STATE OF TENNESSEE

ONE YEAR ACTION PLAN
ON THE
HOUSING AND COMMUNITY
DEVELOPMENT
CONSOLIDATED PLAN

for
FISCAL YEAR 2006-2007
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Support of Applications by Other Entities
STATE OF TENNESSEE
Fiscal Year 2007 Action Plan
Executive Summary

The Fiscal Year 2006-2007 Action Plan describes actions on the part of the State of Tennessee to administer and implement the four United States Department of Housing and Urban Development (HUD) Consolidated Plan grant programs. The period covered by this Action Plan is the State Fiscal Year, July 1, 2006 to June 30, 2007.

The four departments of state government which have administrative responsibility for these four programs and the expected HUD allocations are as follows:

The Tennessee Department of Economic and Community Development has responsibility for the Community Development Block Grant (CDBG) Small Cities program. This year the department expects to receive $26,912,038 in CDBG Small Cities funds from HUD and anticipates receiving approximately $1,500,000 in program income, for a total of $28,412,038 that may be available through a competitive application process.

The Tennessee Housing Development Agency has responsibility for the HOME Investment Partnerships Program. This year the agency expects to receive $16,041,905 in HOME funds from HUD, as well as $234,329 in funds for the American Dream Downpayment Initiative (ADDI).

The Tennessee Department of Human Services manages the Emergency Shelter Grant (ESG) Program and expects $1,414,939 in HUD funding.

The Tennessee Department of Health manages the Housing Opportunities for Persons with AIDS (HOPWA) Program and expects HUD funds in the amount of $747,000.

Contained within this Action Plan are the Methods of Distribution which present the ways in which the aboved named agencies make the funds available to eligible applicants, either throught a competitive grant program, or through a formula basis, or, in some cases, both.

Citizens of the state interested in learning more about the programs and how their communities might take advantage of them should notice the Geographic Distributions described in the program descriptions. A number of larger cities and some counties in Tennessee are designated by HUD as entitlement or local participating jurisdictions, and as such receive funds directly from HUD.

The Action Plan contains descriptions of other Federal and non-Federal resources which are administered by THDA: Section 8 Rental Assistance and Contract Administration programs, the Low Income Housing Tax Credit program and the Homeownership Programs.

This year we include two new programs. The BUILD Loan Program created to develop capacity of nonprofit organizations that provide affordable housing to low income Tennesseans. The Community Investment Tax Credit (CITC) program, a partnership with the Tennessee Department of Revenue.
Finally, the action plan presents the ways in which these programs propose to address the priority needs and objectives described in the Consolidated Plan, as well as homeless and other special needs activities, the anti-poverty strategy, and other actions taken by the respective agencies to further affordable housing and community development.

While Tennessee Housing Development Agency is the designated lead agency, all of the above named state agencies participate in and have responsibility for the development of this Action Plan and the implementation of their respective programs. The Action Plan represents the cooperation of these agencies in working together to further affordable housing and community development in the State of Tennessee.
DESCRIPTION OF RESOURCES EXPECTED TO BE MADE AVAILABLE

I. HUD Resources Required Under Consolidated Planning

A. Community Development Block Grant (CDBG) Small Cities Program

The State of Tennessee, Department of Economic and Community Development, Office of Program Management, administers the Small Cities program for all those jurisdictions not designated by HUD as entitlement. In Tennessee thirteen cities and/or counties are designated as entitlement to receive direct CDBG funding. During State Fiscal Year 2007, the State of Tennessee will receive $26,912,038 in CDBG Small Cities funds from HUD and anticipates receiving approximately $1,500,000 in program income, for a total of $28,412,038 that may be available through a competitive application process.

B. HOME Investments Partnership (HOME)

The State of Tennessee, through the Community Programs Division of Tennessee Housing Development Agency (THDA), administers the HOME program for those jurisdictions in the State not designated by HUD as a local Participating Jurisdictions (PJ). During the state fiscal year 2007, the State of Tennessee will receive $16,041,905 in HOME funds from HUD, as well as $234,329 in funds for the American Dream Downpayment Initiative (ADDI), which is administered as part of the HOME program. ADDI funds will be made available for first time homebuyers across the state in a fair, equitable manner. Special consideration may be given to persons moving from public housing to homeownership, Section 8 to homeownership, minorities and special needs clients.

C. Emergency Shelter Grants (ESG)

The State of Tennessee, through the Department of Human Services (DHS) administers the ESG program. Funds are available through a competitive grant process to local government and nonprofit service providers to assist homeless persons in Tennessee. The State will receive $1,414,939 for the ESG program.

D. Housing Opportunities for Persons with AIDS (HOPWA)

The Tennessee Department of Health, which administers the state HOPWA program, will receive $747,000 in HOPWA funds from HUD. The Department of Health will provide funds to nonprofit service providers to assist HIV-infected individuals and their family members threatened with homelessness. State HOPWA funds are available on a formula basis to seven regional service providers outside of the two entitlement cities that receive HOPWA funds directly from HUD.

II. Other Federal Resources to be Made Available

A. HUD Section 8 Tenant-Based and Project-Based Assistance Programs
The State of Tennessee, Tennessee Housing Development Agency, administers both Section 8 Rental Assistance and Section 8 Contract Administration. The Rental Assistance Division of THDA, which administers the Section 8 Tenant-Based Rental Assistance program, is authorized to operate in all 95 counties in Tennessee. During Fiscal Year 2007, it is anticipated that approximately $30,000,000 will be made available for this program. The Contract Administration Division of THDA, which administers Section 8 Project Based contracts, is responsible for the monthly Housing Assistance Payments (HAP) to Section 8 Project base properties throughout the state.

B. Low Income Housing Tax Credit Program (LIHTC)

The State, through Tennessee Housing Development Agency, administers the Low-Income Housing Tax Credit (LIHTC) program, which is authorized under Section 42 of the Internal Revenue Code, as amended. The program offers owners of and investors in low-income rental housing a reduction in federal income tax liability over a period of ten years. The Internal Revenue Service allocates tax credit authority to states on a calendar year basis. The State of Tennessee anticipates receiving approximately $11.2 million in tax credit authority in calendar year 2006 to be issued to nonprofit and for-profit developers of low-income housing.

III. Other Non-Federal Resources Expected to be Made Available

A. THDA Homeownership Programs

The State of Tennessee, through the Homeownership Division of Tennessee Housing Development Agency, administers homeownership programs designed to provide opportunities for low- and moderate-income persons to purchase their first home. Funds are made available through the issuance of tax-exempt mortgage revenue bonds. Each program requires limitations on eligibility based on household income and acquisition costs.

THDA is not a direct lender to borrowers but works with approximately 130 approved mortgage lenders across the State to originate the loans. THDA either provides funds to approved mortgage lenders to close pre-approved THDA loans, or purchases pre-approved loans from the lenders after the loans are closed. During Fiscal Year 2006-2007, THDA anticipates that approximately $300,000,000 in mortgage funds will be available for this program.

B. Community Investment Tax Credit

The Community Investment Tax Credit (CITC) was authorized by a bill signed into law by Governor Phil Bredesen in June 2005. The program is administered by THDA in cooperation with the Tennessee Department of Revenue. The Law allows any financial institution a credit against franchise and excise tax liability when that institution makes a qualified loan, investment, grant or contribution to an eligible housing entity that engages in activities which are eligible low income housing activities. Qualified housing entities include Tennessee nonprofit organizations, development districts, public housing authorities,
and THDA. Qualified activities include those that create or preserve affordable housing, activities that assist in obtaining affordable housing, activities that help build the capacity of a nonprofit to provide affordable housing, and any other activity as approved the THDA Executive Director and the Commissioner of the Department of Revenue.

C. BUILD Loan Program

In November 2005, THDA initiated the BUILD Loan Program to develop the capacity of nonprofit organizations to provide affordable housing to low income Tennesseans. The $5.0 million loan program supports the production of affordable housing by providing low interest short term loans to eligible nonprofit organizations. BUILD loan funds may be used for new construction or rehabilitation of units for homeownership or rental housing, land acquisition, pre-development activities, site preparation, program or operating expenses.
I. Introduction

The State of Tennessee has been allocated $26,912,038 in CDBG funds for Fiscal Year. In addition, the State anticipates receipt of approximately $1,500,000 in program income for a total operating budget of $28,412,038. The purpose of this section is to describe the method of distribution of small cities Community Development Block Grant (CDBG) funds within Tennessee for meeting housing and community development policies and objectives. This section will describe all criteria used to select applications for funding, including the relative importance of the criteria. This section will also describe how CDBG funds will be allocated among all funding categories, any threshold factors, and grant size limits.

II. National Objectives

The federal authorizing legislation for the CDBG program requires that the program activities be used to accomplish at least one of three national objectives, these being:

A. Activities benefiting low and moderate income (LMI) persons;
B. Activities which aid in the prevention or elimination of slums or blight;
C. Activities designed to meet community development needs having a particular urgency. These have been defined as activities designed to alleviate existing conditions that pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, that the recipient is unable to finance the activity on its own, and that other sources of funding are not available. This condition is sometimes called an "imminent threat".

III. Community Development Objectives

The objectives of the Tennessee CDBG program are the following:

A. Human Resources Development - to develop a human resource base that is healthy and capable of working at full capacity and that has the skills and education that enable them to do so.
B. Physical Infrastructure Development - to create the base of infrastructure that will provide for a high quality of life for individuals and productive capacity for communities.
C. Job Opportunity Development - to implement programs that will create a climate that is receptive to and encourages the growth of private sector jobs.
D. Target on Economic Distress - to deliver community development programs in a manner that provides maximum assistance not only to economically disadvantaged individuals, but also to economically disadvantaged areas of the state.

E. Maximize Grantees - to use the resources available to the state in a manner which will maximize the number of grantees and, therefore, beneficiaries of the programs.

IV. Eligible Recipients of Funds

Eligible applicants shall be city and county governments in Tennessee, except those cities of over 50,000 population and all principal cities of Metropolitan Statistical Areas (MSA). Local governments excluded from the state-administered CDBG program include: the cities of Bristol, Chattanooga, Clarksville, Cleveland, Jackson, Johnson City, Kingsport, Knoxville, Memphis, Morristown, Murfreesboro, Oak Ridge, the Metropolitan Government of Nashville-Davidson County, and the counties of Knox and Shelby.

V. Eligible Activities

Local governments may undertake a wide range of activities under the CDBG program. Eligible activities include:

A. Acquisition of real property;

B. Acquisition, construction, reconstruction, or installation of public works facilities (except for buildings for the general conduct of government), and site or other improvements;

C. Code enforcement in deteriorated or deteriorating areas;

D. Clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements;

E. Disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to Title I or its retention for public purposes;

F. Special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

G. Payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by activities under Title I;

H. Provisions of public services;

I. Payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of activities under Title I;
J. Payment of the cost of completing a project funded under Title I of the Housing Act of 1949;

K. Relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate;

L. Activities necessary to develop a comprehensive community development plan;

M. Payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities;

N. Activities which are carried out by public or private non-profit entities;

O. Assistance to neighborhood-based non-profit organizations, local development corporations, or entities organized under Section 301(d) of the Small Business Investment Act of 1958;

P. Activities necessary to the development of a comprehensive community-wide energy use strategy;

Q. Provision of assistance to private, for-profit entities, when the assistance is necessary or appropriate to carry out an economic development project;

R. Rehabilitation or development of housing assistance under Section 17 of the United States Housing Act of 1937;

S. Provision of assistance to facilitate substantial reconstruction of housing owned and occupied by LMI persons (1) where the need for the reconstruction was not determinable until after rehabilitation had already commenced, or (2) where the reconstruction is part of a neighborhood rehabilitation effort and the grantee (a) determines the housing is not suitable for rehabilitation, and (b) demonstrates that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction;

T. Assistance for the development, establishment, and operation for not to exceed two years after its establishment of a uniform emergency telephone number system if: (1) such system will contribute substantially to the safety of the residents of the area served by such system, (2) not less than 51 percent of the use of the system will be by persons of low and moderate income, and (3) other Federal funds received by the grantee are not available for the development, establishment, and operation of such system due to the insufficiency of the amount of such funds, the restrictions of the use of such funds, or the prior commitment of such funds for other purposes by the grantee;

U. Homeownership assistance.
VI. **Grant Categories**

For State Fiscal Year 2007, applicants may apply for funding under four different program categories: Economic Development, Community Livability, Water/Sewer, and Housing Rehabilitation.

**Economic Development** projects include activities where a majority of funds are used to promote the creation or retention of jobs and enhance income through industrial locations and expansions where the funds are used as loans, and also to provide needed infrastructure to industries where funds are used as grants.

**Water/Sewer** project funds will be targeted at improving and extending water and sewer line systems, expanding water and wastewater treatment plant capacities, and addressing conditions detrimental to health, safety, or public welfare.

**Housing Rehabilitation** funds are targeted in communities with areas of substandard or dilapidated housing and community facilities in LMI neighborhoods.

**Community Livability** projects are activities designed to provide other community development services, particularly to benefit persons of low and moderate income.

**Set-Aside** funds may be used for projects with high project need scores but with other scores so low that the project did not rank high enough to be funded.

All funds awarded under the categories of Community Livability, Water/Sewer, and Housing Rehabilitation qualifying under the LMI objective must be spent in LMI target areas identified by the applicant unless the community is 100 percent eligible (51% or more LMI).
VII. Funding Levels

Shown below are the CDBG allocation and funding categories for the fiscal year.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$250,000</td>
</tr>
<tr>
<td>Public Facilities</td>
<td>20,173,797</td>
</tr>
<tr>
<td>Clearance/Demolition</td>
<td>$50,000</td>
</tr>
<tr>
<td>Relocation</td>
<td>$500,000</td>
</tr>
<tr>
<td>Housing Rehabilitation</td>
<td>1,400,000</td>
</tr>
<tr>
<td>Economic Development For-Profits</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Project Administration - Local Governments</td>
<td>1,400,000</td>
</tr>
<tr>
<td>General Administration &amp; Technical Assistance- State Government</td>
<td>638,241</td>
</tr>
<tr>
<td>Set-Aside Funds</td>
<td>1,000,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$28,412,038</td>
</tr>
</tbody>
</table>

The Set-Aside is designed to permit funding for meritorious community livability, water, sewer, solid waste, or housing rehabilitation projects (those with high project need scores) but where other scores in the selection criteria are low and the total points earned are lower than required for funding. Set-Aside projects must meet all program requirements. Funds not utilized from the Set-Aside will be returned to other categories.

If approvable projects are not available in Economic Development in sufficient quantities to utilize the target allocation, the amounts not so utilized will be allocated to the other categories. A 50 percent reduction in any category will also be permitted to facilitate proper program management and allow administrative flexibility, and the funds so reduced shall be allocated to other categories.

For all years, program recoveries of both recaptured and reallocated funds shall be re-appropriated to any categories and distributed in accordance with the 2006 Final Statement.

If additional funds become available, they will be allocated using the same percentages outlined above, with the State reserving the right to apply this 50 percent flexibility to any of the categories.

Under certain circumstances, the State may increase funding on economic development projects previously funded in order to protect the State's investment in the project. Where grants to local governments are loaned to private for-profit business, the State requires loan repayments. These repayments will be returned to the State and will be used for CDBG eligible activities. Up to 2 percent of this program income can be used by the
State for administration. In the event that program income is generated in a non-economic development project, the income will remain at the local level to be used for the same activity.

VIII. **Project Eligibility Criteria for Community Development Projects in the Annual Competition**

A. Grant categories in the annual competition are the following:

1. Water/Sewer;
2. Housing Rehabilitation;
3. Community Livability.

B. Applications are due in the Program Management Office on February 24, 2006. If hand-delivered to the office, they must be brought in no later than February 24, 2006, 4:30 p.m. (CST). A postmark of February 24, 2006, is not acceptable. They must be in the program management office on February 24, 2006. Applications should be complete as no additional required application material will be accepted after the deadline. However, additional information may be requested. Deadline for Metro counties is March 24, 2006.

C. All projects through 2005 must have their final budget revisions and change orders to ECD by March 24, 2006. The economic development projects will not count against the draw down restrictions.

D. All projects through 2005 must have their final request for payment including supporting documentation and closeouts to ECD by March 24, 2006.

E Only one application may be submitted by each governmental unit except metro governments.

F. The level of CDBG assistance for individual projects shall be limited by the following factors:

1. The grant ceiling for all applicants is $500,000, except for the following: Economic development projects may exceed $500,000 but not be more than $750,000 provided the county meets the economically distressed county criteria as described in part IX of this section.

2. Community livability projects have a maximum grant of $300,000.
3. Maximum grants to any applicant of $750,000 in two successive years, except for economic development projects.
4. The grantee's ability-to-pay (see Section XII for a description of ability-to-pay).
5. Higher grant levels (up to $1,000,000) may be approved for regional projects.

G. Funds are not available to cover cost overruns. Estimate project costs carefully.

H. Local governments are required to hold two public meetings. These meetings must be advertised in the local newspaper at least one week prior to the date of the meeting. The advertisement must contain a statement of nondiscrimination and the name of a contact person for special accommodation required for persons with disabilities. All meeting places must be accessible to persons with disabilities.

The first meeting is designed to solicit information about community needs and how CDBG funds can best address those needs. Communities are required to present information about how much money is available, what kinds of projects are being considered, and what activities are eligible. To ensure compliance with Title VI of the Civil Rights Act of 1964, applicants must make an additional effort to secure minority participation in this process. This meeting must be conducted 30 days before the application due date. The final date to have is January 24, 2006. The second meeting occurs after the project is completed and is to discuss the accomplishments of the project.

