic) through building orientation and thoughtful design, water conservation and innovative storm water management. As noted earlier all new or rehabilitated housing in the sustainable neighborhood will meet a third-party verified green building standard. Visitable and accessible homes will also be required and promoted in the neighborhood.

### **Factor 6: Neighborhood Transformation and Economic Opportunity**

The City of Knoxville's Five year Consolidated Plan identified six priorities that have been the focus of the Community Development Department since 2005. The priorities are:

- Neighborhood Stabilization
- Housing Rehabilitation
- Home ownership
- Assistance to the Homeless
- Job Creation
- Crime prevention and Safety




The NSP2 plan is consistent with the goals and priorities of the Consolidated Plan and will strengthen and increase the effectiveness of activities currently underway. The Consolidated Plan and Annual Action Plan are located at the City of Knoxville website, [www.cityofknoxville.org/development](http://www.cityofknoxville.org/development). The NSP 2 plan will build on the NSP 1, CDBG-R and HPRP activities as well.

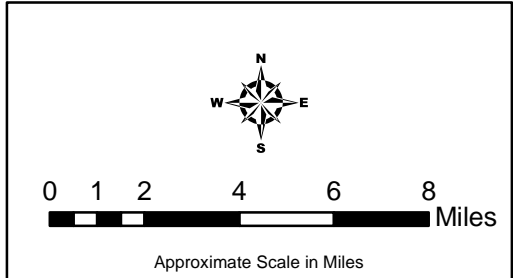
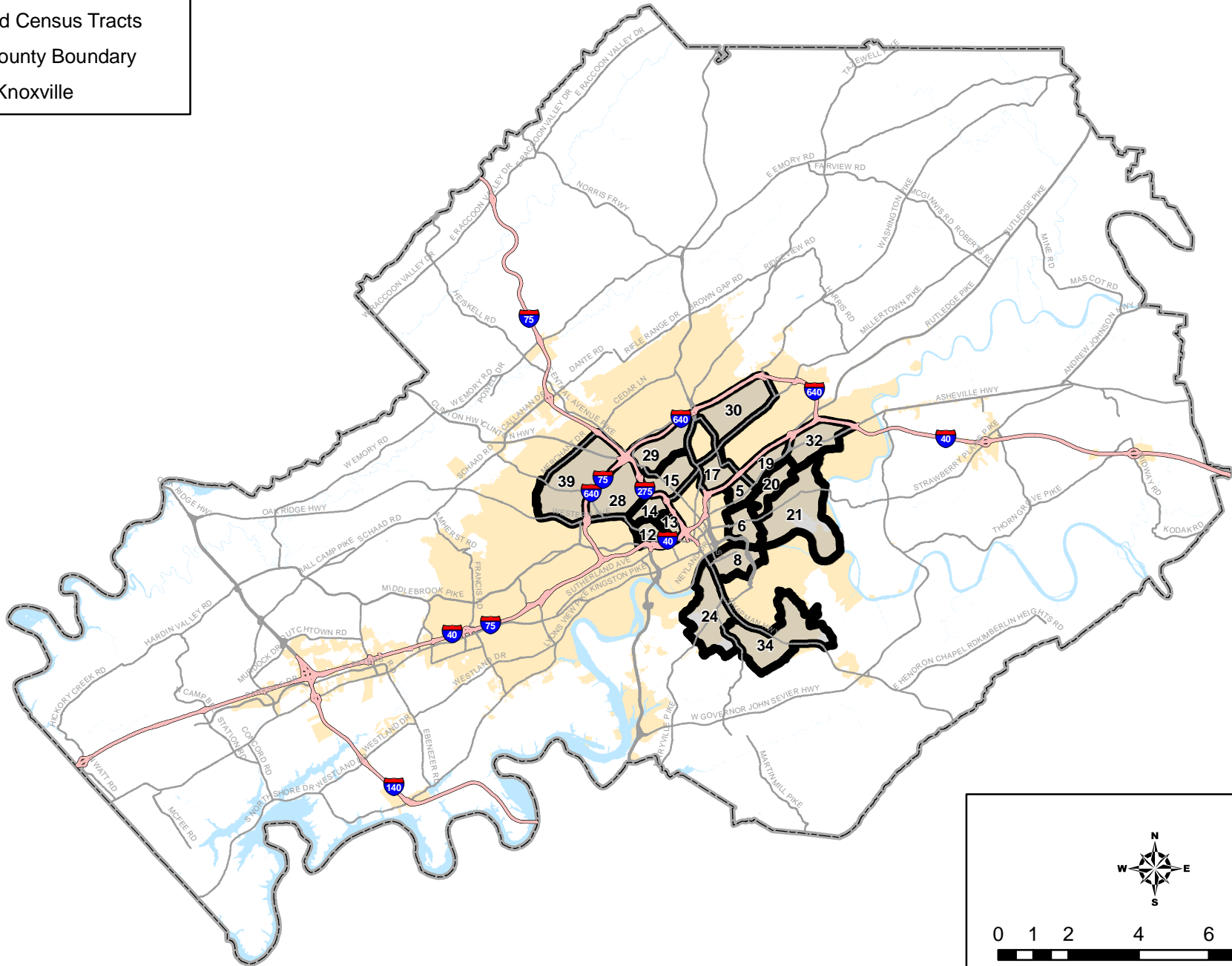
The NSP 2 plan will create economic opportunity through the creation of jobs to complete property rehabilitation and construction. The overall economic situation in the target geography will improve as neighborhoods are stabilized and property values grow, increasing current home owner's equity. As vacant and blighted properties are removed, crime will decrease and safety will be strengthened.

