

STATE OF TENNESSEE
2013-14 ANNUAL ACTION PLAN
FOR HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS



TENNESSEE HOUSING DEVELOPMENT AGENCY
TENNESSEE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
TENNESSEE DEPARTMENT OF HEALTH

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STATE OF TENNESSEE FISCAL YEAR 2013 ACTION PLAN EXECUTIVE SUMMARY

The Annual Action Plan serves as the State of Tennessee's annual application to the U.S. Department of Housing and Urban Development (HUD) for funding of HUD's four formula grant programs; Community Development Block Grant (CDBG), Home Investment Partnership Program (HOME), Emergency Solutions Grant (ESG) and Housing Opportunities for Persons Living with AIDS (HOPWA). The 2013 Action Plan describes actions on behalf of the State of Tennessee to administer and implement the Consolidated Plan grant programs during the State Fiscal Year beginning July 1, 2012 through June 30, 2013.

The names of the grant programs, the administering state agencies and the expected allocations for Fiscal Year (FY) 2012-13 are as follows:

- Community Development Block Program (CDBG) administered by the Tennessee Department of Economic and Community Development (ECD), expected allocation: \$24,488,568
- HOME Investment Partnership Program (HOME) administered by Tennessee Housing Development Agency (THDA), expected allocation: \$9,924,071
- Emergency Solutions Grant (ESG) administered by Tennessee Housing Development Agency (THDA), expected allocation: \$2,756,409
- Housing Opportunities for Persons with AIDS (HOPWA) administered by the Tennessee Department of Health (DOH), expected allocation: \$947,455

Both the HOME and ESG Programs, administered by THDA, are being amended through a substantial amendment to the State of Tennessee's Consolidated Plan and are awaiting final approval from HUD. The description of these programs, their impact on performance measures and the expected allocation, as described in the following sections, are contingent upon approval of the substantial amendments to the Consolidated Plan.

The 2013 Action Plan describes the amounts and source of the four formula grant funds expected to be made available during FY 2012-13 and discusses the methods by which funds will be distributed to eligible applicants by the administering agencies. Funds are made available either through a competitive grant process, through a formula basis, or in some cases, both. Also discussed are other federal and non-federal resources administered by THDA and include: Section 8 Rental Assistance and Contract Administration programs, the Low Income Housing Tax Credit Program (LIHTC), the BUILD Loan Program, the Community Investment Tax Credit (CITC) program, the Emergency Repair Program for the Elderly (ERP) and the Homeownership Programs.

Also contained in the 2013 Action Plan are the specific objectives the administering agencies, known collectively as the consolidated partners, hope to address in the coming year, as they relate to the five-year Consolidated Plan, and the outcome measures by which the administering agencies will measure performance. The specific objectives of the 2010-15 Consolidated Plan are: 1. Increase the amount of affordable housing and preserve the affordable housing stock; 2. Provide for the viability of communities through ensuring infrastructure, community livability, health and safety and economic development; 3. Provide for the housing and supportive services needs of homeless individuals and other special needs populations; and 4. Affirmatively further fair housing and assure access to business opportunities in the state for women and minority owned businesses.

For each of the four objectives, action steps were developed in the five-year plan designed to address the objectives. These action steps and the ways in which each of the programs propose

to address the objectives are also discussed. The consolidated partners have incorporated new planning documents, included in Appendices C and D of this document to better link HUD's outcomes system to the State of Tennessee's objectives, action steps, activities and performance measures.

Also included in the Action Plan is a timeline developed by the consolidated planning partners to complete a statewide Analysis of Impediments to Fair Housing Choice study and a plan of activities the partners will conduct during FY 2012-13 to affirmatively further fair housing, while the study is being conducted.

While Tennessee Housing Development Agency has been designated as the lead agency for Tennessee's consolidated planning requirements, all of the administering agencies of the four grant programs participate in the development of the Annual Action Plan and the implementation of their respective programs. The 2013 Action Plan represents the cooperation of these agencies in working together to further affordable housing and community development in Tennessee. In addition, the plan is developed in consultation with the citizens of our state. The draft plan is made available for review and public comment according to the guidelines developed by the five-year Consolidate Plan.