I. The target area survey documenting the low- and moderate-income benefit must be random in order to have an eligible application under the LMI National Objective. Surveys conducted for 2004 and 2005 applications are acceptable for system wide projects. They must be compared to the new LMI threshold figures. Water line, sewer lines and housing projects can use the surveys conducted for 2005 applications if it is the exact application and no changes in the target area are proposed. The ECD form and randomness information distributed at the Application Workshop must be used. If another survey method is not specifically discussed in the survey procedure information presented in the application packet, please call Paula Lovett to discuss the survey method being proposed. Survey methods that are not described in the application information or are not pre-approved by Program Management may be considered unacceptable for the application process.

Census data is acceptable. It may be obtained from Program Management.

The LMI threshold figures dated February 11, 2005, must be used to determine LMI%. These figures were distributed at the public hearings and at the Application Workshop. Additional copies may be obtained from Program Management. Appropriate response rates for communities/target areas are in the application package. A 100% survey is required for line extension projects.

J. Multi-target areas (line extension projects) must each meet the 51% LMI threshold.

K. For line extension projects where a household indicates that they do not want the service, that household should not be calculated as a beneficiary. The house should be shown on the map and on the Map/Survey Form. Please code it as a household that does not want the service.
L. The target area survey should be used to calculate target area per capita income for the community-need score. Instructions for calculating per capita income from the target area survey were explained at the Application Workshop and are included in the application.

M. To submit a project under the national objective of Slums/Blight on an area basis, an activity must meet all of the following criteria:

1. The area must be designated by the grantee and must meet a definition of a slum, blighted, deteriorated or deteriorating area under State or local law;

2. There must be a substantial number of deteriorated or deteriorating buildings or public improvements throughout the area. As a "safe harbor," ECD will consider this criteria to have been met if either of the following conditions prevails in the area:
   a. If State law does not specifically indicate the percentage of deteriorated or deteriorating buildings required to qualify the area, then at least one quarter of all the buildings in the area must be in a state of deterioration; or,
   b. Public improvements throughout the area are in a general state of deterioration.

   It is insufficient for only one type of public improvement, such as a sewer system, to be in a state of deterioration; rather, the public improvements taken as a whole must clearly exhibit signs of deterioration.

3. Documentation must be maintained by the grantee on the boundaries of the area and the condition that qualified the area at the time of its designation;

4. The activity must address one or more of the conditions that contributed to the deterioration of the area.

If submitting a project under Slums/Blight, this information should be submitted to ECD by December 6, 2005, so that, if Slums/Blight is not approved, sufficient time remains to complete a target area survey.

N. To submit a project under the national objective of urgent need (or imminent threat), the following information must be provided:

1. Nature of problem/documentation;

2. How long problem has existed;

3. Explanation of why this problem is now so critical;
4. Any previous measures undertaken to correct problem;

5. Alternatives;

6. Projected date that problem must be corrected;

7. Why local and other funds are not available to correct the problem.

Imminent threat problems must be unique, unforeseen, and have developed to a critical stage in the last 18 months. Its continuation must represent a serious threat of loss of life.

The information will be reviewed and a determination will be made as to whether it meets the imminent threat national objective. A written determination will be provided.

Imminent threat projects will be received at any time. Threshold requirements will not count against the submittal of an application.

O. Line Extension Projects

1. A 100 percent survey is required including owners and current tenants of rental houses in the target area.

2. All low and moderate income households must be provided free water/ sewer service. This includes tap fees, service lines and connection charges.

3. If the property is rental and the homeowner is low and moderate-income then free service lines, taps and connections must be provided. The renter counts as the beneficiary.

4. If the property is rental and the property owner is high income and pays for the service, then the renter can be counted as the beneficiary.

5. People who only live in their house seasonally and receive service will count as a beneficiary. A survey or household verification form must be on file for them.

6. If the seasonal homeowner is a low and moderate-income person, they are still entitled to free service. This includes tap fees, service lines and connection charges.

7. If a household does not request the service, do not count as beneficiaries. If hook-up to the sewer system is mandatory, include a signed statement from the chief elected official plus a copy of the local ordinance and count all as beneficiaries.
8. Dry taps for purposes other than household use are not counted as beneficiaries. Dry taps for LMI are not paid for by CDBG funds.

9. The service must be run to the interior of the house, and must be utilized for domestic purposes. If service is not in the house, then they are not counted as beneficiaries.

10. If the service lines and connection charges are to be part of the construction bid then they must be included on the bid form.

11. If the service lines and connection charges for LMI are not going to be part of the construction bid, then approval from ECD must be obtained for the method of installation.

P. Water Line Extensions

1. All water quality sample collections for bacteria and minerals must be done by a qualified person. A qualified person is defined as anyone certified by the Tennessee Department of Environment and Conservation Board of Certification as a water operator, a local environmental specialist or a person employed by a water utility that has at least one year of experience in collecting water samples. A letter from the person collecting the water quality samples must include:
   a. Number of samples collected for bacteria and/or mineral testing;
   b. Date collected;
   c. Date delivered to lab;
   d. Name of testing lab;
   e. Signature and title of sample collector.
   f. License Number

2. The samples must be sent to the lab within 24 hours of collection.

3. All water quality testing must be done by a State approved lab. A list of approved labs is available from Program Management and was distributed at the Application Workshop.

4. If the collection and testing for bacteria and minerals are not done by a qualified person and approved lab, the applicant will receive zero points in project need in the water category for bacteria and minerals.

5. Requirement for the maximum number of mineral tests is 10% of the number of houses in the target area. The minimum sampling is 2% of the houses in the target area. The tests must be random within the target area.

6. Requirements for the maximum number of bacteria tests are 35% of the number of houses in the target area. The minimum sampling is 10% of the
houses in the target area. The tests must be random within the target area.

7. If your project involves a supply problem, then questions 15 and 16 of the target area survey must be completed.

8. The applicant will receive zero points in project need in the water category for bacteria and minerals if the test results are not submitted with the application on February 24, 2006.

9. Sampling must be random or applicant will receive zero (0) project need points.

10. Test results completed for 2005 applications are acceptable. Test results older than a year will not be acceptable.

11. Bacteria sampling must occur at the house.

12. Mineral sampling must occur at the source.

13. You must choose one problem to document for the project.

Q. For water distribution projects documenting inadequate pressure, project need will be evaluated in terms of the percentage of residential hookups with measured pressures below 20 PSI. All pressure readings must be taken by a qualified person (as defined in 16a) or an engineer. The readings must be made at residential meters and recorded in static readings. The tests must be random within the target area or system. A letter from the person conducting the pressure readings must include:

1. Address, date, and time of each pressure reading;

2. Statement that pressure readings were taken under normal system operating conditions;

3. Signature, title, and if certified, the certification status including license number of person conducting the pressure readings.

R. **Sewer Projects**: The testing for septic tank failure rates for sewer line extension projects must be done by the Tennessee Department of Environment and Conservation. TDEC have requested that they be given at least two months in which to do the test. It must be a 100 percent survey and form RDA 2403 must be used. Use the RDA 2403 form handed out at the application workshop. Gray water alone does not count as a failure. If the community has a sewer use ordinance, it should be included in the application appendix along with written assurance from the chief elected official that the ordinance is and will be enforced. Community sewer system projects must be listed on the TN. Dept. of Environment and Conservation, Division of Community Service 2004-2005 priority list. Requests should be submitted to that
department no later than January 24, 2006, to meet the CDBG deadline. For more information contact the Tenn. Department Environment and Conservation, Division of Community Services, 401 Church St., Nashville, Tenn. 37243-1533, 615-532-0445.

S. Housing Rehabilitation

1. In order for an application to be considered under "Housing," all activities in the application should be directly related to housing.

2. CDBG funds will be limited to the renovation of owner occupied dwellings.

3. CDBG funds will be limited to grants.

4. CDBG funds used for rehabilitation will be dispersed only through competitive bids to private contractors, not through force account city work.

5. The CDBG program is not to be used primarily as a new construction program or a relocation program. New construction should be minimal.

T. Appropriate Applicant

1. A county may apply for any project within the county.

2. City applicants must provide the services or have a majority of the beneficiaries.

The objective is that the applicant should bear some logical relationship to the service area. If the project deviates from 1 or 2, contact Program Management for a determination of eligibility.

IX. Project Eligibility Criteria for Economic Development Projects

A. The only purpose of the CDBG economic development program is to generate employment opportunities for Low-Moderate Income persons. Each application must contain a commitment by a private business that it will locate or expand as a result of the CDBG assistance, and that at least 51 percent of the jobs to be created or retained will be taken by LMI persons.

B. Only basic-type economic activities will be supported. These are businesses which export more than half of their products or services outside of Tennessee, generating income that supports the growth of the non-basic sector (retail, local services, etc.). Manufacturing is the classic basic economic activity, but businesses other than manufacturing will be considered if they can meet the test for a basic economic activity.

C. Applications are reviewed on a first-come, first-serve basis and need not be
submitted on any particular date. Applications submitted must be complete. Incomplete applications will be returned to the applicant community with a copy of the transmittal letter to the company and the application preparer. Once the complete application is received, it will be reviewed as a new application and will not assume its former position in the order of review.

D. Local governments are required to hold two public meetings. The first meeting, which must be advertised in a local public paper at least one week prior to the date of the meeting, is designed to solicit information about the community needs and how CDBG funds can best be used to address these needs. Communities are required to present information about how much money is available, what types of projects are being considered, and what activities are eligible. After the grant is awarded, a second public hearing must be held to discuss the impact/accomplishments of the project.

E. The maximum loan or grant any community/company may receive is $500,000, except in Economically Distressed Counties which meet threshold tests for income, unemployment, and poverty and therefore may receive up to $750,000. The amount of financing is negotiated with the company and is usually less than the maximum amounts available depending on the location of the project. The maximum term of a loan for equipment is seven years for any project. Special economic development incentives are provided for economically distressed counties. These are increasing the loan amount limits, extending the term of industrial buildings, and reducing the interest rates in economically distressed counties. Economically Distressed Counties (EDC) are those which are among the 10 worst counties for each of the following: unemployment, income, and poverty. The Commissioner of Economic and Community Development may designate additional counties as EDC if they exhibit substantial characteristics of economic distress such as major loss of employment, recent high unemployment rates, traditionally low levels of family incomes, high levels of poverty, and high concentrations of employment in declining industries.

F. All federal requirements that apply to the community development projects in the annual competition apply to the economic development program.

G. Interest rates have been established which fluctuate as the prime rate fluctuates. The prime rate will be established quarterly on the first day of the following months: January, April, July and October as quoted in the Wall Street Journal. The base prime rate will be for the quarter in which the loan is approved by ECD Loan and Grant Committee. Once the base prime rate is established, it will be in effect for the life of the loan. The only adjustments to the loan's interest rate will be the adjustment made every five years, but this will not change the base rate set at the time the loan was approved by ECD Loan and Grant Committee, only the points below the set prime rate.

Loan terms and rates are presented on the following chart. Note that in no case shall the effective rate of interest charged on CDBG loans be less than One Percent.
<table>
<thead>
<tr>
<th>PROVISION</th>
<th>Economically Distressed</th>
<th>Other Counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Loan/Grant</td>
<td>$750,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Maximum Term on Building</td>
<td>20 Years</td>
<td>15 Years</td>
</tr>
<tr>
<td>Maximum Term on Equipment</td>
<td>7 Years</td>
<td>7 Years</td>
</tr>
<tr>
<td>Minimum Interest Rate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years 1-5</td>
<td>5 PBP</td>
<td>3 PBP</td>
</tr>
<tr>
<td>Years 6-10</td>
<td>4 PBP</td>
<td>2 PBP</td>
</tr>
<tr>
<td>Years 11-20</td>
<td>3 PBP</td>
<td>1 PBP</td>
</tr>
</tbody>
</table>

PBP means percentage points below prime.

H. Applicants for start-up funding must have 20 percent equity and at least 30 percent of project financing must come from private sources. Any start-up applicant must have not only adequate working capital based on reasonable project success, but the potential for a second line of working capital should business conditions require it. Applications for start-up businesses will take approximately one month longer than other applications to review and make recommendations.

I. A pre-application meeting is required for all economic development projects. This is to provide advice and give companies and communities the opportunity to ask questions.

J. Companies applying for CDBG loan assistance must demonstrate their ability to ensure loan repayment. The state will determine the adequacy of public benefit by comparing the amount of loan funds requested, the number of jobs being generated, and the economic conditions in the country in which the loan will be made.

X. **Project Selection Criteria for Community Development Projects in the Annual Competition**

A. The allocation of funds for community development projects in the annual competition will be on a competitive basis because the demand for funds far exceeds the amounts available. ECD will utilize an annual grant cycle for Community Livability, Water/Sewer and Housing Rehabilitation grants. Units of local government will submit applications to ECD by the aforementioned deadline using the CDBG application package made available to them.

Selection Criteria for projects in the annual competition shall be objective and quantitative, and shall be based on project need, project feasibility, project impact, community need and project essentialness (for Community Livability only).
Points for projects in the annual competition in various categories will be rated by staff evaluation with maximum points as shown below:

<table>
<thead>
<tr>
<th></th>
<th>Community Need</th>
<th>Project Need</th>
<th>Project Feasibility</th>
<th>Project Impact</th>
<th>Project Essentialness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water, Sewer, Solid Waste</td>
<td>100</td>
<td>100</td>
<td>Threshold</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Community Livability</td>
<td>100</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Housing Rehabilitation</td>
<td>100</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>0</td>
</tr>
</tbody>
</table>

The points for each criteria (community need, project need, etc.) will be totaled and the individual projects will be ranked from highest to lowest based on the total number of points earned. Projects in one category will not compete against projects in another category (water/sewer projects will not compete in the housing category). Projects will be approved in each category based on the total number of points earned, subject to the amount of money allocated to that category.

The selection criteria for Set-Aside projects will not be quantitative. The Set-Aside category was established to allow the state the flexibility to address situations where the selection criteria failed to operate as envisioned, and meritorious projects did not score enough total points to be approved. Therefore, the approval of Set-Aside projects must necessarily be subjective. Nevertheless, there are certain factors that will be considered when approving projects under the Set-Aside category.

Principal among these is the following:
- The project need points earned;
- The ability of the applicant to finance the project locally;
- The potential loss of other funding that has been committed;
- The number and percentage of LMI residents.

Project application materials will be supplemented, as appropriate, by site visits and by informed opinions of state agencies knowledgeable about particular projects.

B. Imminent threat projects (those meeting the national objective of imminent threat) will be automatically approved if all selection criteria and thresholds are met. Applications are accepted any time.

C. Community Need Points

Community need is a measure of economic distress based on unemployment and income, and is calculated as follows:
- Latest annual county unemployment rate
- Target area per capita income
- 1995-2004 average county unemployment rate
- 1999 per capita income

D. Project Need Points

Project need points measure the degree to which there is a need for the project (no existing facilities or existing facilities are inadequate). Because of the different types of projects, project need points must be structured differently for different types of projects. Listed below are the methods of calculating project need points for water, wastewater, and community livability projects.

1. Water Line Extensions

Project need for water line extensions relates to deficiencies with private sources (wells, springs, etc.) and is based upon a) water quantity problems which are measured by days of water shortage or b) water quality problems as measured by bacteria content or c) water quality problems as measured by mineral content. Water testing is required to document bacteria and mineral problems.

2. Water Treatment Plants

Project need for water treatment plants is based on the ability of the existing plant to provide the quantity and quality of water required to meet customer needs and standards of TDEC. Quantity problems are evaluated based on the percent of the existing capacity being utilized. Quality problems are evaluated by engineers in TDEC.

3. Water Distribution Facilities

Water distribution problems relate to deficiencies in existing distribution facilities and are based upon a) lack of water storage, b) pressure problems, c) water loss. The adequacy of storage is measured against TDEC’s requirement for storage capacity equal to 24 hours average usage. Pressure problems are documented by pressure tests. Water loss is calculated based on the difference between water produced and water sold.

4. Water Source Development

Water source problems are documented by the ability of the current source to meet projected demands for quantity or quality of water.

5. Sewer System Projects

Sewer system projects are those eligible for Federal funding from the Environmental Protection Agency (EPA). The CDBG evaluation system is
based upon the points assigned by the TDEC for the EPA priority list plus 100 points for new treatment plants, SAWS and innovative alternatives, 75 points for sewer plant rehabilitation, upgrade, and/or additional plant, 50 points for line rehabilitation, and 25 points for interceptors.

6. Sewer Line Extensions

Project need for sewer line extensions is based upon septic tank failure rates. Testing of all septic tanks in the target area is required. Gray water problems alone do not count as septic tank failures.

7. Community Livability

Project need points for community livability projects are subjective because of the wide variety of projects that may be submitted under the community livability category. Project need points reflect the degree to which there is a need for the project. The adequacy of documentation to substantiate the nature and magnitude of the problem is very important.

8. Housing Rehabilitation

Project need points for housing applications will be based on two factors as follows:

a. Percent of substandard houses to be rehabilitated with CDBG funds in the target area;

b. Percentage of residents who are 62 years of age or above, and/or female head of household, and/or handicapped.

E. Project Feasibility

1. Water/Sewer

Project feasibility for water and sewer projects is a threshold. All projects will be reviewed for technical feasibility by the Department of Environment and Conservation engineers. If they do not meet this threshold, they will not be allowed to compete for funding.

2. Community Livability

Project feasibility points for community livability projects will be based upon the following considerations:

a. Quality of design compared to accepted standards;

b. Cost effectiveness, designed to create greatest benefit for least cost;
c. Alternatives examined;
d. Adequacy of operating budget;
e. Quality of documentation that the project will solve the problem.