**Appendix 1**  
**Map of Target Geography**

# NSP2 - Targeted Geography

## Legend

-  Targeted Census Tracts
-  Knox County Boundary
-  City of Knoxville



**Appendix 2 - Organizational Charts  
Will be included in final plan**

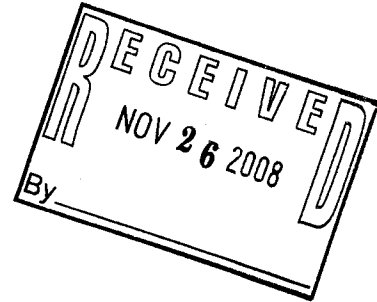
## **Appendix 3 - Letter of review of the CAPER**



**U. S. Department of Housing and Urban Development  
Field Office Director  
Knoxville**

November 25, 2008

Honorable Bill Haslam  
Mayor, City of Knoxville  
P.O. Box 1631  
Knoxville, TN 37901



Dear Mayor Haslam:

**SUBJECT: Consolidated End-of-Year Review - Program Year 2007  
City of Knoxville, Tennessee**

Annually, the U.S. Department of Housing and Urban Development (HUD) is required to conduct a review of performance by grant recipients. The review consists of: analyzing the City's consolidated planning process; reviewing management of funds; determining the progress made in carrying out HUD policies and programs; determining the compliance of funded activities with statutory and regulatory requirements; determining the accuracy of required performance reports; as well as, evaluating accomplishments in meeting key Departmental objectives. Concurrently, the Secretary of HUD must determine that the grant recipient is in compliance with the statutes and has the continuing capacity to implement and administer the programs for which assistance is received.

In addition to meeting the mandates of the statutes, this assessment provides a basis for the City of Knoxville and HUD to work together collaboratively in achieving housing and community development goals. The Office of Community Planning and Development (CPD), in consultation with the Offices of Public Housing, Multifamily, Single Family, Chief Counsel, Fair Housing and Equal Opportunity and my Office, completed the assessment.

We congratulate the City of Knoxville and the staff of the Community Development Division (CDD), on the accomplishments toward implementing programs and policies, which carry out the strategies, as outlined in the Consolidated Plan. This is the third year of reporting under the Consortium's five-year Consolidated Plan. During the 2007 year, the City utilized Consolidated Planning funds, as well as leveraged additional State, local, private, and other federal funding to implement many worthwhile programs and projects and expended funds in a timely manner. Sixty days prior to the end of the City's 2007 program year, 1.34 program years of Community Development Block Grant (CDBG) funds remained in the grantee's line of credit which met the timely use of funds test as required by 24 CFR 570.902. In addition, the City also continues to commit and expend HOME Investment Partnerships Program funds in a timely manner.