I. DESCRIPTION OF RESOURCES EXPECTED TO BE MADE AVAILABLE AND SOURCES OF FUNDS

1. HUD Formula Grant Resources Expected to be Made Available

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

The State of Tennessee, Department of Economic and Community Development, Policy and Federal Programs Division, administers the Small Cities program for all those jurisdictions not designated by HUD as entitlement jurisdictions. In Tennessee, sixteen cities and/or counties are designated as entitlements and receive direct CDBG funding. During State Fiscal Year 2012-13, the State of Tennessee expects to receive CDBG Small Cities funds in the amount of \$24,488,568.

B. HOME Investment Partnership (HOME)

The State of Tennessee, through the Community Programs Division of Tennessee Housing Development Agency (THDA), administers the HOME program for those jurisdictions not designated by HUD as a local Participating Jurisdiction (PJ). There are nine local PJs that receive HOME funds directly from HUD. The State of Tennessee's expected HOME allocation is \$9,924,071. FY 2012-13 HOME funds are contingent upon approval of the State of Tennessee's substantial amendment to the Consolidated Plan.

C. Emergency Solutions Grant (ESG)

Tennessee Housing Development Agency administers the Emergency Solutions Grant Program. Tennessee's expected Emergency Solutions Grant's allocation is \$2,756,409. The Emergency Solutions Grant, previously known as the Emergency Shelter Grant, is undergoing significant changes through an interim rule that was issued by HUD on December 5, 2011. FY 2012-13 ESG funds are contingent upon approval of the State of Tennessee's substantial amendment to the Consolidated Plan.

D. Housing Opportunities for Persons with AIDS (HOPWA)

Tennessee Department of Health, which administers the state HOPWA program, will expect to provide HOPWA funds in the amount of \$947,455. The Department of Health will provide funds to nonprofit project sponsors to assist HIV-infected clients and their family members who are threatened with homelessness. State HOPWA funds are available on a formula basis to seven regional project sponsors outside of Nashville and Memphis, the two entitlement cities that receive HOPWA funds directly from HUD.

2. Other Federal Resources to be Made Available

E. HUD Section 8 Tenant Based Rental Assistance Program

The Tennessee Housing Development Agency administers the Section 8 Rental Assistance program. The Rental Assistance Division of THDA, which administers the Section 8 Housing Choice Voucher program, is authorized to operate in all 95 counties in Tennessee. During Fiscal Year 2012-13, it is anticipated that approximately \$29-30 million will be made available for this program.

F. HUD Section 8 Contract Administration Program

The Tennessee Housing Development Agency administers the Section 8 Contract Administration Program. The Contract Administration Division of THDA, which administers the Section 8 Housing Assistance Payments (HAP) Contracts, is responsible for approving and making the monthly payments to property owners throughout the state. At the end of calendar year 2012, the Division had 397 contracts, representing 29,251 families, and monthly HAPs averaging approximately \$12,396,258 per month. The Division expects the number of contracts, number of units and amount of HAPs per month to be stable for calendar year 2013.

G. Low Income Housing Tax Credit Program (LIHTC)

The State, through the 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 \$14.5 million in tax credit authority in calendar year 2013 to be issued to nonprofit and for-profit developers of low-income housing.

3. Other Non-Federal Resources to be Made Available

H. THDA Homeownership Program

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 90 approved mortgage lenders across the State to originate the loans. THDA purchases pre-approved loans from the lenders after the loans are closed. During Fiscal Year 2012-13, THDA anticipates that approximately \$360 million in mortgage funds will be available for this program.

I. Community Investment Tax Credit (CITC)

The Community Investment Tax Credit (CITC) was authorized by a bill signed into law 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 eligible low-income housing activities. Qualified housing entities include Tennessee 501(c)(3) 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 by the THDA Executive Director and the Commissioner of the Department of Revenue.

J. 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 approximately \$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, and site preparation.

K. Emergency Repair Program for the Elderly

In January 2007, THDA created a \$2 million statewide Emergency Repair Program for the Elderly (ERP). The program provides grants to low-income, homeowners who are 60 years or older to correct, repair or replace an essential system and/or critical structural problem. The purpose of the program is to stabilize the elderly homeowner's residence by making rapid, essential repairs to make the home livable. ERP is not a comprehensive homeowner rehabilitation program.