3. Housing Rehabilitation

Project feasibility points for housing applications will be based on the following considerations:

a. A total of 25 points based on an assessment of whether the work proposed in the application can be accomplished with the funds available (including CDBG and other funds);
b. A total of 25 points based on the relative magnitude of the problems identified in each application based on observations made on site visits.

F. Project Impact

1. Water/Sewer

Project impact points for water and sewer projects will be calculated as follows:

a. CDBG cost per person; 25 Points
b. CDBG cost per LMI person; 25 Points
c. LMI percent; 30 Points
d. Rate factor; 20 Points
   Monthly bill 5000 gals.
   TAS PCI
   100 Points

2. Community Livability

Again, because of the variety of community livability projects that may be submitted, the calculation of project impact points must be able to be used for a variety of projects. Therefore, project impact points will be assigned as follows:

a. CDBG cost per LMI person; 25 Points
b. CDBG cost per LMI person; 25 Points
   50 Points
3. Housing Rehabilitation

Project impact points for housing applications will be based on the following considerations:

a. LMI Percentage; 25 Points
b. Cost per LMI person; 25 Points
   ___________________________
   50 Points

G. Project Essentialness

Project essentialness points apply only to community livability projects, and are designed to assess the degree to which the project is essential for the maintenance of safe and tolerable living conditions. Project essentialness points are subjective and are assigned as follows:

1. Extremely critical - restricted to life threatening situations; 50 Points
2. Critical - related to solving health and safety problems; 30 Points
3. Important – improves living conditions, quality of life; 20 Points
4. Needed – removes inconvenience, improves quantity or quality of public services; 10 Points
5. Not Needed – does not address current problem 0 Points

XI. Project Selection Process for Economic Development Projects

Unlike the community development projects in the annual competition, it is not possible to use a point system to select economic development projects for funding. Because of this, the economic development program operates very much like a bank, with loan officers gathering as much information about a project as possible, analyzing this information and making a recommendation regarding funding, with the final decision regarding funding being the responsibility of the Department of Economic and Community Development’s Loan/Grant Committee.

In making a funding decision on economic development projects, the Loan/Grant Committee shall give consideration to the following:

A. Economic development projects must create and/or retain jobs. The creation of private investment without the creation and/or retention of jobs will not qualify a project for CDBG assistance. Of the jobs created and/or retained, 51 percent must go to individuals who, prior to employment in the assisted business, were classified as having low or moderate income. Subsection I provides additional information regarding public benefit issues related to jobs created and/or retained compared to CDBG investments.

B. The project costs of activities assisted with CDBG funds must be reasonable. For construction projects, reasonableness will be determined by competitive bidding, including the use of Davis-Bacon wage rates. For the acquisition of equipment,
reasonableness will be determined by industry standards. For the acquisition of used equipment, industry standards will be determined through the appraisal of equipment to be purchased, with the asking price of the equipment being compared to the appraisal. For new equipment, industry standards will be based on recent experience with similar equipment. The borrower also has a vested interest in obtaining reasonable costs since the equipment loan must be repaid. The state will retain the final determination of reasonableness which will be based on cost comparison with recently funded similar projects.

C. To the extent practicable, reasonable financial support must be committed for project activities from non-federal sources prior to the disbursement of federal funds.

D. To the extent practicable, any grant funds to be provided for project activities must not substantially reduce the amount of non-federal financial support for the activities.

E. Project activities must be financially feasible. Non-CDBG funds in a project must be sufficient to complete the project as proposed. When an infrastructure grant is involved, the assisted business must demonstrate a high expectation of success and long-term employment of low and moderate income individuals. When a building or equipment loan is involved, the business must demonstrate a high expectation of success and repayment of the federal funds.

F. In determining a high expectation of success which includes the long-term employment of low and moderate income individuals and the repayment of federal funds, the Committee will consider the following:

1. Historical financial statements.
2. Projected financial statements.
3. Dun and Bradstreet and/or business credit reports on the company.
5. Resumes of management to document operational expertise of the company.
6. Financial strength of the owner(s) of the company, including personal credit bureau reports.

In analyzing the historical and projected financial statements, comparisons are made to industry standards such as those contained in the Robert Morris Associates Annual Statement Studies (including debt to assets, profit to assets, profit to net worth, receivables, inventory, payables, etc.). Significant deviations from industry standards will result in a more in-depth review.

Dun and Bradstreet and business credit bureau reports are reviewed to identify any recent problems the company may have had.
Marketing plans are reviewed to assess current and future customers, and their continued interest in purchasing goods and services from the company.

Management expertise is reviewed to determine the level of experience in the industry and the management skills of who will operate the company.

The financial strength of the owner(s) of the company is assessed to ensure their ability to provide additional funding to the company if necessary. This may include discussion and verification of personal assets with owners’ bankers.

G. To the extent practicable, project activities assisted with CDBG funds must not provide more than a reasonable return on investment to the owner. The reasonableness of return on investment will take into consideration industry standards such as those contained in the Robert Morris Associates Annual Statement Studies. Projects which, as a result of the CDBG assistance, will have an unreasonably high return on investment will not be considered for assistance.

H. To the extent practicable, grant amounts used for the costs of project activities will be disbursed on a pro-rata basis with the amounts of other sources.

I. The public benefit provided by the project activities must be appropriate relative to the amount of assistance provided by grant funds. In determining appropriateness, the Committee will consider such factors as the number of jobs being created, the number of jobs being created for low and moderate income individuals, unemployment rates, income levels, poverty rates, recent plant closings, reliance on declining industries, isolation from centers of population and inadequate transportation facilities, labor force characteristics, and the amount of CDBG funds per full time equivalent job to be created or retained. HUD’s threshold test of public benefit regardless of location is the creation or retention of at least one full-time equivalent permanent job per $35,000 of CDBG funds used. Historically, Tennessee grants have created one job for each $7,500, and rarely have exceeded one job per $15,000, and the state would expect that trend to continue. There may be exceptional cases, however, where it is appropriate for the cost per job to exceed $15,000. These grants will be looked at on a case by case basis, considering the factors listed above that determine the appropriateness of the funding level. However, in no case will the state fund a project in excess of the HUD threshold of $35,000 per job.

Grant and loan requests are presented to the ECD Loan/Grant Committee which consists of 1) the Commissioner of ECD, 2) the Deputy Commissioner of ECD; 3) the Assistant Commissioner of Community Development in ECD, 4) the Assistant Commissioner of Business Services in ECD, 5) the Assistant Commissioner of Business Development in ECD, and 6) the Assistant Commissioner for Communications in ECD. The final disposition of the grant or loan request may be approval, denial, approval with conditions, or re-negotiation based on these same criteria.
The final decision on the loan or grant will be made by the Committee based on the following considerations:

A. Does the project meet the basic federal requirements (especially LMI and public benefit test)?

B. Is the level of risk acceptable? Based on the analysis of the business plan, marketing plan, historical and projected financial statements, and the organizational structure and expertise of the management of the company, does it appear that the company will remain in production for a significant period of time meeting its employment obligations, and if a loan is involved that the loan will be repaid.

The funding decision for economic development is necessarily subjective by the Committee, but it is based on specific criteria which are designed to identify those companies which hold promise for long-term success and continued employment of LMI persons.

Unlike the community development projects in the annual competition, it is not possible to use a point system to select economic development projects for funding. Because of this, the economic development program operates very much like a bank, with loan officers gathering as much information about a project as possible, analyzing this information and making a recommendation regarding funding, with the final decision regarding funding being the responsibility of a Loan/Grant Committee.

Each business requesting CDBG assistance is required to provide the following information:

- Business plan;
- Marketing plan;
- Historical financial statements;
- Projections;
- Resumes.

This information is thoroughly analyzed and verified. This involves checking with customers, suppliers, banking references, and others that may provide information on the business and the principals in the business.

The grant or loan request is presented to a Loan/Grant Committee which consists of the Commissioner of ECD, the Deputy Commissioner of ECD, and the Assistant Commissioners of the Department as described above in Part XI. The final disposition of the grant or loan request may be approval, denial, approval with conditions, or re-negotiation based on these same criteria. The final decision on the loan or grant request is based on the following:

1. Does the project meet the federal requirements of LMI especially and public benefit?
2. Are the number and type of jobs to be generated appropriate for the amount of assistance being requested?
3. Is the level of risk acceptable?

XII. Ability to Pay

Each CDBG grant (not loan), except for housing, is based upon an ability-to-pay calculation that determines the level of local financial contribution that is required. This ability-to-pay determination includes per capita income, the value of taxable property, and the value of taxable sales.

User-financed projects are based on per capita income only. Tax financed projects are based on per capita income, property values, and sales.

Depending on the service area of the project, ability-to-pay is calculated for municipalities only, rural county only, and the county as a whole. The correct application of these different indices is as follows:

A. For county applications where 75 percent of the beneficiaries are located in the county, use the county rural rate;

B. For county applications where 75 percent of the beneficiaries are located in an incorporated area, use the city rate;

C. For county applications that do not have 75 percent of the beneficiaries located in either the county or city, use the county aggregate rate;

D. For city applications, use the city rate;

E. For economic development applications, use the tax financed rate;

F. For county economic development applications, use the county aggregate rate. Grant rates range from 60 to 100 percent for economic development projects and 70 to 100 percent for community development projects.
Method of Distribution
HOME Program for Fiscal Year 2006-2007

The Tennessee Housing Development Agency (THDA) administers the federally funded HOME program to promote the production, preservation and rehabilitation of housing for low-income households. The purpose of this Program Description is to explain the requirements and the application process of the HOME program.

HOME funds are awarded through a competitive application process to cities, counties and non-profit organizations outside local participating jurisdictions. Local participating jurisdictions (PJs) are those local governments in Tennessee that receive HOME funds directly from the Department of Housing and Urban Development. The Local PJs are Clarksville, Chattanooga, Jackson, Knoxville, Memphis, Nashville-Davidson County, Knox County, Shelby County and the Northeast Tennessee/Virginia Consortium (the cities of Bristol, Kingsport, Johnson City, Bluff City, and Sullivan and Washington counties). CHDOs and non-profit organizations located in a local participating jurisdiction may apply for projects located outside the local participating jurisdictions. An applicant must apply for at least $100,000 and may apply for a maximum HOME grant of $500,000. There is a $500,000 limit on the amount of HOME funds that can be awarded to any one county.

Applications for the HOME program must be received by THDA on or before Friday, March 17, 2006. THDA anticipates notifying successful applicants by the end of May, 2006. HOME contracts will begin July 1, 2006 and will end June 30, 2009.

The program description is followed by the application package. The program description and pdf-fillable application is available at www.tennessee.gov/thda. Once at the THDA website, click on GRANTS. There will be links on the left side of the Grants page for the program description, the application and the application attachments. If you have questions, call (615) 741-3007.

The HOME Program

This program is governed by Title 24 Code of Federal Regulations, Part 92. Those regulations are incorporated by reference in this Program Description. The federal regulations take precedence over this program description in cases of conflicting requirements.

A. ELIGIBLE APPLICANTS

The State of Tennessee, through THDA, will accept applications for the HOME program from cities, counties, and private, non-profit organizations.

To be eligible the non-profit organization must:

1. Be organized under Tennessee law, as evidenced by a Certificate of Existence from the Tennessee Secretary of State dated within twelve months of the application due date;

2. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;
3. Have among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of housing to low income households;

4. Have standards of financial accountability that conform to 24 CFR 84.21, Standards of Financial Management Systems; and

5. Have an IRS designation under Section 501(c)(3) of the tax code. Non-profit applicants may not submit an application until they have received their 501(c)(3) designation from the IRS.

THDA will also accept HOME applications from community housing development organizations (CHDOs). A CHDO is a private, non-profit organization that meets all the requirements for a non-profit listed above, plus the following additional requirements:

1. Is neither controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the organization. A CHDO may be sponsored or created by a for-profit entity, but
   a. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer or real estate management firm;
   b. The for-profit entity may not have the right to appoint more than one-third of the membership of the organization’s governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members; and
   c. The CHDO must be free to contract for goods and services from vendors of its own choosing.

2. Does not include a public body (including the participating jurisdiction). An organization that is State or locally chartered may qualify as a CHDO; however, the State or local government may not have the right to appoint more than one-third of the membership of the organization’s governing body and no more than one-third of the board members may be public officials or employees of the participating jurisdiction or State Recipient. Board members appointed by the State or local government may not appoint the remaining two thirds of the board members;

3. Maintains accountability to low income community residents by:
   a. Maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. For urban areas, “community” may be a neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and
b. Providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, site selection, development, and management of affordable housing.

4. Has a demonstrated capacity for carrying out activities assisted with HOME funds. An organization may satisfy this requirement by hiring experienced key staff members who have successfully completed similar projects, or a consultant with the same type of experience and a plan to train appropriate key staff members of the organization; and

5. Has a history of serving the community within which the housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, a newly created CHDO formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.

CHDOs may only apply for HOME funding for projects in which the CHDO is the owner, sponsor or developer. CHDO applicants must submit the Non-Profit Checklist/CHDO Designation with supporting documentation signed by the applicant's counsel. With their permission, unsuccessful CHDO applicants will be referred to the HUD Technical Assistance provider to develop capacity.

Applicants with prior HOME grants must also have requested (submitted an official Request for Payment Form with supporting documentation) the following percentages of their grants by February 28, 2006 to be eligible for the 2006 HOME program:

<table>
<thead>
<tr>
<th>HOME GRANT YEAR</th>
<th>SPEND DOWN REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992 – 2002</td>
<td>100%</td>
</tr>
<tr>
<td>2003</td>
<td>75%</td>
</tr>
<tr>
<td>2004</td>
<td>50%</td>
</tr>
<tr>
<td>2005</td>
<td>25%</td>
</tr>
</tbody>
</table>

These spending requirements also apply to applications from CHDOs. In addition, CHDOs that were funded for homeownership programs that generate CHDO proceeds will have to demonstrate a need for additional HOME funds to be eligible for the 2006 HOME program.

Subject to review by the Grants Committee of the THDA Board of Directors, applicants who have not submitted required documentation to close a prior grant or applicants found in material non-compliance with THDA rules are disqualified.

B. ALLOCATION OF FUNDS

HOME funds committed to the State of Tennessee, through THDA, will be allocated as promulgated in the State of Tennessee's Consolidated Plan, as amended. THDA will spend up to ten percent of its HOME allocation for administrative and planning expenses. THDA will use three percent of these funds for its own administrative expenses. The remaining seven-percent is available to pay the administrative costs of local governments and non-profit grant
recipients. The balance of the THDA FY 2006 HOME allocation will be divided as follows:

**CHDO Set-aside.** Fifteen percent (15%) of the total allocation will be reserved for eligible applications from CHDOs outside the local participating jurisdictions or from CHDOs located in local participating jurisdictions, but proposing projects outside the local participating jurisdictions. THDA may spend up to seven percent of the CHDO set-aside for CHDO operating expenses. Funds not committed to CHDOs within 24 months will be recaptured by HUD. If in the opinion of THDA, the applications submitted do not represent CHDOs with viable proposals or with the organizational potential to comply with all HOME affordability requirements, THDA may choose not to award all of the current CHDO funds in the current application round.

**Special Needs Set-aside.** Ten percent (10%) of the total allocation will be reserved for eligible applicants proposing special needs projects. Special needs projects include, but are not limited to, housing designed for persons with an unusual need due to a condition that can be either a permanent or temporary disability. In a mixed project, over one half of the units must be targeted to special needs households to be considered a special needs project. Projects targeted to the elderly are not considered special needs projects. Special needs projects will be scored and ranked on a separate special needs matrix. See *Eligible Activities,* Section C, Special Needs-Housing for additional information. If there are not enough applicants for the Special Needs Set-aside, the remaining funds will be combined with the funds in the Regional Allocation.

**Regional Allocation.** The remaining 65% of the HOME funds will be allocated regionally, based upon the percentage of low-income households outside the local participating jurisdictions. Counties will be grouped in regions that correspond to the existing nine development districts across the state with three regions in each Grand Division. There will be a matrix for each region and the applicants will be scored, ranked and funded until the funds are used. There will be a $500,000 maximum grant per county in each region, and grants will be reduced proportionately should there be multiple successful applicants from the same county. In the event that the regional allocation is not utilized, the funds will be reallocated within the Grand Division, and the unfunded applicants from the other two regions would compete for the remaining funds in that Grand Division matrix.

The Regional Allocation Plan is presented on the following page.

