



**TENNESSEE HOUSING DEVELOPMENT AGENCY**  
**2025 AFFORDABLE HOUSING DEVELOPMENT GAP SUBSIDY PROGRAM**  
**PROGRAM DESCRIPTION**

The Tennessee Housing Development Agency (“THDA”) administers the Tennessee Housing Trust Fund (“TNHTF”) to promote the production, preservation, and rehabilitation of housing in for low-income households across Tennessee. The Development Gap Subsidy Program (Program) will be funded with a total of \$3,000,000 of Tennessee Housing Trust Funds. The program addresses the financial challenge that arises when the cost of developing new homes exceeds their appraised value, a common barrier in economically distressed communities. By bridging this development gap, the program aims to promote homeownership, stabilize neighborhoods, and gradually improve property appraisal values.

THDA will make The Development Subsidy Grant Program available to non-profit organizations with a desire to build in specific areas of the state where there is a documented gap in the cost to develop affordable housing and the appraised value of new construction housing in those areas. Access to request funding through the Program will be determined by a Request for Proposal (RFP) process that will consider the qualifications of the developer, the developers plan for building affordable housing for sale to low and moderate income (up to 120% of the AMI for the area where the home will be developed) homebuyers in hard to develop areas, and the demonstrated need for Development Gap Subsidy in specific targeted areas of the state. Upon approval, the Non-Profit Developer will be issued a Reservation of Funds Letter (Reservation) for up to \$700,000. Once a Non-Profit Developer, and the targeted development area have been approved, funds will be provided on a house-by-house basis at a maximum subsidy of \$70,000 (Seventy Thousand) per house for development of no more than 10 (Ten) units of single-family housing. In addition, THDA will provide funding equal to 3 (Three) to 6 (Six) percent of the final sales price to fund a seller credit to the purchase to reduce the final liability of the low-moderate income homebuyer to the appraised value of the home, less all other fees and closing costs.

THDA will begin accepting RFPs from Non-Profit Developers for the 2025 Development Subsidy Gap Program on May 1, 2025. Non-profit Developer applicants must submit their applications electronically through THDA’s PIMS and EFT systems to include required organizational information and a proposal for development of housing in specific hard to build areas of the state.

Funding will be provided based on an organization meeting all qualification requirements and submission of a qualified proposal. Successful applicants will be notified on a rolling basis in the order proposals are received and qualified. For successful proposals a Reservation of Funds with a 24-month term, commencing no earlier than June 1, 2025 and ending no later than July 30, 2028 will be issued to the proposing organization(s). THDA will stop accepting applications when all funding has been committed.

This Program Description and the application link are available at [www.thda.org](http://www.thda.org). Once on the THDA website, click on PROGRAMS. The Development Gap Subsidy Program will be listed under the PROGRAMS FOR LOCAL GOVERNMENT & NONPROFIT PARTNERS. Click on Tennessee Housing Trust Fund for the link

to the 2025 Development Gap Subsidy Program Description. If you have questions, please call Larisa Stout at (615) 815-2093.

## **A. ELIGIBLE APPLICANTS.**

To be eligible, a non-profit organization must:

1. Meet one of the two following criteria:
  - a. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

OR

- b. Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of State dated no more than thirty (30) days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).
2. Demonstrate at least two (2) years of experience developing affordable housing for sale to low-moderate income homebuyers in the area defined in the proposal, satisfactory to THDA, in its sole discretion.
3. Propose a development plan that includes development of at least 1 (ONE) home for sale to a low-income home buyers in an area of the state where home appraisal values are lower than the cost to develop.
4. Must be in compliance with all other THDA programs in which they have an active, open grant or a grant that has been closed and must have no unresolved performance issues, as determined by THDA.

## **B. ALLOCATION OF FUNDS.**

Funds are being committed to this program description by THDA through the TNHTF. Additionally, THDA may make available any returned or leftover funds from this allocation or add additional funding from TNHTF or other THDA resources should THDA determine additional funding is available.

1. Lack of Ability to Comply. If, in the opinion of THDA, all applicants lack the organizational potential to successfully develop and sell housing affordable to qualified low-income homebuyers, THDA may at its sole discretion, choose not to award all or any of the funds made available under this program description.
2. THDA may also offer a reduced amount of funding in the Reservation than outlined herein, in its sole discretion.
3. Funding Requirements. Program awards will be in the form of direct payment, on a house-by-house basis, at the time of closing of the sale to the low-moderate income home buyer. Non-profit Developer/Seller agrees to provide THDA a preliminary closing statement and required disclosure document no less than 10 Calendar Days prior to the expected closing and a final closing statement no less than 72 hours prior to the scheduled closing.

4. THDA will wire funds for closing directly to the closing/title organization on or before the date of final closing.

### **C. ELIGIBLE ACTIVITIES.**

Eligible housing activities under the 2025 Development Gap Subsidy Program include:

1. Homeownership Programs. THDA expects that the Grant Recipients will not only shepherd the homebuyer through the home buying process, but also work toward fostering an on-going relationship with the homebuyer. This responsibility includes facilitating additional homeowner counseling, verifying homeowner occupancy requirements on an annual basis, and monitoring mortgage loan default issues.
  - a. Costs to Develop Units. Program funds must be used to subsidize the cost to develop single-family units for homeownership, limited to new construction. Successful Grant Recipients must be the owner and developer of all units at the time the units are constructed or rehabilitated.
  - b. Sales Price: All units must have a final sale price of between 3 (Three) percent and 6 (Six) percent above the final appraised value of the home. The final amount will be determined by the policies of the first mortgage provider.
  - c. When units are sold to eligible homebuyers, the developer/seller must provide funds as a seller credit to reduce the buyer's obligation to no more than the appraised value of the home, plus all applicable buyer fees and closing costs.
  - d. Permanent Financing. THDA expects the use of THDA mortgage loans whenever suitable. Other financing may be used if it is comparable to a THDA mortgage loan. All loans must have a fixed interest rate fully amortizing over the 30-year term of the loan. There can be no pre-payment penalty for early payoffs.
  - e. Homebuyer Education. All homebuyers must complete a homebuyer education program from a THDA-qualified homebuyer education provider prior to purchase.
  - f. Neighborhood Market Conditions. Applicants proposing homeownership development projects must document that neighborhood market conditions demonstrate a need for the project and must document a gap in the appraised value of homes to be developed and the cost to develop.
    - a. Developer's Fees. A Grant Recipient may include an 10% developer's fee in the cost to develop the home.