II.METHOD OF DISTRIBUTION OF FUNDS AND PROGRAM DESCRIPTIONS

The following four sections provide a description of each of the four formula programs (CDBG, HOME, ESG and HOPWA), the allocation priorities and a description of the method of distribution of funds for each program.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) SMALL CITIES PROGRAM METHOD OF DISTRIBUTION AND PROGRAM DESCRIPTION

1. Introduction

The State of Tennessee anticipates an allocation in CDBG funds for Fiscal Year 2012 in the amount of \$24,488,568. The purpose of this section is to describe the method of distribution of 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.

2. 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".

3. Community Development Objectives

The objectives of the Tennessee CDBG program are the following:

- A. 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.
- B. Job Opportunity Development - to implement programs that will create a climate that is receptive to and encourages the growth of private sector jobs.
- C. 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.

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.

4. Eligible Recipients of Funds

Eligible applicants shall be city and county governments in Tennessee, except those cities of population over 50,000 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, Franklin, Hendersonville, Jackson, Johnson City, Kingsport, Knoxville, Memphis, Morristown, Murfreesboro, Oak Ridge, the Metropolitan Government of Nashville-Davidson County, and the counties of Knox and Shelby.

5. 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 of the Fair Housing Act of 1949 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 an emergency telephone number system, not to exceed two years after its establishment, 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.

6. Grant Categories

For State Fiscal Year 2013, applicants may apply for funding under four different program categories: Economic Development, Community Livability, Water/Sewer, and Housing Rehabilitation.

A. 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.

B. 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.

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

D. Community Livability - projects are activities designed to provide other community development services, particularly to benefit LMI persons.

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).

7. Funding Levels

Shown below are the proposed funding categories for the fiscal year as well as the breakdown of funds by activity type.

Water projects	\$10,644,300
Sewer projects	\$9,461,600
Community Livability projects	\$2,365,400
Housing projects	\$1,182,700
Administration	\$834,568
TOTAL	\$24,488,568

Acquisition	\$250,000
Public Facilities/Infrastructure Improvements	\$16,654,000
Clearance/Demolition	\$50,000
Relocation	\$400,000
Housing Rehabilitation	\$1,400,000
Economic Development For-Profits	\$2,500,000
Project Administration - Local Governments	\$1,400,000
General Administration & Technical Assistance- State Government	\$834,568
Set-Aside Funds	\$1,000,000
TOTAL	\$24,488,568

The Set-Aside is designed to permit funding for meritorious community livability, water, sewer, 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.

Funding for Economic Development projects must first come from program income that is a result of repayment of past economic development loans. If those funds are not used, no funding

from the regular round will be used and the funds currently planned for economic development projects will be used for community development projects. 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 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.

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

This information comes from the Important Notices developed by ECD, distributed at the Compliance Workshops and available on the ECD website.

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

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

B. Applications were due to ECD on February 29, 2012. Applications should be complete by this date, but ECD reserves the right to request additional information after this date. Each governmental unit can only have one active grant at a time (excepting Economic Development and Disaster grants)

C. All projects through 2011 must have their final change orders to ECD by February 3, 2012 to be eligible to reapply for funding for the 2012 round.

D. All projects through 2011 must have their final request for payment including supporting documentation and final budget revision to ECD by February 10, 2012. All projects through 2011 must have closeouts to ECD by February 17, 2012.

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.
- 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 and disaster projects.
- 4) The grantee's 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.

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 second meeting occurs after the project is completed and is to discuss the accomplishments of the project.

I. The target area surveys for indirect beneficiary projects documenting the moderate-income and moderate-income benefit must be random in order to have an eligible application under the LMI National Objective. Surveys conducted for 2009 and 2010 applications are acceptable for system wide projects. They must be compared to the new LMI threshold figures and new income intervals. Water line, sewer lines and housing projects can use the surveys conducted for 2010 applications if it is the exact same application and no changes in the target area are proposed. The ECD form and randomness information distributed at the Compliance Workshop and on the ECD website must be used. If another survey method is not specifically discussed in the survey procedure information presented in the application packet, please call ECD to discuss the survey method being proposed. Survey methods that are not described in the application information or are not pre-approved by ECD may be considered unacceptable for the application process.