HOME awards will be in the form of a grant. There is, however, an exception for rental housing projects. For small rental projects (those with less than 12 units) the HOME funds awarded to a successful applicant can be in the form of a loan or grant. For rental projects of 12 or more units, HOME funds will be awarded to successful applicants only in the form of a loan, subject to terms and conditions approved by THDA.
### 2006 REGIONAL ALLOCATION PLAN

<table>
<thead>
<tr>
<th>REGION</th>
<th>2006 ALLOCATION</th>
<th>GRAND DIVISION</th>
<th>$ PER GRAND DIVISION</th>
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</thead>
<tbody>
<tr>
<td><strong>FIRST TN</strong></td>
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<td></td>
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</tr>
<tr>
<td>Carter, Greene, Johnson, Hancock, Hawkins, Unicoi</td>
<td>$792,470</td>
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</tr>
<tr>
<td><strong>EAST TN</strong></td>
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</tr>
<tr>
<td>Anderson, Blount, Campbell, Claiborne, Cocke, Grainger, Hamblen, Jefferson, Loudon, Monroe, Morgan, Roane, Scott, Sevier, Union</td>
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<td>EAST</td>
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<td><strong>SOUTHEAST TN</strong></td>
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</tr>
<tr>
<td>Bledsoe, Bradley, Grundy, Hamilton, Marion, McMinn, Meigs, Polk, Rhea, Sequatchie</td>
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<td>MIDDLE</td>
<td>$4,241,801</td>
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<td><strong>NORTHWEST TN</strong></td>
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<tr>
<td>Chester, Decatur, Hardeman, Hardin, Haywood, Henderson, Madison, McNairy</td>
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<td>WEST</td>
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<td>Fayette, Lauderdale, Tipton</td>
<td>$323,244</td>
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</tbody>
</table>

1. Allocations as of 01/19/2006. The 2006 HOME allocation for Tennessee is $16,041,905. The amount available for the regional allocation is $10,427,238. This is the total HOME allocation less the 15% CHDO set-aside ($2,406,286, the 10% Administrative set-aside ($1,604,190.50) and the 10% Special Needs set-aside ($1,604,190.50).
C. ELIGIBLE ACTIVITIES

There are specific eligible activities under the HOME Program that must address the housing needs of low-income households. Housing includes manufactured housing and manufactured housing lots, permanent housing for disabled homeless persons, transitional housing, single-room occupancy housing and group homes. Housing does not include emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities and student dormitories. Eligible housing activities include:

1. Homeowner rehabilitation programs.

   Reconstruction. For the purposes of the HOME program, rehabilitation includes the demolition and rebuilding or reconstruction of substandard housing. Reconstruction is defined as the rebuilding, on the same lot, of housing standing on a site at the time of project commitment. The number of housing units on the lot may not be decreased or increased as part of a reconstruction project. However, the number of rooms per unit may be increased or decreased depending upon the needs and the size of the household. The reconstructed housing must be substantially similar (i.e., single- or multi-family housing) to the original housing. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing. All reconstructed units will have a compliance period of 15 years.

   New Construction without acquisition. Based upon approval by THDA, replacement of a manufactured housing unit with a stick-built unit is considered new construction. It can be considered an eligible activity as long as all of the requirements for homeownership, including the affordability period and the resale/recapture provisions, are met.

   Conversion. Under the HOME program, rehabilitation also includes the conversion of an existing structure from an alternative use to affordable, residential housing. If conversion involves additional units beyond the walls of an existing structure, the project will be deemed new construction. Conversion of a structure to commercial use is not an eligible use of HOME funds.

   Manufactured Housing. For purposes of this program description, the definition of manufactured housing contained in the Code of Federal Regulations and used by HUD is adopted. Manufactured housing is transportable in one or more sections, which in the traveling mode is eight feet or more in width, or forty feet or more in length, or when erected on site, is 320 or more square feet in size; is built on a permanent chassis to assure the initial and continued transportability of the structure; and is designed to be used as a dwelling with or without a permanent foundation.

Under limited circumstances, HOME funds may be used to renovate existing manufactured housing, but the HOME assistance will be limited to a maximum of $10,000 for single-wide units. Multiple-width units will be evaluated and pre-approved by THDA on a case by case basis. The $10,000 limit does not apply to the
replacement of substandard manufactured housing units under reconstruction; however, replacement must also be pre-approved by THDA.

To receive assistance, the owner of the manufactured home must also own the land on which the home is located or have a 99-year lease.

Housing Rehabilitation and Lead-based Paint. Rehabilitation subsidies are capped at $25,000 per unit for all rehabilitation hard costs. The $25,000 cap does not include the hard costs required to treat lead paint hazards. The costs for lead-based paint inspections, risk assessments and clearance testing are project soft costs, as are the costs for work write-ups and inspections. Soft costs are not included in the $25,000 cap on rehabilitation. The cap does not apply to instances of reconstruction.

If a risk assessment indicates that there is no lead present in a given house, THDA will consider a request to exceed the $25,000 limit on the cost of the rehabilitation of the unit. If a risk assessment indicates the presence of lead, THDA will consider a request on a case by case basis to exceed the $25,000 limit which will require abatement.

2. Homeownership Programs.

CHDOS. Construction financing or acquisition/rehabilitation to provide applicants an up front source of funds (without interest costs) to build affordable new single-family units. The CHDO must be the owner, sponsor or developer of the project. At the time of permanent financing the HOME funds are repaid to the CHDO as CHDO proceeds and are used for additional single-family units under homeownership. A CHDO must allow up to $14,999 of HOME funds to remain with the unit as a soft second mortgage necessary to qualify the family for permanent financing. THDA requires that a subsidy remain in the financing when the unit is sold so affordability is based on the less restrictive recapture provision of the HOME rule.

Cities, counties and non-profit organizations (non-CHDO). Homeownership programs are restricted to a soft second mortgage necessary to qualify the family for permanent financing.

Soft second mortgages. Any HOME funds used for a soft second mortgage in homeownership programs are limited to a maximum subsidy of $14,999 per household with a five-year affordability period forgiven at the end of the fifth year.

Under homeownership programs, THDA encourages the use of THDA mortgages or comparable financing whenever possible. The proposed permanent financing must be at an interest rate which does not exceed the prevailing THDA Great Rate by more than two percentage points. All loans must have a fixed interest rate fully amortizing over the term of the loan. There can be no pre-payment penalty for early payoffs.

Before construction or acquisition and rehabilitation can begin under homeownership, all units must have qualified buyers pre-approved for a permanent loan. No speculative construction or acquisition is allowed. However, lease purchase is permitted if necessary. In addition, all buyers must complete a homebuyer education
program prior to purchase. The sales price limits for homeownership programs are the same as the property value limits for homeowner rehabilitation programs.

3. **Rental Housing Programs.**

New construction of rental housing units.

Acquisition and/or rehabilitation of rental housing units.

*Special Needs Housing.* New Construction, acquisition and/or rehabilitation of special needs housing, including transitional housing, single-room occupancy housing and group homes, for persons with a physical, emotional or mental disability.

*A person with disabilities* means a household composed of one or more persons, at least one of who is an adult, who has a disability. A person is considered to have a disability if the person has a physical, mental or emotional impairment that is expected to be of long-continued and indefinite duration; substantially impedes his or her ability to live independently; and is of such a nature that such ability could be improved by more suitable housing.

A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability that is attributable to a mental or physical impairment or combination of mental and physical impairments; is manifested before the person attains age 22; is likely to continue indefinitely; results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and reflects the person’s need for a combination and sequence of special interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated.

*Transitional housing* means housing that is designed to provide housing and appropriate support services to persons, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children; and has as its purpose facilitating the movement of individuals and families to independent living within a time period that is set by the grantee or project owner before occupancy.

*Group Home* means housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the unit, and (except in the case of shared one-bedroom units) separate private space for each household. Supportive services may be provided. A group home is generally a large single-family unit, and is considered a one-unit project.

The subsidy limit is based upon the number of bedrooms in the unit, including bedrooms occupied by resident support service providers.
Rents for HOME-assisted group homes are based upon the number of bedrooms in the unit, excluding bedrooms occupied by live-in support service providers, with each household paying its proportionate share of the total unit rent.

*Single Room Occupancy (SRO)* housing means housing consisting of clearly identifiable separate dwelling units that is the primary residence of its occupant or occupants. The unit must contain either food preparation or sanitary facilities (and may contain both) if the project consists of new construction, conversion of non-residential space, or reconstruction. For acquisition or rehabilitation of an existing residential structure or hotel, neither food preparation nor sanitary facilities are required to be in the unit. If the units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by the tenants.

The maximum per unit subsidy is the subsidy for zero-bedroom units times the number of HOME-assisted units in the structure. However, in no event may the maximum subsidy exceed the actual development cost of the HOME-assisted units based on their proportionate share of the total development cost.

If the HOME-assisted SRO unit has neither food preparation nor sanitary facilities, or only one, the rent may not exceed 75% of the FMR for a zero bedroom unit.

If the HOME-assisted SRO unit has both food preparation and sanitary facilities in the unit, the High and Low HOME rent requirements of the HOME program apply.

Applicants proposing rental housing programs will need to complete Rental Housing Feasibility Worksheet. HOME funds are used as gap financing, and the applicant must demonstrate a need for the HOME funds. If the project development costs require additional financing, documentation must be provided that the other financing has been secured. If the project can support a debt, other financing will be a threshold requirement. Projects which propose assistance to private, for-profit rental property owners will be required to provide a one to one match for the HOME dollars as a threshold requirement.

4. **CHDO Operating Expenses, Developer’s Fees and CHDO Proceeds.**

*CHDO Operating Expenses.* CHDO may request up to 7% of the grant as CHDO operating expenses to help with the administrative costs of operating a housing program. Operating expenses are separate from project funds.

*Developers Fees.* A CHDO may also request an 8% developer’s fee if the CHDO is acting as a developer of housing. The developer’s fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit. The developer’s fee is a project soft cost and counts against the maximum per unit subsidy limit.

*CHDO Proceeds.* CHDO proceeds are the HOME funds returned to a CHDO upon the sale of a unit developed by the CHDO from the buyer’s permanent financing. The CHDO must use its CHDO proceeds to develop more housing. A CHDO may use 15% of the CHDO proceeds for operating expenses, 7% for administration and 8% for
developer’s fees. Once the CHDO proceeds are used a second time to develop more housing, the HOME restrictions on the use of proceeds are eliminated. There is, however, a cap of 25% on the amount of CHDO proceeds that can be used for operating or administrative expenses and a CHDO must submit audited financial statements annually that the 25% cap has not been exceeded. (This policy applies retroactively to existing CHDO proceeds as well as the 2006 and future HOME programs.)

5. **Project Soft Costs.**

In planning their programs, applicants may include as a project soft cost the costs for inspections and work write-ups. There is a limit to these costs of 7% of the hard costs of the rehabilitation or construction, not to exceed $1,800 or be less than $500. In addition to the costs for inspections and work write-ups, the costs for lead-based paint inspections, risk assessments and clearance testing are also paid as project soft costs. All project soft costs are not included in the $25,000 cap on rehabilitation, but they do count toward the maximum per unit subsidy limit.

**D. PROHIBITED ACTIVITIES**

1. Provide project reserve accounts, or operating subsidies;

2. Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;

3. Provide non-federal matching contributions required under any other Federal program;

4. Provide assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);

5. Carry out activities authorized under 24 CFR Part 968 (Public Housing Modernization);

6. Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages);

7. Provide assistance (other than assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by HUD and THDA in the written agreement. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount;

8. Pay for any cost that is not eligible under 24 CFR 92.206 through 92.209; and

9. Homeowner rehabilitation projects are not an eligible activity for a CHDO. A CHDO can only participate in the HOME program if they are the owner, sponsor or developer of a project.
E. LAYERING

Layering is the combining of other federal resources on a HOME-assisted project that results in an excessive amount of subsidy for the project. Such activity is prohibited. Grantees will analyze each project to insure that only the minimum amount of assistance is allocated to the project. In no case may the amount of HOME funds exceed the Maximum Per Unit Subsidy Limit.

F. MATCH AND LEVERAGE

For the FY 2006 HOME program, THDA will continue to provide the required federal match. Although, no local match is required from applicants, THDA will count toward its matching requirement any non-federal project funds that qualify as match under the HOME rule.

Leverage as been eliminated from the scoring criteria, but projects which leverage other funds are awarded points under innovation in the scoring matrix. In addition, for rental projects, HOME funds are to be used as a gap funding, and the applicant must demonstrate a need for the HOME funds. If development costs require other financing, documentation must be provided that the other financing has been secured. If a rental project can support a debt, other financing will be a threshold requirement. For projects that provide assistance to private, for-profit owners of rental property, a dollar for dollar match of the HOME funds will be required as threshold.

G. HOME PROGRAM REQUIREMENTS

1. INCOME LIMITS

HOME funds may be used to benefit only low-income or very low-income households. "Low income households" means an individual or family unit whose income does not exceed 80% of the area median income, adjusted for family size. "Very low income household" means an individual or family unit whose income does not exceed 50% of the area median income, adjusted for family size.

For rental property, the income limits apply to the incomes of the tenants, not to the owners of the property. At initial occupancy 90% of the tenant households must have incomes below 60% of the area median income, adjusted for family size. (Refer to Section H - Additional Requirements for HOME Rental Programs.)

The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other family member residing in the home or rental unit. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Median income for an area or the state shall be that median income estimate made by the Department of Housing and Urban Development. Median incomes change when HUD makes revised estimates.
2. FORMS OF ASSISTANCE

Homeowner rehabilitation and rental housing programs. Assistance from grant recipients to program beneficiaries will be limited to forgivable grants that are completely forgiven after a specified period of time as long as the beneficiary adheres to the conditions of the grant.

Homeownership programs. Assistance from grant recipients to program beneficiaries as soft second mortgages will be limited to loans which are forgiven at the end of 5 years.

Rental programs. For small rental projects (those with less than 12 units) the HOME funds awarded to a successful applicant can be in the form of a loan or grant. For rental projects of 12 or more units, HOME funds will be awarded to successful applicants only in the form of a loan, subject to terms and conditions approved by THDA.

Applicants may request approval from THDA to provide loans which generate program income. During the time the HOME grant is active, drawn requests must be reduced by accumulated program income before drawing down “new” HOME funds. Once a HOME grant is closed out, program income must be accounted for and reported to THDA at least quarterly. A Grantee may also elect to return accumulated program income to THDA on a quarterly basis.

3. COMPLIANCE PERIOD

Homeowner rehabilitation without reconstruction. Grants for homeowner rehabilitation projects that do not involve reconstruction shall have a compliance period of at least five years with a forgiveness feature of 20% annually. In order to enforce the compliance period, THDA will require that homeowners sign both a grant note and a deed of trust.

Homeowner rehabilitation with reconstruction. Grants for homeowner rehabilitation projects involving reconstruction of substandard units will have a compliance period of 15 years with a forgiveness feature of 6.66% annually. In order to enforce the compliance period, THDA will require that homeowners sign both a grant note and a deed of trust.

If the homeowner of a property that has been rehabilitated or reconstructed dies during the compliance period and the property is inherited by heirs, the property may be rented without repaying the unforgiven portion of the HOME subsidy to THDA. However, if the house is sold by the heirs during the affordability period, the remaining un-forgiven portion must be repaid to THDA. (This policy may be applied retroactively to prior HOME projects as needed.)

Homeownership Programs. A CHDO must leave up to $14,999 of HOME funds in the unit as a soft second mortgage necessary to qualify a household for permanent financing. There will be an affordability period of five years which is forgiven at the end of the 5th year if the unit remains in compliance, i.e., remains the primary residence.
of the initial homebuyer and is not leased. If the unit remains in compliance but is sold during the affordability period, the amount of the HOME subsidy subject to recapture will be reduced by 20% per year. In order to enforce the compliance period, THDA will require that the homebuyer sign both a note and a deed of trust.

Under construction financing, the per unit amount of HOME funds and the affordability period they trigger are based upon the amount of HOME funding invested in the unit. In order to enforce the provisions of the Working Agreement, THDA will require that a restrictive covenant be recorded against the property.

<table>
<thead>
<tr>
<th>HOMEOWNERSHIP ASSISTANCE HOME SUBSIDY PER UNIT</th>
<th>MINIMUM PERIOD OF AFFORDABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $15,000</td>
<td>5 Years</td>
</tr>
<tr>
<td>$15,000 - $40,000</td>
<td>10 Years</td>
</tr>
<tr>
<td>Over $40,000</td>
<td>15 Years</td>
</tr>
</tbody>
</table>

*Rental Housing Projects.* Grants for rental housing projects will be subject to affordability requirements based upon the project type and the amount of HOME subsidy per unit. See *Section H-4, Affordability Terms For Rental Projects.* Prior to drawing down HOME funds, owners of rental projects will be required to sign a grant note, deed of trust and restrictive covenant to enforce the HOME affordability period.

4. **LEVEL OF SUBSIDY**

<table>
<thead>
<tr>
<th>MINIMUM HOME DOLLARS</th>
<th>$ 1,000</th>
<th>PER UNIT</th>
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</thead>
<tbody>
<tr>
<td>MAXIMUM HOME DOLLARS</td>
<td>$46,267</td>
<td>0-BEDROOM (EFFICIENCY) LIMIT</td>
</tr>
<tr>
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<td>$53,036</td>
<td>1-BEDROOM LIMIT</td>
</tr>
<tr>
<td></td>
<td>$64,492</td>
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<td>$83,430</td>
<td>3-BEDROOM LIMIT</td>
</tr>
<tr>
<td></td>
<td>$91,581</td>
<td>4-BEDROOM OR MORE LIMIT</td>
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</tbody>
</table>

5. **PROPERTY STANDARDS**

Minimal property standards must be met when HOME funds are used for a project. Any housing constructed or rehabilitated with THDA grant funds under the HOME program must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion.
In the absence of a local code, new construction of multi-family apartments of 3 or more units must meet the 2003 International Building Code; new construction or reconstruction of single-family units or duplexes must meet the 2003 International Residential Code for One- and Two-Family Dwellings; and rehabilitation of rental units or existing homeowner units must meet the 2003 International Property Maintenance Code. In addition, rental units must, at a minimum, continue to meet Section 8 Housing Quality Standards (HQS) on an annual basis.

The International Code books are available from:

International Code Council
4051 W. Flossmore Road
Country Club Hills, IL  60478-5795
Telephone:  (800) 786-4452
Fax:  (866) 891-1695
Website:  www.iccsafe.org


Section 504. Section 504 of the Rehabilitation Act of 1973 prohibits in federally assisted activities and programs on the basis of handicap, and imposes requirements to ensure that qualified individuals with handicaps have access to these programs and activities.