*HUD's mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination.*

Department and others with vital information on accomplishments and progress being made to achieve housing and community development objectives being assisted with Consolidated Planning funds. As we wait for the completion of the re-engineered IDIS, the Department has stressed the importance of using the Consolidated Plan Management Tool, which will clearly show performance and provide a more efficient mechanism for data to be loaded into the IDIS. Johnson City is doing a good job utilizing the tool.

As you know by now, the new and re-engineered version of IDIS has been delayed again. Tests on the system resulted in errors that are presently being corrected. It is anticipated that the system will go live before the end of the 2008 Program Year. We know that this has been a long process. Nevertheless, all of us want a system that delivers the data we need to document performance and compliance. Please continue to have your staff practice in the system. We will contact you on the date Tennessee grantees will go live in the new IDIS.

Also, the Neighborhood Stabilization Program (NSP) was published in the Federal Register on September 29, 2008. The NSP is the appropriation of \$3.92 billion in the Housing and Economic Recovery Act (HERA) passed on July 30, 2008, and it will provide emergency assistance to States and local governments for the redevelopment of abandoned and foreclosed properties. For those areas allocated funding, the NSP will be incorporated in an amendment to the 2008 Consolidated Annual Action Plan. The State of Tennessee has designated the Tennessee Housing Development Agency (THDA) as its lead agency for NSP. All applications are due December 1, 2008. Activities under NSP will be starting in the 2008 Program Year and may be ongoing for the next four program years. Grantees are strongly encouraged to work with the Department as we assist our citizens in addressing this problem.

The City of Knoxville is recognized for a number of noteworthy accomplishments during the 2007 program year, including the following:

1. **Low- and Moderate-Income (LMI) Benefit.** The Consolidated Annual Performance and Evaluation Report (CAPER) indicated that 94.70 percent of the non-administrative CDBG funds expended during the reporting period benefited LMI persons either through direct benefit activities or activities benefiting low/mod areas.
2. **Housing Programs.** The City made significant progress in providing affordable housing. This has included an array of activities from: new housing construction to housing rehabilitation/replacement; owner-occupied housing to multifamily rental housing; minor repairs to emergency repairs; and from housing counseling to the investigation of fair housing complaints. Through the City's Housing Rehabilitation Program, a total of 20 owner-occupied housing units were rehabbed or replaced. A total of 46 multi-family rental units were rehabbed. Twenty households were assisted in purchasing their first homes through funds under the American Dream Downpayment Initiative. Under the HOME CHDO set-aside component, 15 homes were constructed to be sold to first-time homebuyers. A total of 224 homes received Minor Home Repairs. Knox Housing Partnership provided housing counseling to 31 households.
3. **Assistance to the Homeless and Special Needs Populations.** The City was a key partner in the completion of the Ten Year Plan to End Chronic Homelessness and the

implementation phase has begun. The Knoxville Homeless Management Information System has expanded during the program year with 12 agencies using the system. For 2007, the East Tennessee Continuum received \$1,199,244 in HUD's Continuum of Care competition. Emergency Shelter Grants (ESG) funds were utilized by four subrecipients (Knoxville-Knox County Community Action Committee, Child and Family Tennessee, Volunteer Ministry Center, and Young Women's Christian Association) to assist individuals and families with emergency shelter and essential services. The City provided funding to Volunteer Ministry Center to assist in the acquisition and renovation of the former Fifth Avenue Motel, as it is being renovated as a permanent housing for homeless persons. CDBG funds were also utilized to assist the homeless.