Census data is acceptable. It may be obtained from ECD. The LMI threshold figures dated May 14, 2010, must be used to determine LMI%. These figures were distributed at the Compliance Workshop and are available on the ECD website. 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 Compliance 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 8, 2011 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 by which the 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 a beneficiary. 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 ECD.
- 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 29, 2012.
- 9) Sampling must be random or applicant will receive zero (0) project need points.
- 10) Test results completed for 2011 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) Applicants 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 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 has 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's supplemental information 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 2011-2012 priority list. Requests should be submitted to that department no later than January 27, 2011, to meet the CDBG deadline. For more information contact the Tenn. Department Environment and Conservation, Division of Community Services, 401 Church St., Nashville, TN 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 ECD for a determination of eligibility.

9. 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. A community's Three Star status can improve the amount the community is eligible for. Cities can increase up to \$550,000-\$600,000 in noneconomic distressed cities. Counties can increase up to \$600,000-\$650,000. All levels are determined by the Three Star Benchmark 1-2-3. Economically Distressed Counties which meet threshold tests for income, unemployment, and poverty 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.

PROVISION	Economically Distressed	Other Counties
Maximum Loan/Grant	\$750,000	\$500,000
Maximum Term on Building	20 Years	15 Years
Maximum Term on Equipment	7 Years	7 Years
Minimum Interest Rate:		
Years 1-5	5 PBP	3 PBP
Years 6-10	4 PBP	2 PBP
Years 11-20	3 PBP	1 PBP
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.

10. 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:

	Community Need	Projected Need	Project Feasibility	Project Impact	Project Essentialness	Economic Development
Water, Sewer, Solid Waste	100	100	Threshold	100	0	10
Community Livability	100	50	50	50	50	10
Housing Rehabilitation	100	50	50	50	0	10

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 approved if all selection criteria and thresholds are met as evaluated by a team of professionals from ECD and other agencies. 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
- 2001-2010 average county unemployment rate
- 2009 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.
- f. Housing Rehabilitation

3) 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 for 5,000 gallons TAS PCI	
Total	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 person;	25 points
b. CDBG cost per LMI person;	25 points
Total	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
Total	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:

a. Extremely Critical - restricted to life threatening situations;	50 points
b. Critical - related to solving health and safety problems;	30 points
c. Important - improves living conditions, quality of life;	20 points
d. Needed - removes inconvenience, improves quantity or quality of public services;	10 points
e. Not Needed - does not address current problem	0 points

H. Economic Development

For the 2012 application year, 10 additional points are available on applications where the community can show that the project will positively affect Economic Development in their communities. Projects that have the potential to affect Economic Development will be awarded five points. Applicants described these effects in their program narratives.

11. Project Selection Criteria for Economic Development Projects

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.
- 4) Marketing plan.
- 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 Development in ECD, and 5) 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:

- 1) Does the project meet the basic federal requirements (especially LMI and public benefit test)?
- 2) 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?

12. Ability to Pay

Each CDBG grant (not loan), except those 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.

13. Three Star Bonus

The following will be used for the Three Star bonus points and incentives:

	Level I	Level II	Level III
CDBG Points (Regular Round):			
City	2	2	2
County	5	5	5
Local Match (CDBG):			
City (Ability-to-Pay)	-1%	-2%	-3%
County (Ability-to-Pay)	-3%	-4%	-5%
CDBG Loan Limits:			
City	\$550,000	\$575,000	\$600,000
County	\$600,000	\$625,000	\$650,000

HOME PROGRAM METHOD OF DISTRIBUTION AND PROGRAM DISCRPTION

1. Introduction

The State of Tennessee's expected allocation for the 2012 HOME Program is \$9,924,071. The purpose of this section is to describe the method of distribution of HOME 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. 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.

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 (HUD). 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, Sullivan County, and Washington County, excluding the Town of Jonesborough). Community Housing Development Organizations (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 \$750,000 limit on the amount of HOME funds that can be awarded to any one county.

2. The HOME Program

The HOME 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. Revised HOME Regulations have been published for public comment and are expected to become final in the fall 2012. The new regulations will apply to the 2012 HOME Program.

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, nor 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) Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO; however, the governmental entity 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 recipient governmental entity. 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 satisfies this requirement by having paid employees with housing development experience. A non-profit organization does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated by another organization, or by hiring a consultant.