For new construction of multi-family projects (five or more units), a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2%, at a minimum, of the units (but not less than one unit) must be accessible to individuals with sensory impairments. The total number of units in a HOME-assisted project, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.

The Section 504 definition of substantial rehabilitation for multi-family projects includes construction in a project with 15 or more units for which the rehabilitation costs will be 75% or more of the replacement cost. In such developments, a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2%, at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the total number of units in a HOME-assisted, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all of the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.
When rehabilitation less extensive than substantial rehabilitation is undertaken in projects of 15 or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with handicaps, until a minimum of 5% of the units (but not less than one unit) are accessible to people with mobility impairments. For this category of rehabilitation, the additional 2% of units requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible.

6. **AFTER REHABILITATION PROPERTY VALUE**

For homeowner rehabilitation projects, the maximum after rehabilitation value permitted for the type of single-family housing (1-4 family residence, condominium, cooperative unit, combination manufactured home and lot) shall not exceed 95% of the median purchase price for the area as established by HUD. The after rehabilitation value is determined by adding the appraised value of the land and improvements from the county assessor's office and the cost of the rehabilitation (construction hard costs plus project soft costs). See Property Value Limits. These limits are also the sales price limits for homeownership programs.

H. **ADDITIONAL REQUIREMENTS FOR HOME RENTAL HOUSING PROGRAMS**

1. **INCOME AND RENT REQUIREMENTS FOR HOME TENANTS AT INITIAL OCCUPANCY**

Rental housing will qualify as affordable only if, INITIALLY, the income composition is as follows:

*Five or more units.* In the case of projects with five or more rental units or in the case of an owner of multiple one or two unit projects with a total of five or more rental units:

20% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 50% or less of median income, adjusted for family size, and must pay the Low HOME rents;

70% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 60% or less of median, adjusted for family size, and may pay the High HOME rents. (60% of median income is computed by multiplying the family income at 50% of the median, adjusted for family size, by 120%); and

The remaining 10% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 80% or less of median income, adjusted for family size, and may pay the High HOME rents.

*Four or less units.* If the five or more unit rule does not apply to your project, then the tenants may pay the High HOME rents and the income composition at initial occupancy is:

10% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 80% or less of median income, adjusted for family size; and
90% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 60% or less of median income, adjusted for family size.

2. **LONG TERM OCCUPANCY REQUIREMENTS FOR HOME TENANTS**

Owners of rental property are required to maintain occupancy of units by low income and very low income persons for an affordability period ranging from 5 to 20 years.

*Five or more units.* In the case of projects with five or more rental units or in the case of an owner of multiple one or two unit projects with a total of five or more rental units:

During the applicable affordability period, 80 percent of the HOME-assisted units must be occupied by persons with incomes at or below 80 percent of median income, adjusted for family size, and may pay the High HOME rents;

20 percent of the HOME-assisted units must be occupied by households with incomes at or below 50 percent of median income, adjusted for family size, and pay the Low HOME rents.

*Four or less units.* In the case of projects with less than five rental units, all of the tenants may pay the High HOME rents and have incomes at or below 80 percent of area median income, adjusted for family size.

Tenants whose annual incomes increase to over 80 percent of median may remain in occupancy but must pay no less than 30 percent of their adjusted monthly income for rent and utilities.

HOME-assisted units retain their HOME designation for the entire period of affordability. However, units that are designated as Low HOME rent units and High HOME rent units can, but are not required to, "float" within the HOME-assisted units to maintain compliance with long-term occupancy requirements.

The owner shall make every effort to keep the project in compliance during the affordability period by leasing the next available unit to an individual at the income level needed for compliance.

3. **RENT LEVELS**

Every HOME assisted unit is subject to rent controls designed to make sure that rents are affordable to low or very low-income households. These maximum rents may be referred to as HOME rents. Rents are controlled for the length of the applicable affordability period. These rents are determined on an annual basis by HUD. The owner will be provided with these rents, which include all utilities. The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published HOME rents to determine the maximum allowable rents. HOME rents are not necessarily representative of market conditions and HOME rents may increase or decrease from year to year. Regardless of changes in fair market rents and in median
income over time, the HOME rents for a project are not required to be lower than the HOME rents for the project in effect at the time of project commitment. HOME rents represent the following:

HIGH HOME RENTS. The LESSER of Fair Market Rents for existing units as determined by HUD OR 30% of 65% of median income, adjusted for family size.

LOW HOME RENTS. This rent is equal to 30% of 50% of median income, adjusted for family size.

Each Grantee should be aware of the market conditions of the area in which the project is located. The High HOME rents and Low HOME rents are maximum rents which can be charged. Each project should show market feasibility not based upon the High and Low HOME rents, but rather upon area housing markets and HOME occupancy requirements which demand occupancy by low-income persons. Rents shall not exceed the published High and Low HOME rents, adjusted for utility arrangements and bedroom size. However, because these rents must also be attractive to lower income tenants, actual rents may be lower than the High and Low HOME rents. Programs should be designed so they take into consideration the market feasibility of projects funded.

4. AFFORDABILITY TERMS FOR RENTAL PROJECTS

HOME assisted Rental units are rent and income controlled for varying lengths of time depending upon the average amount of HOME funds invested per unit:

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>$ PER HOME UNIT</th>
<th>AFFORDABILITY PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation or Acquisition of existing housing</td>
<td>Less than $14,999</td>
<td>5 years</td>
</tr>
<tr>
<td>Rehabilitation or Acquisition of existing housing</td>
<td>$15,000 - $40,000</td>
<td>10 years</td>
</tr>
<tr>
<td>Rehabilitation or Acquisition of existing housing or rehabilitation involving refinancing</td>
<td>Over $40,000</td>
<td>15 years</td>
</tr>
<tr>
<td>New Construction or Acquisition of New Housing</td>
<td>20 years</td>
<td></td>
</tr>
</tbody>
</table>

5. GRANTEE'S ON-GOING OBLIGATIONS FOR RENTAL PROPERTY

After the project is officially closed out by letter to the Grantee, the record will be transferred to the THDA Division of Program Compliance (PC) which will provide Grantees with information on HOME Long Term Compliance, and will monitor each grantee annually to determine each project’s compliance with the HOME Rules and
Regulations. Each Grantee will also be monitored for adherence to its contract with THDA.

The rental housing long term monitoring requirements are the responsibility of the Grantees. They are responsible for:

a. Annual income certification of tenants;

b. Adherence to the HOME rent and income composition guidelines;

c. Compliance with the Standard Housing Codes or Section 8 Housing Quality Standards;

d. Reporting to THDA.

I. HOME RELOCATION REQUIREMENTS

THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION. PRIOR TO APPLICATION, CONTACT THDA IF YOU ARE PLANNING ANY PROJECT THAT MAY INVOLVE DISPLACEMENT OR RELOCATION.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations, 49 CFR Part 24 requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition or private acquisition carried out under a federally assisted project or program.

Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with CDBG, UDAG, or HOME funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.

Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME program decisions. Concerns about relocation may cause an administrator to consider establishing a preference for vacant buildings. However, administrators should also consider that vacant buildings are often very deteriorated. Rehabilitating an occupied building even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, program administrators must consider whether occupants will be able to return after rehabilitation and whether Section 8 assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the program administrator must consider
whether the owner removed the tenants in order to apply for HOME assistance for a vacant building. If so, these tenants are displaced persons.

Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for HOME and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between the owner and the grantee and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or family; (3) has income above or below the Section 8 Lower Income Limit.

**WHO IS A DISPLACED PERSON?** - Any person (family, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with HOME funds. Relocation requirements apply to all occupants of a project/site for which HOME assistance is sought even if less than 100% of the units are HOME assisted.

**WHO IS NOT A DISPLACED PERSON?** - A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations. A person with no legal right to occupy the property under State or local law (e.g., squatter). A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project. A person, after being fully informed of their rights, waives them by signing a Waiver Form.

**HOW IS DISPLACEMENT TRIGGERED?**

*Before Application.* A tenant moves permanently from the property before the owner submits an application for HOME assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the HOME project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for HOME assistance.)

*After Application.* A tenant moves permanently from the property after submission of the application, or, if the applicant does not have site control, the date THDA or the local program administrator approves the site because: (1) the owner requires the tenant to move
permanently; or (2) the owner fails to provide timely required notices to the tenant; or (3) the tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

After Execution of Agreement. A tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.

J. HOME RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

The Tennessee Housing Development Agency will replace all occupied and vacant occupiable lower income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with funds provided under the HOME Investment Partnership Act.

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a working agreement committing Tennessee Housing Development Agency to provide funds for a project that will directly result in the demolition or conversion, the Tennessee Housing Development Agency will make public by and submit to HUD, Knoxville HOME coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units must submit the following information to THDA:

1. A description of the proposed assisted project;

2. The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project;

3. A time schedule for the commencement and completion of the demolition or conversion;

4. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided;

5. The source of funding and a time schedule for the provision of the replacement housing;

6. The basis for concluding that the replacement housing will remain lower income housing for at least 10 years from the date of initial occupancy; and

7. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.
K. **EQUAL OPPORTUNITY AND FAIR HOUSING**

No person in the United States shall on the grounds of race, color, national origin, religion, sex, age, disability, or familial status, or be excluded from participation, denied benefits of or subjected to discrimination under any program funded in whole or in part by HOME funds. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:

Fair Housing Act 24 CFR 100

Executive Order 11063, as amended 24 CFR 107

(Equal Opportunity in Housing)

Title VI of the Civil Rights Act of 1964 24 CFR 1

(Nondiscrimination in Federal programs)

Age Discrimination Act of 1975 24 CFR 146

Section 504 of the Rehabilitation Act of 1973 24 CFR 8

Executive Order 11246, as amended 41 CFR 60

(Equal Employment Opportunity Programs)

Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135

Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.

Executive Order 11625, as amended (Minority Business Enterprises)

Executive Order 12432, as amended (Minority Business Enterprise Development)

Executive Order 12138, as amended (Women’s Business Enterprise)

Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA.

In addition to the above requirements, the PJ and local programs must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with its current Consolidated Plan.

L. **SITE AND NEIGHBORHOOD STANDARDS**

*General.* Housing provided through the HOME program must be suitable from the
standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and promotes greater choice of housing opportunities.

New rental housing. In carrying out the site and neighborhood requirements with respect to new construction of rental housing, the grantee is responsible for making the determination that proposed sites for new construction meet the requirements in 24 CFR 983.6(b) which places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas.

These rules are complex and subject to interpretation. Several common sense actions will help in deciding on projects. Avoid action which would ultimately increase the racial segregation in your communities. Review rental new construction plans with your HUD field office. Try to get input from the Fair Housing person and the program person. Identify and address community concerns about projects to the greatest extent possible before committing funds.

M. AFFIRMATIVE MARKETING

Local programs must adopt affirmative marketing procedures and requirements for all HOME rental housing with five or more units. These must be approved by THDA prior to any HOME funds being committed to a project. Requirements and procedures must include:

1. Methods for informing the public, owners and potential tenants about fair housing laws and the local program's policies;

2. A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME funds;

3. A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;

4. Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and

5. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

N. ENVIRONMENTAL REVIEW

In implementing the HOME program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58.

THDA as the Participating Jurisdiction and the units of local government funded by THDA will be responsible for carrying out environmental reviews. THDA will approve the release of funds for local governments and must request the release of funds from HUD for any projects of CHDOs or non-profit organizations. The CHDOs and non-profit organizations
will be responsible for gathering the information required for the environmental reviews. HOME funds cannot be committed until the environmental review process has been completed. Commitments for expenditures made prior to the approval of the environmental review cannot be reimbursed with HOME funds.

O. LEAD-BASED PAINT

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323). In a rental project in which not all units are assisted with HOME funds, the lead-based paint requirements apply to all units and common areas in the project.

P. LABOR STANDARDS

Davis-Bacon wage compliance and other Federal laws and regulations pertaining to labor standards apply to all contracts for rehabilitating or constructing 12 or more units assisted with HOME funds. The contract for construction must contain the applicable wage provisions and labor standards. Davis-Bacon does not apply to projects using volunteer labor or to sweat equity projects.

Q. DEBARMENT AND SUSPENSION

Local programs must require participants in lower-tier transactions covered by 24 CFR 24 to certify that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

R. FLOOD PLAINS

HOME funds may generally not be invested in housing located in an area identified by the Federal Emergency Management Agency as having special flood hazards. THDA discourages projects located in special flood hazard areas, but in a few instances and with written permission from THDA, houses located in a floodplain may be assisted. The community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

S. CONFLICT OF INTEREST

In the procurement of property and services, the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively, apply. In all cases not governed by 24 CFR 85.36 and 24 CFR 84.42 the conflict of interest provisions of the HOME Rule apply.

The conflict of interest provisions of the HOME program are more strict than those of other federal programs. The HOME conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, a State recipient or subrecipient receiving HOME funds. No person listed above who exercises any functions or responsibilities with respect to activities assisted with HOME...
funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

No owner, developer or sponsor of a project assisted with HOME funds (or officer, employee, agent or consultant of the owner, developer or sponsor) whether private, for profit or non-profit (including a CHDO when acting as an owner, developer or sponsor) may occupy a HOME-assisted affordable housing unit in a project. This provision does not apply to an owner-occupant of single-family housing or to an employee or agent of the owner or developer of a rental housing project who occupies a HOME-assisted unit as the project manager or maintenance worker.

THDA no longer routinely considers requesting exceptions to the conflict of interest provisions from HUD.

T. PROCUREMENT

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties and non-profit organizations must follow their procurement policies and meet state and federal requirements. At a minimum, cities and counties must comply with 24 CFR 85.36 and non-profits (including CHDOS) must comply with 24 CFR 84.40 – 84.48.

Applicants should obtain 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections and work write-ups. There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

U. APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements of 24 CFR Part 92, as amended; and documentation of an approved growth plan and the formation of a Joint Economic and Community Development Board (JECDB) prior to the submission of the 2006 HOME application. Threshold requirements for special needs applications includes documentation that funding for support services for program beneficiaries has been secured.

Additional requirements for non-profit organizations, including CHDOS, are listed on Non-Profit Checklist/CHDO Designation. Documentation must be submitted along with the completed Checklist to demonstrate that the organization meets threshold requirements and has the capacity to provide affordable housing for low income households, including the administration of the proposed project.

Applications meeting the threshold criteria will be scored and ranked in descending
numerical order within the nine regional rounds, the special needs round or the CHDO round, based on the following categories:

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<tr>
<th>REGIONAL AND SPECIAL NEEDS MATRICES</th>
<th>Up to 170 Points</th>
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1. **CAPABILITY**

   Up to 50 points

   - The proposed program demonstrates exceptional planning, readiness and administrative capability. Up to 20 points
     - The program design is complete and all necessary components to accomplish the project are identified in the application.
     - Program administrators have been identified.
     - Individuals/firms providing architectural, construction management and/or inspection services have been identified.
     - Local government is involved in the administration of the project.
     - The lead inspector/risk assessor has been identified, if applicable.
     - For rental projects, potential sites have been identified.
     - For rental projects, there is a demonstrated capability to secure financial arrangements which exceeds threshold requirements.

   - THDA assessment of the qualifications, training and previous performance of the consultant, applicant (if administering own project) and the inspector. Up to 20 points
     - General knowledge of grants administration.
     - Ability to administer housing programs.
       - Number of projects underway.
       - Number of successfully completed projects.
     - Qualifications of the individual or firm completing the work write-ups and inspections.
     - Available resources and staff to assist in the administration of the project.

   - Amount of program administrator’s relevant experience. Up to 10 points
     - If previous experience under HOUSE or HOME, the ability to draw down funds; the ability to complete a project in a timely manner; monitoring findings; and response to client concerns or complaints.
     - If no previous experience under HOUSE or HOME, relevant training, partnerships or mentoring arrangements with experienced administrators
     - Oversight of rental housing programs.

2. **NEED**

   Up to 50 points

   THDA has calculated need factors using housing statistics for counties. Factors are based
on percentages rather than absolute numbers. For homeowner projects, the need factors used are the percentage of owner households that are low income; the percentage of low income owner households with cost burden or other problems; and the percent of affordable owner units built before 1960. Scores to be used in the evaluations are shown in 2006 HOME Need Scores for Homeowner Projects.

For rental projects, the county need factors used are the number of affordable units per 100 low income households; the percentage of low income households with cost burden or other problems; and the percentage of affordable units built before 1960. Scores to be used in the evaluation of rental projects are shown in 2006 HOME Need Scores for Rental Projects.

For multi-county projects, the need score is calculated proportionately according to the number of units proposed for each county.

3. **NOT PROPORTIONALLY SERVED**  
   Up to 50 points

THDA shall award up to 50 additional points to applications submitted from areas where the amount of THDA and HOME funding is below the state average. The formula for awarding these points is based on the percentage of 2004, 2004, and 2005 HOME dollars awarded in each county. These calculations are shown in HOME Program Not Proportionally Served. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

4. **DISASTER AREAS.**  
   10 points

THDA shall award 10 additional points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the year prior to the application due date. See Disaster Counties for the current disaster areas.

5. **INNOVATION.**  
   Up to 10 points

THDA shall award up to 10 additional points to applications that contain new approaches in the production of affordable housing or forge new or different partnerships. This might include involving program beneficiaries in contractor selection and program evaluation, training in home maintenance, or leveraging of other funds.

<table>
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<tr>
<th>CHDO MATRIX</th>
<th>Up to 170 Points</th>
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**1. CAPABILITY**  
   Up to 50 points

The proposed project demonstrates exceptional planning and readiness.