### **D. PROHIBITED ACTIVITIES.**

1. Purchase and installation of manufactured housing on lots.
2. Development through acquisition and rehabilitation of existing housing units.
3. Use of Program funds for development of rental housing projects;

### **E. PROPERTY STANDARDS.**

1. **Property Standards.** Any housing constructed or rehabilitated with THDA Development Gap Subsidy funds must meet all applicable local, county, and state codes at the time of project completion.

In the absence of a local code, new construction of single-family units or duplexes must meet the current, State-adopted edition of the International Residential Code for One- and Two-Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc.

In the absence of a local code, rehabilitation of existing homeowner units must meet the current, State-adopted edition of the Existing Building Code of the International Code Council (ICC).

THDA will not make any funding awards for units in a jurisdiction where the unit cannot be inspected by a state certified building inspector or by a provider as permitted under State law.

## **F. UNIVERSAL DESIGN/VISITABILITY.**

THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the housing that is constructed or rehabilitated with Development Gap Subsidy funds.

Universal design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:

- Make the unit usable by the greatest number of people;
- Respond to the changing needs of the resident; and
- Improve the marketability of the unit

The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:

- Stepless entrances.
- Minimum 5' x 5' level clear space inside and outside entry door.
- Broad blocking in walls around toilet, tub and shower for future placement of grab bars.
- Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
- Front mounted controls on all appliances.
- Lever door handles.
- Loop handle pulls on drawers and cabinet doors.

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <http://www.ncsu.edu/ncsu/design/cud/index.htm>.

Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:

- One zero-step entrance.

- Doors with 32 inches of clear passage space.
- One bathroom on the main floor that is accessible to a person using a wheelchair.

More information on Visitability can be found at: <http://www.visitability.org>.

## **G. EQUAL OPPORTUNITY AND FAIR HOUSING.**

The Developer/seller must assure that it observes all applicable Equal Opportunity and Fair Housing laws and regulations.

## **H. FLOOD PLAINS.**

HOME funds may not be used to construct housing in an area identified by the Federal Emergency Management Agency as having special flood hazards. In addition, THDA discourages the rehabilitation of units 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.

## **I. CONFLICT OF INTEREST.**

Recipients of the Development Gap Subsidy Program Funds should avoid conflicts of interest and the appearance of conflicts of interest in administering the Program. The existence of a conflict of interest or the appearance of a conflict of interest, as determined by THDA in its sole discretion, may be grounds for requiring repayment of Development Gap Subsidy funding and limitations on future program participation.

## **J. PROPOSAL EVALUATION PROCEDURE.**

THDA will evaluate each proposal 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 per the program guidelines.

All non-profit applicants must submit the most current version of the following required documentation in accordance with the application instructions. Items identified as “THRESHOLD” must be submitted with the application for funding consideration. All other items are required and any funding consideration will be conditional until their receipt and THDA’s subsequent review and approval of the item:

1. Evidence that the applicant is organized and existing under the laws of Tennessee or, if organized and existing under the laws of another state, evidence that applicant is organized and existing in that state and authorized to do business in Tennessee. (THRESHOLD)
2. Documentation of an IRS designation under Section 501(c)(3) or 501(c)(4) of the federal tax code. A 501(c)(3) non-profit organization may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary material with the IRS and received a response from the IRS demonstrating 501(c)(4) status. (THRESHOLD)
3. Copy of Organizational Charter (THRESHOLD)

4. Copy of Organizational By-laws (THRESHOLD)
5. List of Board members including: names; home address; occupation; a description of their primary contribution; length of service; phone #; email address; and date the term of service expires. (THRESHOLD)
6. Business plan or strategic management plan that demonstrates the agency's short term and long term goals, objectives, and plans to achieve them.
7. The most recent financial audit or audited financial statements of the organization. (THRESHOLD)
8. Applicant Board Member and Corporate Disclosure Forms *completed, signed by the organization's Executive Director and each Board Member and notarized.*
9. Applicant/Board Member and Corporate Disclosure Form *completed, signed by the Chairman of the Board or Executive Director on behalf of the organization and notarized.*
10. One page explanation of how the Board of Directors is involved in the operation of the agency, including how often the Board meets, how the Board monitors and provides oversight for the agency's programs.
11. Resolution by the Board of Directors authorizing the submission of this application. (THRESHOLD)
12. List of staff members employed by the organization, including how many are full-time or part-time, their specific responsibilities related to housing programs, and how many years of experience each staff member has in housing development. (THRESHOLD)
13. Documentation of agency operating funds from other sources, including how much annually and from what sources.
14. Explanation of any other programs operated by the organization, including the program(s) and its funding source(s).
15. Explanation of the agency's experience in housing, particularly in providing housing to low and very low income households in Tennessee. (THRESHOLD)

Applicants must upload all organizational information required to be submitted through THDA's Participant Information Management System (PIMS). Copies of organizational documents that are required to be submitted through PIMS, but that are submitted through another means, will not be considered.

Documentation must be submitted 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.