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. 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 29, 2012 to be eligible for the 2012 HOME program:

HOME Grant Year	Spend Down Requirement
1992 - 2008	100%
2009	75%
2010	50%
2011	25%

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 and documentation that neighborhood market conditions demonstrate a need for the project to be eligible for the 2012 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 (10%) of its HOME allocation for administrative and planning expenses. THDA will use four percent (4%) of these funds for its own administrative expenses. The remaining six percent (6%) is available to pay the administrative costs of local governments and non-profit grant recipients. The balance of THDA's FY 2012 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 will also accept applications for the CHDO set-aside for projects in Clarksville, Jackson, Knox County and Shelby County. The THDA HOME funding to successful applicants for projects in these four jurisdictions will be reduced by the amount of funding the CHDO receives from the local participating jurisdiction to keep within the \$500,000 maximum grant. THDA may spend up to six percent (6%) 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 FY 2012 CHDO funds in the current application round.

Supportive Housing Development Set-aside : Ten percent (10%) of the total allocation will be reserved for eligible applicants proposing projects to develop supportive housing. Supportive

housing projects are limited to rental activities. They include, but are not limited to, housing designed for persons with a specific type of disability who could not reside in housing that is available to the general public due to a condition that can be either a permanent or temporary disability. There must be on-going, on-site services because without the on-site services, the disabled persons would be unable to maintain themselves in housing. Supportive housing applications must include documentation of on-going, on-site support services. In a mixed project, over one half of the units must be targeted to households requiring supportive services to be considered an eligible applicant for the Supportive Housing set-aside. Supportive housing projects will be scored and ranked on a separate supportive housing matrix. See Eligible Activities, Section C, Supportive Housing Development for additional information. If there are not enough applicants for the Supportive Housing Development Set-aside, the remaining funds will be combined with the funds in the Urban/Rural Allocation.

Urban/Rural Allocation : The remaining sixty-five percent (65%) of the HOME funds will be allocated for eligible projects in Urban and Rural areas of the State. The Urban areas are defined by population density in the same way as in the Low Income Housing Tax Credit Program. The urban areas include the following counties: Anderson, Blount, Bradley, Carter, Coffee, Dyer, Gibson, Hamilton, Hamblen, Haywood, Madison, Maury, Montgomery, Putnam, Roane, Rutherford, Sumner, Unicoi, Williamson and Wilson. All other counties are considered Rural. The urban allocation is 44% of the remaining 65% of the funding, and the rural allocation is 56%. The percentages are based on the low-income population in the designated urban and rural counties. However, the urban areas do not include the low income populations of the local participating jurisdictions of Chattanooga, Clarksville, Jackson, Knox County, Memphis, Metropolitan Nashville-Davidson County, Shelby County, Sullivan County and Washington County, excluding the Town of Jonesborough. There will be an urban and a rural matrix and the applicants will be scored, ranked and funded until the funds are used. There will be a \$750,000 maximum grant per county in each region, and grants will be reduced proportionately should there be multiple successful applicants from the same county with a minimum grant of \$250,000. The THDA Board of Directors may, however, award less than \$250,000 should there be more than three successful applicants from the same county.

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.

Grantees will be required to repay any HOME funds expended on projects that are not completed and ready for occupancy within 4 years of the date the Written Agreement between the Grantee and THDA is executed.

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 or housing for students. Eligible housing activities include:

- 1) Homeowner rehabilitation programs

Housing Rehabilitation: The use of HOME funds will be limited to the rehabilitation of existing structures. A maximum of \$40,000 per house for rehabilitation costs (excluding building inspections, LBP inspections, energy related inspections, administration) will be allowed. Dilapidated structures which require reconstruction are not eligible and should not be scored. Priority should be given to repair or replacement of roofs, HVAC systems, electrical systems, plumbing systems, foundation problems, water supply issues, exterior painting to maintain the structure, limited interior painting. The structure must exhibit at least one code violation as revealed by a code inspection.

HOME regulations require that after the work is complete, the structure must meet the building code in force for that location or the applicable International Code. Units assisted with HOME funds must require at least \$1,000 of rehabilitation work to bring the unit into compliance with the applicable codes. Structures that cannot be brought up to code within the maximum grant funds would be ineligible.