   - The program design is complete and all necessary components to accomplish the project are identified in the application.
   - Sites have been identified and CHDO has site control.
• Feasibility worksheet is complete and demonstrates need for HOME funds.
• CHDO has the capacity to secure other funding for the project. Commitment letters are included in the application.

The organization demonstrates sufficient capacity beyond threshold. Up to 25 points
• The organization has produced successful affordable housing projects.
• The organization has a demonstrated capacity to manage rental or homeownership programs, if applicable.
• The agency’s budget reflects multiple sources of funding.
• If previous experience under HOUSE or HOME, the ability to draw down funds; the ability to complete a project in a timely manner; monitoring findings; and response to client concerns or complaints.

2. NEED Up to 50 points

THDA has calculated need factors using housing statistics for counties. Factors are based on percentages rather than absolute numbers. For homeowner projects, the need factors used are percentage of owner households that are low income; the percentage of low income owner households with cost burden or other problems; and the percent of affordable owner units built before 1960. Scores to be used in the evaluations are shown in 2006 HOME Need Scores for Homeowner Projects.

For rental projects, the county need factors used are the number of affordable units per 100 low income households; the percentage of low income households with cost burden or other problems; and the percentage of affordable units built before 1960. Scores to be used in the evaluation of rental projects are shown in 2006 HOME Need Scores for Rental Projects.

For multi-county projects, the need score is calculated proportionately according to the number of units proposed for each county.

3. NOT PROPORTIONALLY SERVED Up to 50 points

THDA shall award up to 50 additional points to applications submitted from areas where the amount of THDA and HOME funding is below the state average. The formula for awarding these points is based on the percentage of 2003, 2004 and 2054 HOME dollars awarded in each county. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

4. DISASTER AREAS. 10 points

THDA shall award 10 additional points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the year prior to the application due date.
5. INNOVATION. Up to 10 points

THDA shall award up to 10 additional points to applications that contain new approaches in the production of affordable housing or forge new or different partnerships.
TENNESSEE HOUSING DEVELOPMENT AGENCY
THE AMERICAN DREAM DOWNPAYMENT INITIATIVE (ADDI)

INTRODUCTION
For the coming year, THDA will make $500,000 available to assist first-time home buyers with down payment and closing cost assistance. THDA ADDI funds will be available to eligible applicants who are purchasing homes in areas outside the local participating jurisdictions of Memphis, Knoxville, Chattanooga, Shelby County, Knox County, Nashville-Davidson County, and the Northeast Consortium of Bristol, Johnson City, Bluff City, Kingsport, Sullivan County and Washington County (excluding the City of Jonesborough). These participating jurisdictions receive their own ADDI funds directly from HUD. The goal of ADDI is to increase homeownership rates, especially among lower income and underserved populations, and to revitalize and stabilize communities.

PARTNER AGENCIES AND APPLYING FOR ADDI FUNDS
In partnership with non-profit agencies, public housing agencies and other public agencies, the Tennessee Housing Development Agency will provide $5,000 for downpayment and closing cost assistance directly to eligible applicants for the purchase of single-family housing. THDA continues to invite new partner agencies to submit their Intent to Participate to THDA. A list of current participating partner agencies is available on the THDA website. (Current ADDI partner agencies need not resubmit an Intent to Participate.) THDA reserves the right to request documentation of the agency’s status as a qualifying partner in the ADDI program.

The partner agencies can apply to THDA, on behalf of qualified applicants, to reserve ADDI funds for up to 120 days prior to closing. THDA will provide and maintain on its website an indicator, updated weekly, of the available, uncommitted balance of ADDI funds. In preparation for closing, the partner agencies will submit required documentation to THDA. Upon review and approval by THDA, a check for ADDI funds and the required legal documents securing the homebuyer’s obligations will be sent to the closing attorney.

ADDI PRIORITY STATUS FOR PROGRAM MARKETING
All persons residing in the identified THDA jurisdiction, who meet the income and first-time homebuyer requirements, are eligible to apply for ADDI assistance. However, THDA recognizes that there are persons who are in critical need of downpayment assistance in order to achieve homeownership. THDA will directly market the ADDI program to these populations who will be encouraged to contact the partner agencies to assist with obtaining ADDI assistance through THDA. The priority target populations are as follows:

- Section 8 Homeownership Voucher participants;
- Tenants in Public Housing or manufactured homes;
- Families transitioning from Public Housing to Homeownership; and
- Special Needs populations (the developmentally disabled; the mentally ill; and the physically disabled.)
HOMEBUYER ELIGIBILITY

Applicants must meet all of the following requirements:

- The family income must be at or below 80% of area median income as defined by the Section 8 Rental Assistance Program.
- The family must be a first-time homebuyer (not having owned a home within the past three (3) years).
- The family must occupy the property as his/her principal residence.
- The family must complete a THDA approved homeownership education program prior to closing.
- The family must obtain fee simple title to the property.

PROPERTY REQUIREMENTS

Property to be purchased using ADDI funds must meet all of the following requirements:

- The property must be a single-family (1-4 family residence, condominium unit, or combination manufactured home and lot).
- Homes that are tenant-occupied are not eligible properties (unless the tenant is the buyer).
- The sales price may not exceed the ADDI sales price limits as posted by Community Programs Division on the THDA website.
- The property being purchased must meet local codes, or in the absence of local codes, newly constructed units must meet the 2003 International Residential Code for One- and Two-Family Dwellings, and existing units must meet the 2003 International Property Maintenance Code.
- All homes built before 1978 must pass a visual lead-based paint assessment. Under HUD’s lead-based paint regulations (24 CFR Part 35, et seq.), there must be no deteriorated paint in the dwelling at the time of the visual lead-based paint assessment (i.e., chipping, cracking, chalking, damaged, separated from substrate). The property being purchased must receive a passing lead-based visual assessment by a housing professional who has at a minimum completed HUD’s Lead Based Paint Visual Assessment Training Course. This one hour course may be completed on HUD’s web-site at http://www.hud.gov/offices/lead/training/visualassessment/h00200.htm.
- Should a home fail a visual assessment, it would be the responsibility of a willing seller to bring the home into compliance with all HUD lead based paint regulations using approved methods, workers, and clearance testing as more fully detailed under (24 CFR Part 35, et seq.) if the transaction were to proceed utilizing ADDI funds. ADDI funds cannot be used to pay for any rehabilitation activities.

ADDI HOME PROGRAM REQUIREMENTS

- THDA ADDI funds cannot be combined with other HOME funds.
- UNIFORM RELOCATION AND PROPERTY ACQUISITION. - Under the Uniform Act, the seller of the property to be acquired with ADDI funds must be informed of the fair market value of the property.
The seller must also be informed that the power of condemnation or eminent domain is not being utilized in the purchase of the property.

- **CONFLICT OF INTEREST.** - The strict conflict of interest provisions of the HOME program apply to employees or other persons related to THDA.

- **ENVIRONMENTAL REVIEW.** - A limited Environmental Review covering flood plains, airport clear zones or runway clear zones of civil or military airports is required.

### ADDI ASSISTANCE

- $5,000 per household which may be applied as follows:
  - ADDI funds can be applied to the downpayment, closing costs (as specified below) and to reduce the principal balance of the loan.
  - The closing costs and prepaids charged to the borrower must not exceed 5% of the purchase price of the property.
  - THDA reserves the right to evaluate the appropriateness of any Partner Agency fees charged to the borrower. Complex and time intensive transactions which advance homeownership for priority target populations, i.e. Section 8 homeownership voucher participants, may merit additional closing costs.
  - Homebuyer Education reimbursement to the partner agency will be limited to $150 per ADDI household.
  - Closing costs may include a $100 processing fee for the partner agencies working directly with the applicant who receives the ADDI assistance.
  - Closing costs of $100 per ADDI recipient may be included for lead-based paint visual assessment, if required.
  - No funds shall be disbursed to the borrower at closing. If a settlement statement inadvertently shows any amounts to be paid to the borrower, such amounts must, instead, be applied as a prepayment of principal for the permanent loan.
  - ADDI funds cannot be used for rehabilitation or repair work.
  - To ensure that mortgage loans used in conjunction with ADDI go through sound underwriting procedures with appropriate predatory lending safeguards and that borrowers obtain lower than market interest rates, all ADDI mortgage loans must be either THDA Great Rate loans, or direct USDA Rural Development loans.
  - The HOME recapture regulations apply to downpayment assistance provided under ADDI.
  - If the property stays in compliance with the HOME regulations, i.e. it remains the principal residence of the purchasing household for five years, the amount of the ADDI grant is forgiven at the end of the five year period. If the property is rented or otherwise does not remain the principal residence of the purchasing household during the five year period, the full amount of the ADDI grant must be repaid. If the property is sold within the five-year term, the amount of the ADDI grant is reduced by 20% per year and net proceeds are shared.
Net proceeds of the sale are the sales price minus closing costs and any non-HOME/ADDI loan repayments.

All recaptured funds are returned to THDA.

- Refinancing the first mortgage at any time during the ADDI five year compliance period will require repayment of the full $5,000 of ADDI funds to THDA.

**DOCUMENTATION REQUIRED TO RESERVE ADDI FUNDS**

- THDA Application for ADDI funds from prospective homebuyer.

- ADDI Partner Agency Certification of the following:
  - The purchase of the property is a voluntary transaction between the buyer and seller, and the seller is the owner-occupant of the property; and
  - The unit was not occupied by a tenant at the time the offer to purchase the property was made (unless the tenant is the buyer); and
  - The prospective homebuyer is a first-time homebuyer and is income eligible; and
  - The Good Faith Estimate does not include closing costs and prepaids charged to the borrower in excess of 5% of the purchase price of the property; and
  - The permanent financing is a THDA Great Rate loan or a direct Rural Development loan; and Certification that home buyer has made a 1% out of pocket contribution toward the purchase price of the property. (This amount may include earnest money, credit report, and appraisal fee.)

- Copy of the signed contract for Sale of Real Estate.

- Copy of the signed Eminent Domain Disclosure to the Seller.

- Copy of Commitment Letter from lender for permanent financing.

- Copy of Environmental Review.

**DOCUMENTATION REQUIRED TO DRAW DOWN ADDI FUNDS**

- The ADDI Invoice for Payment with the following required supporting documentation shall be received by THDA no later than five (5) working days prior to the desired closing date:
  - Name, address and telephone number of the closing agent;
  - A copy of the property appraisal;
  - Date of the scheduled closing;
  - Certification of visual lead-based paint assessment and supporting invoice for $100, if required;
  - Certification of codes compliance;
➢ Copy of the Homebuyer Education Certificate and supporting invoice for $150 for homebuyers education counseling; and

➢ Invoice for Partner Agency processing fee of $100.

• Upon approval by THDA, a copy of the ADDI Invoice, the check for the ADDI funds, and the Note and Deed of Trust will be sent to the closing agent.

DOCUMENTATION REQUIRED POST CLOSING

• The Partner Agency will ensure that the closing agent forwards the following documents to THDA following the closing:

  ➢ Fully executed Note and Settlement Statement, and

  ➢ Fully executed and recorded Deed of Trust to THDA.
The State of Tennessee has been allocated $1,414,939 from HUD for the State Fiscal Year 2006-2007 ESG program. Funds will be allocated through small cities set-aside, statewide prevention, and statewide competition mechanisms.

Core activities for the year are focused on helping meet the operational expenses of emergency homeless shelters and programs in under-served areas of the State. The State is particularly interested in developing and expanding shelter programs in rural areas that lack ready access to other homeless funds.

The state proposes to review and rank applications, and make final awards, based on:

1. The final award to the state;
2. The rating instrument contained in the application;
3. Development of new homeless shelters in un-served areas of the State;
4. Provision of services to the most critically homeless populations; and
5. Provision of services to prevent utility cut-offs and eviction resulting in homelessness.
6. An assessment of other resources available to the applicant to support the activities for which ESG funds are requested.

The State will use the rating instrument contained in the Department of Human Services (DHS) application package to establish threshold criteria for consideration for funding. Final funding decisions will be based on a review of the other areas of consideration noted above.

Those awarded funds must meet the following requirements:

The scope of allowable activities includes the provision of certain prevention activities, certain essential services, certain renovation activities, and the payment of certain costs of operation.

Recipients must maintain assisted shelters for either a three or ten year period (if renovation activities are undertaken) while providing on-going assistance to homeless clients.

Recipients must provide an amount of local funds or allowable in-kind contributions equal to the ESGP funds requested, to meet the match requirement for the program.

Local government recipients may distribute all or parts of their grant amounts to eligible private, nonprofit organizations for allowable ESGP activities within 180 days; and

Recipients must execute an ESGP agreement with the State for the period of July 1, 2006 through June 30, 2007; and, recipients will be reimbursed for eligible activities conducted during this period.
Other allocation considerations include:

1. The State will allocate $343,000 on a formula basis to the seven CDBG entitlement cities that do not receive ESG formula funds, but are expected to address homelessness through the "Continuum of Care" described in their Consolidated Plans.

2. The State of Tennessee Department of Human Services is committed to ensuring that State funded shelters offer guests a safe, clean environment, with committed staff, sensitive to the special needs of homeless persons. DHS will make every effort to fund activities that support voluntary compliance with the Emergency Shelter Standards included in the ESG State Plan. These standards are adapted from the considerable efforts of the Nashville Coalition for the Homeless, who conducted a national review of available homeless shelter standards.

3. The state will use the $100,000 unmatched portion of ESG funds for Prevention activities.

### Emergency Shelter Grants Program 2006-2007

<table>
<thead>
<tr>
<th>Available for Competitive Applications</th>
<th>$901,193</th>
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</thead>
<tbody>
<tr>
<td>Small Cities Set-aside ¹</td>
<td></td>
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<tr>
<td>Bristol</td>
<td>$37,000</td>
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<td>Clarksville</td>
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<tr>
<td>Jackson</td>
<td>$67,000</td>
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<td>Johnson City</td>
<td>$48,000</td>
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<tr>
<td>Kingsport</td>
<td>$43,000</td>
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<tr>
<td>Murfreesboro</td>
<td>$46,000</td>
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<tr>
<td>Oak Ridge</td>
<td>$24,000</td>
</tr>
<tr>
<td>Total Small City Set-aside</td>
<td>$343,000</td>
</tr>
<tr>
<td>Prevention Discretionary Project</td>
<td>$100,000</td>
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<tr>
<td>State Administration (5%)</td>
<td>$70,746</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,414,939</td>
</tr>
</tbody>
</table>

¹ No set aside is available for Memphis, Chattanooga, Knoxville, or Nashville as they receive direct ESGP formula funds. Set aside formula is based on population, poverty rate, unemployment, and number of homeless described in most recent Consolidated Plan.
Method of Distribution of Funds and Program Description
Housing Opportunities for Persons with AIDS Program (HOPWA)
Fiscal Year 2006-2007

I. Introduction

The State of Tennessee has been allocated $747,000 in federal funds for the Housing Opportunities for Persons with AIDS (HOPWA) program in State of Tennessee 2006-2007 fiscal year. Two metropolitan areas of the state receive direct HOPWA funds from HUD. The state will administer funds to the remainder of Tennessee. No more than 3% of the State's award will be retained by the Department of Health, HIV/AIDS/STD Section for administrative costs. The remaining 97% will be contracted to the seven project sponsors across the state who were originally selected using a request for grant proposal (RFGP) process for not-for-profit, AIDS Community-Based Organizations (CBOs).

During the 1996 grant year, the State was notified that two of its metropolitan regions (Memphis and Nashville) qualified as eligible metropolitan statistical areas (EMSAs) for HOPWA formula allocations beginning in FY1997. At that time, the State revised the geographic breakdown for HOPWA into seven regions, which include every county in the state not included in the two EMSAs. Each of the seven (7) regions has one CBO that is the project sponsor for HOPWA for that region. The CBOs were selected using the RFGP process.

In the winter of 2003 OMB released an update to service areas and HOPWA formula jurisdictions based on the 2000 Census. Counties cut from the State’s service area include Cannon, Hickman, Macon, Smith and Trousdale. All of these counties went to the metropolitan statistical area of Nashville, thereby changing the State’s responsibility to these counties but having very little impact. Each of these counties has small numbers of AIDS cases reported therefore this change does not impact the percentage formula in the State award process.

The RFGP process for HOPWA is based on a five-year cycle, which was last issued in 2005. We are now approaching the second year of that RFGP and retain the project sponsors originally selected. As usual, the contracts for these agencies are renewed annually for five years. The State reserves the right to cancel contracts based on the performance of the project sponsors and solicit new agency proposals.

The Department of Health is contracting with established not-for-profit agencies who continually show both the plan and the ability to provide direct intervention and housing assistance to eligible individuals and their families. Recommended minimum or maximum requests will not be given. Each proposal was evaluated on the scope of the proposed activities and the amount of funding required. Funding of the initial RFGP was awarded as available to agencies that submitted proposals that best met the required criteria and provided a detailed budget. Renewal is based on acceptable meeting of expectations.

In preparation for the development of the 2005 RFGP, the HIV/AIDS/STD Section staff reviewed the previous RFGP and incorporated revisions and changes that have occurred.
since the original submission. The RFGP proposes to use the HOPWA funds for projects that address needs in these areas:

A. **Housing information services** including, but not limited to, counseling, information, and referral services to help eligible individuals to locate, acquire, finance, and maintain housing. This may also include fair housing counseling for eligible beneficiaries who may encounter discrimination based on race, color, religion, sex, age, national origin, familial status, or disability.

B. **Short-term rent, mortgage, and utility payments** to prevent homelessness of the tenant or mortgagor of a dwelling.

C. **Supportive services** including, but not limited to, health, mental health, assessment, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, nutritional services, intensive care when required, and assistance in gaining access in local, state, and federal government benefits and services, except that health services may only be provided to individuals with AIDS or related diseases and not to family members of these individuals.