4. **Public Service Activities.** A number of public service activities were assisted. Among them: (1) CDBG funds were used to assist the Montgomery Village Child Care Development Center in the purchase of a bus that met new state requirements for child safety; (2) El Centro Hispano, operated by Catholic Charities of East Tennessee, received CDBG funds to assist 114 Hispanic youth and their parents with social skills training, anger management, and other essential services; (3) Project GRAD provided college preparatory services to 1,815 students at Fulton and Austin East High Schools; and, (4) The Family Justice Center developed and distributed new educational materials to increase the awareness for domestic violence victims of one place to call, go and receive assistance.
5. **Empowerment Zone Activities.** The City's Commercial Façade Program assisted six façade projects during the program year in the Five Points, Broadway/Central, Mechanicsville and Jackson Avenue areas. Under the Blighted Properties Redevelopment/Renovation Program, eight new Energy Star and U.S. Green Building Council's LEED housing units are under construction and one house in being rehabilitated. A total of two lots have been acquired for redevelopment under the Vestal Commercial Redevelopment Program. Much is being done in the Empowerment Zone.
6. **Fair Housing and Equal Opportunity.** The City is the recipient of a Fair Housing Program grant from the Department. During the program year, the City staff also investigated 12 complaints. The Office Fair Housing and Equal Opportunity (FHEO) reviewed the City's CAPER and assessed its fair housing efforts. Based on FHEO's review, it concurred in the approval of the City's CAPER.

As the City of Knoxville develops its FY09 Consolidated Action Plan, please note that HUD continues its emphases on expanding minority homeownership and the goal of ending chronic homelessness by 2012. In addition, the Department has a national goal involving ENERGY STAR, in cooperation with the U.S. Department of Energy (DOE), and U. S. Environmental Protection Agency (EPA). This national goal is aimed at encouraging energy efficiency in affordable housing. We appreciate the efforts of all the Consolidated Planning grantees in this effort.

As you plan for your 2009 Program year activities, please consider the participation of faith-based and community organizations (FBCOs). Many of our grantees have effectively used FBCOs. As a reminder on using faith-based organizations, a copy of Notice: CPD 04-10 has

been enclosed for reference. Please contact CPD for further guidance in this area. The Department appreciates the efforts of all the Consolidated Planning grantees in all of the aforementioned areas.

Other information and areas to consider in developing the FY09 Consolidated Plan include the following items:

1. At the end of each Federal fiscal year, HUD reports information on the accomplishments achieved using CDBG funds in its Annual Performance Report. This report uses the accomplishments reported by grantees in IDIS to measure the success of the HOME and CDBG programs in achieving its goals. This information is analyzed by the Office of Management and Budget and Congress and is an important consideration in future funding of the program. Therefore, it is critical that you report all accomplishments for each of your activities for which you have accomplishments to report. Also, as you assist the Department in our major goal of providing safe, decent and sanitary housing, please make sure to enter those Consolidated Planning funded activities into IDIS. This will greatly assist us in determining all efforts which implement and eliminate lead-based paint risks in rental and homeownership housing.
2. Again, we stress the use of the ConPlan Tool. Its use is being encouraged as a means to make the planning and submission process more results oriented, whereby, performance measures (a major initiative of the Department) could be incorporated to report the progress and impact of funded activities.
3. CPD's Technical Assistance Program (TAP) is available to assist grantees and their Partners as they encounter problems and need assistance under the HOME and Homeless Programs. Under HOME and our Homeless Programs, assistance is available for a wide array of subject areas including: project management, supportive housing, Homeless Management Information System, land-use planning and urban design, organizational development, financial management, management systems development, housing development, nonprofit and Community Housing Development Organizations (CHDOs) capacity building, lead hazard reduction, relocation planning, Continuum of Care planning and other areas. If assistance is needed, please contact CPD at (865) 545-4391. For FY08 TAP funds will be available for CDBG, administered by Headquarters to entitlements. Through our National Assistance Program, assistance can also be offered to Housing Opportunities for Persons With AIDS (HOPWA) grantees and their project sponsors. For any technical assistance, please call CPD at (865) 545-4391.
4. Executive Orders 11432 and 11625 require all Federal agencies to promote Minority Business Enterprises (MBE), including women owned businesses, participation in their programs. Our grantees are encouraged to expand their efforts in these areas and submit the MBE report (HUD Form -2516) on the Consolidated Plan Program funds. The next MBE report, "Contract and Subcontract Activity," will cover the period of October 1, 2008 - September 30, 2009. The completed form has a

submission date within 10 days of September 30<sup>th</sup> each year. The next report is required to be submitted by October 10, 2009.