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. 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 Costs and Lead-based Paint : If a unit to be rehabilitated was built after 1978, the rehabilitation costs are capped by the HOME subsidy limits. All units built prior to 1978 will require a risk assessment by a qualified lead inspector. If the risk assessment of a pre-1978 unit discloses no lead, then the cap for rehabilitation costs will be the HOME subsidy limits. If the risk assessment for a pre-1978 unit reveals the presence of lead-based paint and the estimated rehabilitation costs are less than \$25,000, then standard treatments will apply and the HOME subsidy for rehabilitation is limited to \$25,000. If the risk assessment reveals the presence of lead-based paint and the estimated rehabilitation costs exceed \$25,000, then abatement will be required by a qualified abatement contractor to provide assistance up to the HOME subsidy limits. These restrictions do not apply to instances of reconstruction.

2) Homeownership Programs

CHDOs: Construction financing or acquisition and substantial rehabilitation of substandard single-family dwellings. HOME funds are to be used as the primary method of financing (without interest cost) for the development of affordable single-family units either through new construction or acquisition and rehabilitation of substandard units by the CHDO. 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 to develop additional single-family units for homeownership. A CHDO must allow up to \$14,999 of HOME funds to remain with the unit as a soft second mortgage as necessary to qualify the household 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 regulations. Any homeownership unit developed by a CHDO that cannot be sold to an eligible homeowner within six months of project completion must be converted to rental housing and rented to an income eligible tenant.

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

Sales Price Limits - The sales price limit for homeownership programs are the same as the Property Value Limits for homeowner rehabilitation programs.

Underwriting - Front and back end ratios may not exceed thirty-five (35%) and forty-five percent (45%), respectively. Lower ratios are encouraged.

Permanent Financing - Under homeownership programs, THDA expects the use of THDA mortgages whenever suitable. Other financing may be used if it is comparable to a THDA mortgage. Permanent financing is considered comparable if the interest rate 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.

Homebuyer Contribution - The homebuyer must make a contribution from their own funds equal to one percent (1%) of the purchase price of the property.

Homebuyer Education - All homebuyers must complete a homebuyer education program from a THDA qualified homebuyer education trainer prior to purchase.

Neighborhood market conditions - Applicants proposing homeownership projects will also need to document that neighborhood market conditions demonstrate a need for the project. 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.

It is expected that the grantee will not only shepherd the homebuyer through the home buying process, but also work toward fostering an on-going relationship with the homebuyer. This includes facilitating additional homeowner counseling, verifying homeowner occupancy

requirements on an annual basis, and monitoring mortgage default issues.

3) Rental Housing Programs

New construction of rental housing units.

Acquisition and/or rehabilitation of rental housing units.

Supportive Housing Development - New Construction, acquisition and/or rehabilitation of housing, including transitional housing, single-room occupancy housing and group homes, for persons with a physical, emotional or mental disability who require on-site supportive services to maintain themselves in housing.

A person will 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 on-site 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. On-site supportive services must 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 are the primary residence of its occupant or occupants. If the project consists of new construction, or conversion of non-residential space, then the unit must contain either food preparation or sanitary facilities (and may contain both). For acquisition or rehabilitation of an existing residential structure or a 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 provision of on-site supportive services is required.

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. See Section H- Additional Requirements for HOME Rental Housing Programs.

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. EXCEPTION: Rental projects funded under the Supportive Housing Development Set-Aside are not required to have additional debt due to the extremely low income of the clientele being served. Applicants proposing rental projects will also need to document that neighborhood market conditions demonstrate a need for the project.

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. The 25% cap on the amount of CHDO proceeds that can be used for operating or administrative expenses has been eliminated. This policy applies retroactively to current, active CHDO grants.

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 \$2,100 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, and architectural and engineering fees are also paid as project soft costs. All project soft costs 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;
- 9) Provide assistance to private, for-profit owners of rental properties;
- 10) Provide assistance to projects that propose combining HOME funds with HUD 811 or 202 projects; and
- 11) Provide assistance for a homeowner rehabilitation project by a CHDO from the 15% CHDO set-aside. A CHDO funded through the 15% CHDO Set-aside 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 2012 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.

In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the local governments, grants from other sources and cash from program beneficiaries. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage. Administrative funds, anticipated fund-raising revenues, THDA BUILD loan funds, and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years.

The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the program. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.