The AIDS Program issued an RGFP in 2005 for the three named activities; encouraging the maximum use of HOPWA funds for HIV infected individuals and their family members threatened with homelessness. Proposals were reviewed by a panel of persons with expertise in AIDS health care, housing, and homelessness issues. Evaluators adhered to all aspects of the federal regulations governing HOPWA. Additional evidence considered includes the level of local or regional networking among area HIV service organizations; plans to identify HIV positive persons who are homeless but not part of any HIV support system; plans to serve both rural and urban residents; and the development of emergency housing plans for HIV positive persons.

II. **Program Plan**

A. **Background and Need**

Each plan includes a "background and need" section that: (a) identifies the applicant's HIV-specific program to date, concentrating heavily on specific client-related service, (b) analyzes the applicant's client caseload, concentrating specifically on data to show the need for HIV housing related services and activities, (c) documents how other HIV specific agencies have been consulted to decide local needs for housing related services, (d) for previous HOPWA grant recipients, a demographic breakdown of HOPWA clients, including the three low income categories, will be detailed.

B. **Program Plan**

Based upon the information identified in the "Background and Need" section, each proposal provides a "program plan" that identifies each activity selected for inclusion in the proposal and an estimate of the number of individuals expected to be served. The program plan outlines procedures expected to be initiated within each selected
activity: (a) initial client referral; (b) intake and determination of eligibility; (c) provision of services; (d) reviews of client situation for additional needs and/or continuation of assistance and; (e) discharge from the program.

In the 2005-2006 program year, the project sponsors were to receive additional funds based on roll-over funds within the State HOPWA budget. The amendments were drawn up and submitted for approval but will not be allocated with sufficient time to spend it down in the 2005-2006 program year. The funds that are not used from this amendment should be amended to the 2006-2007 contract budgets after the base contracts are approved. Where possible, these additional funds are to be used to assist clients with Supportive Services such as job counseling, household budget management, etc.

C. Outreach and Networking

Each plan includes a means through which potentially eligible applicants and recipients are notified of the availability of housing assistance. The plan also addresses individuals in need in the surrounding rural areas, as appropriate, as well as individuals who may be HIV infected and homeless, but not part of any existing HIV support system.

Each applicant includes a local and/or regional networking plan involving agencies that provide HIV related services that will be used for service referrals. Organizations participating in this network included local and regional health department AIDS programs, other HIV-related community-based organizations, alcohol and drug abuse HIV outreach agencies, HIV specific clinics, counseling and testing sites, homeless shelters and soup kitchens, local social service agencies, local Red Cross and Planned Parenthood organizations, and other agencies involved in a specific area.

All plans develop and describe procedures for interagency referral and follow-up documentation to ensure other needed services are discussed and information on application for such services is made available to clients in need.

D. Definition of "Family Member"

HUD defines "family" as a household composed of two or more related persons. The term "family" also includes one or more eligible persons living with another person or persons who are determined to be important to their care or well being, and the surviving member or members of any family described in this definition who are living in a unit, helped under the HOPWA program, with the person with AIDS at the time of his or her death. This definition gives consideration to relationships outside traditional marriage between opposite sexes, but is specific enough to prevent situations where an individual receives housing assistance and subsequently provides a place to live for one or more friends or acquaintances.
E. Geographic Target Area

The geographic target area to be covered under funds awarded is detailed by each applicant. In the event the target area was limited to a metropolitan city, the plan addresses how needs/inquiries from individuals in surrounding rural areas would be handled. All Tennessee counties not served by HOPWA EMSAs will be served by the State HOPWA program in FY 2006-2007.

F. Plan to Address the CPD Outcome System

The State envisions the use of STRMU services to enhance the Availability and Sustainability through Enhance Suitable Living Environment through the prevention of homelessness in our client population. The seven project sponsors across the State will implement supportive services of various types depending on the availability of funds, but at present we are primarily capable of only addressing the prevention of homelessness.
HOPWA Methodology for Formula Distribution

For the HOPWA program, the State is divided into seven regions. Sponsors wishing to receive HOPWA funds may submit applications to the HOPWA program when an RFGP is released. Total funding awards will not exceed the amount available for distribution within the region.

The formula for regional distribution of funds was determined by the ratio of HIV/AIDS cases reported in each region to the total cases reported statewide. Prior to regional distribution, $25,000 is set aside to assist sponsors in the Upper Cumberland and South Central regions in the provision of a full time case manager in each of these two extreme rural regions, previously without case management. Although each of these two regions contains less than 10% of Tennessee’s HIV/AIDS population, access to benefits must be available in over 10 extremely rural counties in each region. The remaining funds were then distributed for housing and support services in accordance with the funding formula. Total funding awards will not exceed the amount available for distribution within the region. Funding is rounded up to the nearest or next hundred for accounting facility, and distributed as follows:

<table>
<thead>
<tr>
<th>Regional Distribution</th>
<th>Percentage</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Upper Cumberland/</td>
<td>East Tennessee 30%</td>
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</tr>
<tr>
<td>South Central</td>
<td>Northeast Tennessee 11%</td>
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</tr>
<tr>
<td></td>
<td>Upper Cumberland 6%</td>
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<td></td>
<td>Mid Cumberland 4%</td>
<td>$28,000</td>
</tr>
<tr>
<td></td>
<td>(Houston, Humphreys, Montgomery, Stewart Counties)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>South Central Tennessee 7%</td>
<td>$49,000</td>
</tr>
<tr>
<td></td>
<td>Southeast Tennessee 26%</td>
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<td></td>
<td>West Tennessee 16%</td>
<td>$112,100</td>
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<td></td>
<td>Total Regional Distribution 100%</td>
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</tbody>
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Grantee Administration(<3%) $21,600

TOTAL $747,000

Percentages of incidence have changed slightly due to the movement of service areas and jurisdictions based on the OMB designations and changing disease incidence by region. The 2005 RFGP was revised to reflect these changes in percentage. Adjustments in the contract amounts will be made each year to reflect changes in the percentage of AIDS cases in each region.
Method of Distribution of Funds
Other Federal and Non-Federal Resources

HUD Section 8 Tenant-Based and Project-Based Rental Assistance Program

While several agencies throughout the State administer the Section 8 Tenant Based program, the THDA program is authorized to operate in all counties, and is administered through nine Field Offices located in Cookeville, Covington, Erin, Knoxville, Lewisburg, Milan, Nashville, Selmer, and Tullahoma. Each Field Office serves area counties, maintains a waiting list of potential recipients, and receives an allocation of vouchers based on the area served. Issuing of Section 8 vouchers is a continual process and occurs throughout the year.

Since 2000, the THDA Contract Administration division has had the responsibility for administration of Section 8 Project Based contracts throughout the state. As of the end of calendar year 2005 the Division has 387 contracts representing 29,310 units, and monthly Housing Assistance Payments (HAP) averaged approximately $11.0 million per month. The Division expects the number of contracts, number of units, and amount of HAPs per month to be the similar for calendar year 2006.

Low Income Housing Tax Credit Program

As tax credit authority is made available to the State from the Internal Revenue Service, tax credits are offered on a competitive basis to eligible applicants throughout the State. THDA administers this program and offers one or more application cycles based on level of tax credit authority, demand, and quality of applications submitted. A minimum of ten percent of the total state authority is reserved for qualified nonprofit applicants. Scoring criteria for tax credit applications gives preference to developments that:

♦ have marketing plans, lease-up plans, or operating policies and procedures which will give a priority to persons on current Public Housing waiting lists or to persons with Section 8 Housing Choice Vouchers in counties with high Section 8 voucher turnover;
♦ plan to develop housing designed for large families, elderly, persons with disabilities, or single-room occupancy;
♦ include extended use restrictions for low income occupancy beyond 15 years; or
♦ elect to set aside a minimum of 20% of the units for households with income no higher than 50% of area median income.

THDA Homeownership Program

Through the issuance of tax exempt mortgage revenue bonds, THDA makes homeownership funds available for first-time, low- and moderate-income homebuyers. THDA does not serve as a direct lender, but works with approximately 130 originating agents (OAs) throughout the state. The originating agents prepare and package the application along with other required documentation. The package is then sent to THDA for underwriting. THDA then issues a commitment of funding, usually within one to two weeks, to the originating agent, and the loan goes to closing. Each time a bond issue occurs, the agency notifies originating agents as well as real estate agents.
At present, the agency has three Homeownership programs. Income limits and acquisition limits apply to each.

In the Great Rate program, income limits vary by county and by household size. The lowest household income rates, which occur in the rural non-metro counties, are $50,300 for a household of one or two persons and $57,800 for a household of three or more persons. The highest household income rates occur in Nashville MSA counties and are $61,500 for households of one or two persons, and $70,800 for households of three or more persons. Acquisition cost limits are $172,632 for all counties except those in the Nashville MSA, where the limit is $226,100. Income and acquisition cost limits are subject to change.

Great Start offers a 4% down payment and closing cost assistance on FHA and VA loans to qualified buyers. To help the new home buyer avoid delinquent payments or foreclosure, homebuyer education or counseling is required. The income and acquisition cost limits of the Great Rate program apply to Great Start program also.

The New Start 0% Mortgage Loan Program, designed to promote the construction of new homes for very low-income Tennesseans, is delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit is responsible for selecting the homebuyer, determining eligibility, constructing the home, providing homebuyer education, and originating and servicing the New Start Loan. Effective in January 2006, the New Start Program is delivered in two tiers:

Tier I - The maximum household income limit is $30,200 which is 60% of the statewide median income. The interest rate for the Tier I Program is 0%. The maximum loan amount cannot exceed 75% of the appraised value.

Tier II – The maximum household income limit for the Tier II program cannot exceed $35,200 which is 70% of the statewide median income. The interest rate for the Tier II program is one half (1/2) of the current interest rate for the THDA Great Rate Program. Currently the interest rate on our Great Rate Program is 5.3%, therefore, the interest rate on the Tier II program would be 2.65%. The Tier II interest rate will fluctuate with changes in the interest rate for THDA’s Great Rate Program. The maximum loan amount cannot exceed 75% of the appraised value.

Community Investment Tax Credit

The Community Investment Tax Credit (CITC) was authorized by a bill signed into law by Governor Phil Bredesen in June 2005. The program is administered by THDA in cooperation with the Tennessee Department of Revenue. The Law allows any financial institution a credit against franchise and excise tax liability when that institution makes a qualified loan, investment, grant or contribution to an eligible housing entity that engages in activities which are eligible low income housing activities. Qualified housing entities include Tennessee nonprofit organizations, development districts, public housing authorities, and THDA. Qualified activities include those that create or preserve affordable housing, activities that assist in obtaining affordable housing, activities that help build the capacity of a nonprofit to provide affordable housing, and any other activity as approved the THDA Executive Director and the Commissioner of the Department of Revenue.
**BUILD Loan Program**

In November 2005, THDA initiated the BUILD Loan Program to build the capacity of nonprofit organizations to provide affordable housing to low income Tennesseans. The $5.0 million loan program supports the production of affordable housing by providing low interest short term loans to eligible nonprofit organizations. BUILD loan funds may be used for new construction or rehabilitation of units for homeownership or rental housing, land acquisition, pre-development activities, site preparation, program or operating expenses.
Method of Distribution

<table>
<thead>
<tr>
<th>Method</th>
<th>Min Amt.</th>
<th>Max Amt.</th>
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</thead>
<tbody>
<tr>
<td><strong>CDBG</strong></td>
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<tr>
<td>Competitive</td>
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<tr>
<td>Retained for State Project</td>
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<tr>
<td>Non-Competitive</td>
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<td>State Administration of Program</td>
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<tr>
<td><strong>ESG</strong></td>
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<td>Competitive</td>
<td>901,193</td>
<td>901,193</td>
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<tr>
<td>Formula</td>
<td>343,000</td>
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</tr>
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<td>Non-Competitive</td>
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<tr>
<td><strong>HOME</strong></td>
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<td>Non-Competitive ADDI</td>
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<td><strong>HOPWA</strong></td>
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<td><strong>Total</strong></td>
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</tbody>
</table>
HOW THE PROPOSED DISTRIBUTION OF FUNDS WILL ADDRESS THE PRIORITY NEEDS AND SPECIFIC OBJECTIVES DESCRIBED IN THE CONSOLIDATED PLAN

The Consolidated Plan established the following Priorities:

Housing

Increase the Amount of Affordable Housing and Preserve the Affordable Housing Stock.

Action Steps
- Preserve affordable housing stock through housing rehabilitation targeted toward low- very low- and moderate-income populations in the state.
- Encourage the production of multifamily housing to serve low-income individuals in the state.
- Target funds toward housing for elderly in the state with emphasis on handicapped accessibility.
- Encourage the preservation of 2-3 bedroom affordable housing for low-income families in the state.
- Increase/Maintain the number of housing facilities in the state for homeless individuals.
- Increase the homeownership rates, especially among lower income and minority households.

Non-Housing Community Development Needs

Provide for the viability of communities through insuring infrastructure, community livability, health and safety, and economic development.

Action Steps
- Provide for the safety and well-being of low- and moderate-income families in the state by improving the quality and quantity of water in areas which do not have safe, reliable water sources.
- Provide safe, reliable wastewater services to low- and moderate-income families in underserved areas of the state.
- Provide economic development opportunities through infrastructure development, industrial buildings and equipment.
- Provide economic development opportunities through the financing of infrastructure development, manufacturing facilities, and equipment, that support job creation for low and moderate income people.
- General enhancement of quality of life in low- and moderate-income neighborhoods throughout the state.

Provide for the housing and supportive services needs of homeless individuals and other special needs populations.

Action Steps
- Support the acquisition or rehabilitation of facilities to house homeless persons.
- Provide funds to assist persons at risk for homelessness.
- Encourage the development of resource directories to assist homeless persons.
- Increase the amount of services provided to mentally ill homeless.
- Encourage programs to support children in homeless facilities to receive preventive and emergency medical care as well as other developmental or cognitive services.
♦ Provide supportive services and housing-related services for persons diagnosed with HIV/AIDS.

**Affirmatively further fair housing and assure access to business opportunities in the state for women and minority owned business.**

**Action Steps**
♦ Convene fair housing workshops in the state for local governments, grantees, housing providers, advocates, and citizens
♦ Provide public service announcements to the media throughout the state informing citizens of their housing rights
♦ Encourage reporting of fair housing violations by making citizens aware of their rights and providing information on access to fair housing advocates and organizations in the state

This One-Year Action Plan includes a [Listing of Proposed Projects](#) at the end of this section that details each funding category within each of the four HUD programs. By regulation, the State is not required to establish quantitative goals for these projects.

The funding categories shown in the Listing of Proposed Projects are very general but encompass all of the Priorities listed by the state. CDBG will be used to fund Acquisition, Public Facilities, Clearance and Demolition, Relocation, Housing Rehabilitation, and Economic Development. HOME funds will be used to fund Acquisition, New Construction, and Housing Rehabilitation. HOME American Dream Downpayment Initiative (ADDI) funds are used to assist first time homebuyers purchase a home. HOPWA funds will be used to fund Operating Costs of programs for persons with AIDS, and ESG funds will be used to fund Homeless Facilities and Operating Costs of Homeless Prevention programs. Other federal and non-federal funding sources also add to the accomplishment of the goals.

During this year, both CDBG and HOME Program funds will be used to provide housing rehabilitation by preserving the affordable housing stock and revitalizing deteriorated neighborhoods. CDBG funds will be used for Public Facilities projects by providing water and sewer services to low-income areas, thereby improving the safety and livability of neighborhoods and communities. CDBG funds will be used for Economic Development activities that increase access to capital and increase the accessibility to jobs.

HOME funds will be used for new construction of both single-family units and multifamily units. Tax Credits will be used for other projects that incorporate other federal, local, and private funding sources outside of those administered by the State. The program will address the issue of providing multifamily affordable housing, preserving the affordable housing stock, increasing the supply of supportive housing for persons with special needs, and revitalizing deteriorating neighborhoods and communities.

The HOPWA and ESG programs will fund services for AIDS patients, homeless persons, and persons at risk of becoming homeless. HOPWA provides numerous housing services including counseling, information and referral, resource identification, short terms rent, mortgage, and utility payments, and supportive services relating to health, mental health, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, nutritional services, and assistance in accessing other benefits and services. ESG will fund renovations or expansions of homeless facilities, as well as services relating to homelessness. These activities address priorities related to...
decent housing and a suitable living environment, helping homeless persons and persons at risk of becoming homeless to obtain appropriate housing, and increasing the supply of supportive housing for persons with special needs.

The Section 8 program provides rental assistance and incorporates the Family Self-Sufficiency program into its operations. Family Self-Sufficiency provides for a five-year plan for Section 8 tenants that helps direct them to the skills, services, and jobs they need to eventually reduce or eliminate the need for public assistance. The Section 8 to Homeownership program allows eligible voucher participants to utilized the voucher to pay a portion of their mortgage.

The THDA Homeownership program provides low interest loans to low- and moderate-income borrowers. This activity increases the availability of affordable housing and makes mortgage financing available at reasonable rates.

The THDA Homebuyer Education Initiative (HBEI) provides training into areas of the state where homebuyer educational resources are limited or non-existent. THDA has provided Train the Trainer sessions and serves as a clearinghouse for homebuyer education resources and information. THDA has added a mentoring program to the HBEI designed to provide HBEI providers an opportunity to received direct training and technical assistance on homebuyer education program marketing, implementation and sustaining program viability. The program brings together successful providers directly with those providers who are either initially starting or require additional technical assistance.