5. Section 3 - Equal Opportunity is a major priority of HUD. The Department encourages compliance to Section 3 of the HUD Act of 1968, and implementing regulations at 24 CFR Part 135. Section 3 provides to the greatest extent feasible opportunities of employment and training be given to lower income residents of the project area and contracts be awarded to businesses located in or owned substantially by residents of the project area. It helps low-income residents gain the skills and jobs needed to become self-sufficient. The program also provides opportunities for qualified, low-income business owners to receive preference in bidding on HUD-funded contracts. The enclosure provides more useful information on Section 3.

The Department would also like to remind grantees that Section 3 has specific reporting and recordkeeping requirements. An annual performance report (HUD form 60002) is required to be submitted with grantees' annual performance reports. For Consolidated planning funds, the Section 3 annual performance report can be submitted with the CAPER or completed online at the website noted below. For more information or if you have questions, please contact H. David King, Lead Equal Opportunity Specialist, Knoxville FHEO, or the Department's Section 3 website at: <http://www.hud.gov/offices/fheo/section3/section3.cfm>.

6. We would like to take this opportunity to remind all grantees of the **conflict of interest regulations regarding all of the Consolidated Planning programs: CDBG at 24 CFR Part 570.611; HOME at 24 CFR Part 92.356, ESG at 24 CFR Part 576.57(d) and 24 CFR 570.611(d) & (e), and HOPWA at 24 CFR Part 574.625.** Each Program provides information on what may be considered a conflict and who may be covered. In addition, each provides a process by which a grantee can contact CPD to request an exception to the conflict of interest regulations. Failure to comply with the conflict of interest provisions will result is funding connected to the conflict being questioned and disallowed. We encourage all of our grantees to implement conflict of interest procedures that will assist all employees, elected officials and subgrantees in being in compliance and will assist the grantee with early detection of possible conflict of interest matters. CPD and the Chief Counsel are always available to provide guidance on possible conflict of interest compliance matters.

As a result of our review of the CAPER, HUD has determined that the City's overall progress is commendable and has the continuing capacity to implement these programs. You are invited to submit to this Office, within 30 days, your written comments about the content of or conclusions expressed in this letter. Please make this letter available to the public within 30 days of its receipt or the submission of your comments to HUD.

We also encourage the sharing of this assessment report with: the media, those on your mailing list of interested persons, members of your advisory committee, and/or those who attended hearings or meetings. HUD will make this information available to the public upon request and may provide copies of this report to interested citizens and groups. If you have any questions, please call Mary C. Wilson, Director, Office of Community Planning and Development at (865) 545-4391 or me at (865) 474-8205.

Very sincerely yours,

A handwritten signature in black ink, appearing to read "Mark".

Mark Brezina  
Field Office Director

Enclosures

cc:

Madeline Rogero, Director, CDD

**Appendix 4 - Summary of Citizen Comments  
Will be included in final plan**

## **Appendix 5 - Map of Available Transit**



## **Appendix 6 - Definition of Affordable Rents**

## Definition of Affordable Rents

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>	482	551	661	764	852	940	1029
<b>HIGH HOME RENT LIMIT</b>	482	554	667	894	922	1060	1199

## **Appendix 7 - Definition of Blighted Structure**

## Definition of 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

**Appendix 8 - Description of Housing Rehabilitation Standards**

## Description of Housing Rehabilitation Standards

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.

In addition to the NSP2 required *Energy Star for New Homes* certification, new construction and gut rehabilitation activities (up to 3 stories) will be required to meet either the *LEED for Homes* or *EarthCraft New Homes* certification, where applicable. *EarthCraft New Homes* is a green building certification program developed by the Southface Energy Institute in Atlanta and the U.S. Green Building Council (USGBC) developed the *LEED for Homes* certification. Currently, the City of Knoxville requires *Energy Star for New Homes* certification in all new homes funded with HOME/CHDO dollars.

Rehabilitation activities (single family and town home) that are not gut rehabs will be required to meet *the EarthCraft House Renovation* certification (in addition to the NSP2 required use of Energy-Star and WaterSense labeled products).