In addition, for rental projects, HOME funds are to be used 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 debt, other financing will be a threshold requirement.

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 household whose income does not exceed 80% of the area median income, adjusted for household size. "Very low income household" means an individual or household whose income does not exceed 50% of the area median income, adjusted for household size.

For a 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 household 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 household 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 HUD. Median incomes change when HUD makes revised estimates.

2) Forms of Assistance

Homeowner rehabilitation - 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 in the form of a 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 - Grants for homeowner rehabilitation projects 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.

If the homeowner of a property that has been rehabilitated 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 unforgiven 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 HOME-assisted unit is sold on or before the end of the affordability period, the amount of the HOME subsidy subject to recapture will be reduced by 20% per year. If the remaining outstanding principal balance of the HOME Note plus the amount of the down payment made by the homeowner, if any, plus the amount of any capital improvement investment made by the homeowner exceeds the amount of net proceeds available as a result of the sale, the Grantee shall recapture a pro rata share of the net proceeds of the sale in lieu of the full remaining outstanding principal balance of the HOME Note. The pro rata amount to be recaptured shall be calculated in accordance with the HOME Program Regulations at 24 CFR 92.254(a)(5)(ii)(A)(3). If the unit does not remain in compliance, the entire \$14,999 of HOME assistance must be repaid. In order to enforce the affordability 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.

Homeownership Assistance HOME Subsidy per Unit	Minimum Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years

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

Minimum HOME Dollars	\$1,000	PER UNIT
Maximum Home Dollars	\$53,624	0-BEDROOM (EFFICIENCY) LIMIT
	\$61,471	1-BEDROOM LIMIT
	\$74,749	2-BEDROOM LIMIT
	\$96,700	3-BEDROOM LIMIT
	\$106,147	4-BEDROOM OR MORE LIMIT

5) Property Standards

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 2006 International Building Code; new construction or reconstruction of single-family units or duplexes must meet the 2006 International Residential Code for One- and Two-Family Dwellings; and rehabilitation of existing rental units or existing homeowner units must meet the 2006 International Existing Building Code and the 2006 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

Energy Code - New construction projects must also meet the 2006 International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.

Energy Conservation - In addition to meeting the 2006 International Energy Conservation Code, new construction projects must be Energy Star qualified and certified by an independent HERS rater or achieve a Home Energy Rating System (HERS) index of 85 or less when tested by a certified rater.

Section 504 - Section 504 of the Rehabilitation Act of 1973 prohibits discrimination 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 at a minimum, an additional 2% 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).

7) Sales Price Limits

The sales price limit for homeownership programs are the same as the Property Value Limits for homeowner rehabilitation programs.

H. Additional Requirements for 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 household 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 household size, and may pay the High HOME rents; 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 household 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 household 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 household 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% of the HOME-assisted units must be occupied by persons with incomes at or below 80% of median income, adjusted for household size, and may pay the High HOME rents;
- 20% of the HOME-assisted units must be occupied by households with incomes at or below 50% of area median income, adjusted for household 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% of area median income, adjusted for household size.

Tenants whose annual incomes increase to over 80% 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 household size.
- LOW HOME RENTS. This rent is equal to 30% of 50% of median income, adjusted for household 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:

Activity	\$ Per HOME Unit	Affordability Period
Rehabilitation or Acquisition of existing housing	Less than \$14,999	5 years
Rehabilitation or Acquisition of existing housing	\$15,000 - \$40,000	10 years

Rehabilitation or Acquisition of existing housing or rehabilitation involving refinancing	Over \$40,000	15 years
New Construction or Acquisition of New Housing		20 years

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 Program Compliance Division of THDA for long-term compliance monitoring. The Program Compliance Division will provide Grantees with information on HOME Long Term Compliance. Each Grantee will be monitored 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 of households . 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 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.

Uniform Act (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 household; (3) has income above or below the Section 8 Lower Income Limit.