The Governor’s Interagency Council on Homelessness, created by Executive Order in December 2004, brings together a number of state agencies including THDA, the Departments of Human Services, Health, Mental Health, and other state agencies dealing with children, corrections, education, persons with disabilities, mental health, veterans affairs, to “develop a long term plan to effectively address the homelessness challenge in Tennessee.”

The Tennessee Reentry Collaborative (TREC) was created in the fall of 2004 to provide a continuum of services for all offenders reentering society. Led by the Tennessee Department of Correction and the Tennessee Board of Probation and Parole, the collaborative includes state agencies involved in housing, mental health, human services, veterans affairs, education, finance, workforce development, safety. Three non-profit, community based organizations are also involved. The collaborative intends to enhance public safety through improving the successful transition of offenders from prison to community and family through a collaborative effort of state agencies, community resources and the offender.

The Wealth Building Task Force of the Tennessee Legislative Black Caucus has a primary goal of increasing minority homeownership. THDA participates in this initiative.

The new THDA programs, CITC and BUILD, will both provide opportunities for the development of affordable housing throughout the state.
GEOGRAPHIC DISTRIBUTION

The programs described in this One-Year Action Plan reach all areas of the State of Tennessee, and specific targeting of HUD funds is to non-entitlement areas. There are, however, some exceptions to statewide distribution. Each program's geographic distribution is explained below:

CDBG
The State CDBG program is competitive for all city and county governments in Tennessee except for those CDBG entitlement cities which receive funding from HUD. Local governments excluded from the state-administered CDBG program include: the cities of Bristol, Chattanooga, Clarksville, Cleveland, Jackson, Johnson City, Kingsport, Knoxville, Memphis, Morristown, Murfreesboro, Oak Ridge, the Metropolitan Government of Nashville-Davidson County, and the counties of Knox and Shelby.

ESG
The State ESG program makes funds available on a formula basis to seven CDBG entitlement cities that do not receive ESG funding directly from HUD. The remaining State ESG funds are made available to all non-entitlement local governments and eligible nonprofits on a competitive basis. The State will use the unmatched portion of ESG funds for Prevention activities.

HOME
The State HOME program is competitive within certain categories. As explained in the method of distribution narrative, HOME funds are made available for competition as follows: 15% to CHDO Set-aside, 10% to Special Needs set-aside, and 65% allocated regionally based upon the percentage of low-income households in the non-entitlement areas. Any funds allocated to a specific region and not fully utilized may be reallocated within that grand division, and un-funded applicants from the other two regions may compete for the remaining funds in that grand division. ADDI funds will be awarded across the state to eligible applicants with consideration to Section 8 to Homeownership participants, Special Needs clients, and minorities.

HOPWA
The State HOPWA program allocates funds by region in the state. Providers may apply for those regional funds as part of a competitive application process. The regions cover all counties in the State not covered by the HOPWA entitlements.

OTHER PROGRAMS
The remaining programs, including Section 8, Homeownership, and LIHTC, are all available statewide.
HOMELESS AND OTHER SPECIAL NEEDS ACTIVITIES

There are several activities mentioned in the previous section which address homeless and other special needs activities. The ESG program will provide funds to local governments and nonprofits to renovate, expand, or convert structures for use as homeless shelters. In most cases, these shelters serve as transitional housing for homeless individuals and families due to the services that are also provided. The services offered also help homeless persons make the transition to independent living.

HOPWA is a homeless prevention program for low income individuals who are HIV positive or have AIDS, and their families, through assistance with rent, mortgage, and utility payments. In addition, the HOPWA program addresses the special needs of persons who are not homeless by providing counseling and supportive services including health, mental health, drug and alcohol abuse counseling and treatment, day care, nutritional services, intensive care, and assistance in gaining access to other local, state, and federal benefits and services. HOPWA also provides assistance with permanent housing placement.

THDA recognizes special needs populations through the HOME program. Ten percent of the total allocation will be reserved for eligible Applicants proposing special need projects. These projects include, but are not limited to, housing designed for persons with an unusual need due to a condition that can either be permanent or temporary. Permanent conditions may include a physical, emotional or mental impairment that substantially limits one or more major life activities, such as walking, caring for oneself, learning or working. Temporary conditions may include homelessness, recovering from addiction or alcoholism, battered spouses, or teens referred by the court.

OTHER ACTIONS

Lead Based Paint

The State of Tennessee addresses hazards of lead based paint in the state through the following programs/initiatives:

The Tennessee Department of Health, Childhood Lead Poisoning Prevention Program, provides lead poisoning facts such as lead sources and prevention tips for parents and health care professional. The Prevention Programs requires TennCare, the state health system for uninsured persons, to test children enrolled in the program. The department links with the Tennessee Department of Environment and Conservation’s information on lead assessment and abatement programs.

In May 1999, by state legislation, the Tennessee Department of Environment and Conservation (TDEC) was given the necessary authority to have lead-based paint training in the state. The legislation also gave TDEC the authority to monitor lead abatement in the state to assure that contractors and owners of units comply with applicable laws. The division of solid waste management of TDEC received authorization from the Environmental Protection Agency (EPA) on January 17, 2001, to administer the program in the state. The state has established guidelines for training of lead-abatement contractors and their workers in the state.
Lead-based paint policies are also in effect for the CDBG and HOME programs in the state. Specifically, grantees must give participants notice of possible lead hazards within the unit when the house is pre-1978, informing them of possible lead dangers.

For families with children under age seven, grantees must inspect units that might have lead contamination and provide the necessary abatement or encapsulation activities. Families must be given a federally approved pamphlet on lead poisoning prevention.

**Low Income Housing Tax Credits**

The Low-Income Housing Tax Credit (LIHTC) program is administered by THDA. The tax credits are allocated through an application cycle that includes a selection process, determination of credit amounts, reservations, and carry-over allocation. Ten percent of the total state authority is reserved for qualified not-for-profit applicants. The goal of the allocation strategy is to utilize the tax credits allocated to Tennessee to the fullest extent possible to create, maintain, and preserve affordable rental housing for low-income households.

The specific strategy for coordinating the LIHTC program with the development of housing affordable to low-and moderate-income families consists of the following:

1. Develop rental units affordable to households with as low an income as possible and for the longest time period possible.
2. Encourage the construction or rehabilitation of rental units in the areas of Tennessee with the greatest need for affordable housing.
3. Encourage the development of appropriate housing units for persons with special needs, including the elderly and persons who are homeless or have disabilities.
4. Discourage allocation of tax credits to developments for which tax credits are not necessary to create, improve or preserve rental housing for low-income persons.
5. Allocate only the minimum amount of tax credits necessary to make a development financially feasible and to ensure its viability as a qualified low-income development throughout the credit period.
6. Encourage non-profit entities to develop rental housing for low-income households.
7. Encourage energy efficient construction and rehabilitation.
8. Encourage fair distribution of Tax Credits among counties and developers or related parties.
9. Improve distribution among developments of varying sizes to ensure that developments with a smaller number of housing units receive fair consideration.
10. Allocate Tax Credits fairly.

**Public Housing Resident Initiatives**

The state, through the Section 8 Rental Assistance program, encourages public housing residents to become involved in management and participate in homeownership.

The THDA Section 8 to Homeownership Program offers a mortgage subsidy to low income families that are not able to afford a mortgage payment for a home in the area where they reside.
without some financial assistance. In the Housing Choice Voucher program, families typically pay 30% of their monthly-adjusted income (or the family’s Total Tenant Payment) toward homeownership expenses, and THDA pays the difference between the family’s Total Tenant Payment and the actual monthly mortgage payment. The mortgage assistance payment must be paid directly to the lender or loan servicing company, and not to the family.

With the passage of the Quality Work Responsibility Act and the requirement of the Public Housing Authorities (PHA) to develop a five-year plan has altered the relationship between the state and the public housing authorities. In some cases, we continue to search for a delicate balance between the priorities and regulations governing public housing and the affordable housing issues facing the state, especially lower income residents of the state.

The state is currently required to sign off on the Public Housing Authority five-year plan and attempts to support PHAs by streamlining the review process. The state also tries to assure that residents have been informed of the impact that such plans have on them. Of special concern are those instances when Public Housing Authorities request to tear down viable public housing units. The state recognizes that in some cases demolition of units is necessary in order to have safe and financially viable public housing. The state, however, does not provide a “rubber stamp” approach to such requests for demolition. In an effort to minimize loss of much needed affordable housing, the state has specified guidelines in place for proposals to demolish or reduce public housing units. These guidelines give public housing authorities flexibility to demolish units in extreme circumstances, but also give the state the needed flexibility to request additional information. A determination can then be made by the state regarding whether the specific request is consistent with the Consolidated Plan. A copy of the guidelines for the consistency with the state’s plan is located in Appendix 4 of the Plan and online at www.state.tn.us/thda click on the Research and Planning Section to view the guidelines.

The state supports local PHA initiatives that provide self-sufficiency assistance to residents, encourages literacy, and provides safe places for children of public housing. The state further supports initiatives that serve the elderly and those with disabilities in public housing. The state does not assign priority to these populations over other poor families, rather the local PHAs assess their community needs and assign priorities.

**Affirmatively Furthering Fair Housing**

The state, working with local governments, is beginning an update of the analysis of impediments, which helps to determine actions that can overcome the effects of identified impediments. Actions to be taken are as follows: education about fair housing rights and responsibilities through workshops for local government officials, grantees, housing providers, advocates, and consumers; informing citizens of their housing rights; encourage reporting of fair housing violations by making citizens aware of their rights and providing information on access to fair housing advocates and organizations in the state.

The state will continue to look at additional data to determine possible levels of discrimination using data provided by the Tennessee Human Rights Commission for the periods indicated.
### Filing Summary by Agency

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<thead>
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<tr>
<td>THRC Only cases</td>
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<tr>
<td>Filed by HUD</td>
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<tr>
<td>Reactivated by HUD</td>
<td>24</td>
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<td>Total Complaints Filed</td>
<td>143</td>
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The following information reflects housing cases resolved by issue.

#### Housing Cases Resolved By Bases

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<thead>
<tr>
<th>Base</th>
<th>Count</th>
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</thead>
<tbody>
<tr>
<td>Race (black)</td>
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<tr>
<td>Race (white)</td>
<td>32</td>
</tr>
<tr>
<td>Race (association with blacks)</td>
<td>5</td>
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<tr>
<td>Multiple Bases</td>
<td>29</td>
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<tr>
<td>Handicap (physical)</td>
<td>16</td>
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<tr>
<td>Familial status (presence of children in household under 18/pregnant female)</td>
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<tr>
<td>Handicap (mental)</td>
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<td>Sex (female)</td>
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<tr>
<td>Retaliation</td>
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<td><strong>TOTAL</strong></td>
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#### Housing Cases Resolved By Issues

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<tr>
<td>Multiple Issues</td>
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<tr>
<td>Terms and conditions (rental)</td>
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</tr>
<tr>
<td>Refuse to rent</td>
<td>11</td>
</tr>
<tr>
<td>Terms and conditions or services in facilities</td>
<td>9</td>
</tr>
<tr>
<td>Failure to make reasonable accommodations</td>
<td>9</td>
</tr>
<tr>
<td>Discriminatory advertising (rental)</td>
<td>6</td>
</tr>
<tr>
<td>Intimidation, coercion, interference, threats, etc.</td>
<td>6</td>
</tr>
<tr>
<td>Terms and conditions (eviction notices)</td>
<td>2</td>
</tr>
<tr>
<td>Discriminatory financing</td>
<td>2</td>
</tr>
<tr>
<td>Refuse to sell</td>
<td>1</td>
</tr>
<tr>
<td>Design and construction</td>
<td>1</td>
</tr>
<tr>
<td>Adverse action against an employee</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>97</strong></td>
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#### Summary of Resolutions

<table>
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<tr>
<td>No Probable Cause</td>
<td>58</td>
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</table>
In order to continue affirmatively furthering fair housing, the State will continue to work with local governments and will provide and encourage educational activities, especially in schools.

Under the HOME program, local governments are required to ensure that its Equal Opportunity and Fair Housing policies are consistent with their own or this Consolidated Plan. The State's site and neighborhood standards for HOME state that housing provided through the HOME program must promote greater choice of housing opportunities and must be in full compliance with the Fair Housing Act.

The HOPWA program includes, as one of its activities, Housing Information Services, which assists HIV/AIDS individuals and their families with counseling, information, and referral services to locate, acquire, finance, and maintain housing. This includes fair housing counseling for beneficiaries who may encounter discrimination based on race, color, religion, sex, age, national origin, familial status or disability.

Representatives of the four HUD funded programs (ESG, HOPWA, CDBG, and HOME) continue to confer regularly to track progress of fair housing initiatives. The agencies will collaborate on designing and conducting workshops and educational opportunities in order to educate and inform both housing providers and consumers. Also continuing will be efforts to advise citizens about their rights, about procedures for reporting fair housing violations, and how to access fair housing advocates and organizations in the state.

**Barriers to Affordable Housing**

The state addresses affordable housing barriers through the following goals:

- Increase the amount of affordable housing stock.
- Rehabilitate the current housing stock to maintain affordable and decrease the number of deteriorated units.
- Provide infrastructure improvements to encourage the construction of affordable homes and rehab of existing homes.
- Encourage the preservation of existing affordable housing units.
- Use housing subsidies to make housing more affordable to low-income families.
Anti-Poverty Strategy

The anti-poverty strategy is designed to examine how both the CDBG and the HOME programs address the needs of individuals in the state with incomes below 30% of the median. While both the HOME program and the CDBG program serve persons up to 80% of the AMI, it is important to note that both programs recognize the special circumstances faced by extremely low or very-low income individuals and families.

It is imperative that programs in the state pay special attention to the plight of these individuals in the use of funds designed to benefit disadvantaged populations in the state. The state addresses these areas in the following way:

HOME Program: HOME program data for the past five years indicate that 29% of the total households served were below 30% of the median income range, while 40% were in the 30%-50% of median income range. The HOME scoring mechanism awards additional points to applicant communities who serve census tracts that have a higher percentage of persons in poverty. THDA recommends that successful grantees use a formula to assure that those households with the greatest need based on income and family size be served first. To date, grantees in the state continue to use this formula assuring that persons below 30% of the AMI are served first. Additionally, the THDA Board of Directors has expressed concern that extremely low-income persons be served. In addition, as part of the rating system for ranking of qualified applicants,

CDBG: For several years the CDBG program did not separate low-and moderate-income beneficiary data to show participants below 30% of the AMI. That office is now collecting that data on program beneficiaries. Also, as a part of its scoring mechanism for housing rehabilitation, project need points are awarded based on the number of persons with higher poverty levels in the state, specifically persons 62 years of age or above, and/or female heads-of-household, and/or disabled individuals.

In addition to the HOME and CDBG program, the state’s anti-poverty strategy is addressed through other initiatives in the state, such as Workforce Development/Investment which involves a consortium of agencies in the state working together to assist persons in poverty find employment. Family Self Sufficiency Programs, Welfare to Work, and the Temporary Assistance for Needy Families (TANF) programs provide child care, help with transportation, as well as a number of other services to assist poor families in finding and maintaining employment.

Coordination of Public and Private Housing and Social Service Agencies

The four HUD programs applied for with this One-Year Action Plan are carried out by entities other than the State. Funds are awarded by the State to these entities, which include local governments and nonprofit organizations, who conduct the actual activities. Of the other federal and non-federal resources discussed in this plan, Section 8 is the only program directly administered in its entirety by the State. The Low-Income Housing Tax Credit program is awarded to other entities, and the Homeownership program is carried out by local lenders. Coordination with social service agencies occurs primarily at the local level with the exception of the Section 8 program. THDA, who administers Section 8, works very closely with other State agencies including the State Department
of Human Services, the State Department of Health, and the Department of Mental Health and Developmental Disabilities. This coordinated effort is expected to continue.

The State will continue to support applications from other entities for HUD program funds for both formula/entitlement programs and competitive programs.
MONITORING AND COMPLIANCE

Each state department responsible for the administration and delivery of the four programs addressed in this action plan has developed the standards and procedures for monitoring the activities through the development of program guidelines and through ongoing monitoring of program recipients, such as regular monitoring visits and required progress reports. These activities insure that the ultimate recipients of program funds are carrying out the objectives of the program as described in the consolidated plan and annual action plans.

CITIZEN PARTICIPATION

In accordance with the guidelines of the Consolidated Plan 2005, the notice describing the Action Plan is placed in major distribution newspapers throughout the state. The notice advises that copies of the Action Plan are available for citizen review and may be viewed at any of the nine development district offices in the state, at the offices of THDA, and on the THDA web site, which also provides for online comment. The Consolidated Plan specifies a 15 day comment period will be provided for citizen review and comment. Therefore the Action Plan for the State Fiscal Year 2007 was presented for citizen comment from April 13, 2006 through April 28, 2006.
<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Support Application by Other Entities?</th>
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</thead>
<tbody>
<tr>
<td><strong>A. Formula/Entitlement Programs</strong></td>
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<tr>
<td>ESG</td>
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<tr>
<td>Public Housing Comprehensive Grant</td>
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<td><strong>B. Competitive Programs</strong></td>
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<td>HOPE 1</td>
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<td>HOPE 2</td>
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<td>HOPE 3</td>
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<td>ESG</td>
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<td>Supportive Housing</td>
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<td>HOPWA</td>
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<td>Safe Havens</td>
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<tr>
<td>Rural Homeless Housing</td>
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<tr>
<td>Sec. 202 Elderly</td>
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<td>Rental Vouchers</td>
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<td>Public Housing Development</td>
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<td>Public Housing CIAP</td>
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<td>LIHTC</td>
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