WHO IS A DISPLACED PERSON? - Any person (household, 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, it's 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 and Anti-Displacement and Relocation Assistance Plan

THDA will replace all occupied and vacant habitable 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 THDA to provide funds for a project that will directly result in the demolition or conversion, THDA will make public by and submit to the 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, religion, sex, familial status, national origin, age, or disability be excluded from participation, denied benefits 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 Part 100
Executive Order 11063, as amended (Equal Opportunity in Housing)	24 CFR Part 107
Title VI of the Civil Rights Act of 1964 (Nondiscrimination in Federal programs)	24 CFR Part 1
Age Discrimination Act of 1975	24 CFR Part 146
Section 504 of the Rehabilitation Act of 1973	24 CFR Part 8
Title II of the Americans with Disabilities Act	24 CFR Part 8
Nondiscrimination Based on Handicap in Federal	24 CFR Part 8

Assisted Programs and Activities of the Dept. of Housing and Urban Development	
Section 3 of the Housing & Urban Development Act of 1968	24 CFR 135
Executive Order 11246, as amended (Equal Employment Opportunity Programs)	41 CFR 135
Executive Order 11625, as amended (Minority Business Enterprises)	
Executive Order 112432, as amended (Minority Business Enterprise Development)	
Executive Order 12138, as amended (Women's Business Enterprise)	

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 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 for 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/lead 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 not be used to construct or reconstruct 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.

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 stricter 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 or has exercised 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 does not routinely consider 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 2012 HOME application. Threshold requirements for special needs applications includes documentation that funding for support services for program beneficiaries has been secured.

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:

URBAN/RURAL AND SUPPORTIVE HOUSING MATRICES **Up to 170 Points**

1) Program Design **Up to 35 points**

The proposed program demonstrates exceptional planning, readiness and administrative capability. All necessary components to accomplish the project have been identified in the application.

Program administrators have been identified.

- The administering agency has personnel that is knowledgeable in grant administration;
- Has relevant experience in the administration of housing grants; and/or has otherwise shown the capability to administer the project;
- Has the ability of to follow the timeframe of Attachment B: Implementation Plan of the Working Agreement;
- Is able to draw down funds in a timely manner;
- Has a lack of monitoring findings; and
- Responds appropriately to client concerns or complaints, contractor's concerns or complaints, and information requests from THDA staff.

Individuals/firms providing architectural, construction management and/or inspection services have been identified and are qualified to perform the services.

If applicable, the lead inspector and/or risk assessors have been identified and are qualified to perform the services.

If the applicant is a local community, the local government is involved in the administration of the project.

For Rental Projects:

- Potential sites have been identified in the application.
- If not a Supportive Housing Development project, there is a demonstrated capacity to secure financial arrangements which exceed threshold.
- The applicant has experience in rental housing oversight and staff with demonstrated development experience.

- Documentation of neighborhood market conditions demonstrating a need for the rental housing.

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 owner households with cost burden; the percentage of affordable owner units built before 1960; the percentage of homes lacking complete kitchen facilities; the percentage of homes lacking complete plumbing facilities; and the percentage of food stamp recipient households in the county.

For rental projects, the county need factors used are; the percentage of tenant households that are low income; the percentage of low income tenant households with cost burden; and the percentage of affordable units built before 1960 occupied by tenant households; the percentage of homes lacking complete kitchen facilities; the percentage of homes lacking complete plumbing facilities; and the percentage of food stamp recipient households in the county.

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

3) Not Proportionately 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 1992 - 2011 HOME dollars awarded 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) Leverage

Up to 10 points

THDA shall award up to 10 additional points to applications that include the use of funds from other sources. THDA will award points in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. In order to receive points, there must be written documentation of the leveraged funds in the application.

6) Energy Conservation

Up to 5 points

THDA shall award up to 5 additional points to applications for rehabilitation that include an independent energy audit and, to the extent feasible, incorporate the recommendations of the audit report in the rehabilitation work write-up.

7) Three-Star Program

Up to 10 points

THDA shall award up to 10 additional points to applications from communities participating in the Department of Economic and Community Development's (ECD) Three-Star Program with a housing component as determined by ECD.

CHDO MATRIX

Up to 175 Points

1) CAPABILITY

Up to 50 points

The proposed project demonstrates exceptional planning and readiness. Up to 25 points

- 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.
- For rental projects, the 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.
- There has been an examination of neighborhood market conditions demonstrating a need for the housing development.

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 organization has staff with demonstrated development experience.
- The agency's budget reflects multiple sources of funding.
- If previous experience under HOME:
 - ◆ Has the ability to conform to the timeframe of Attachment B: Implementation Plan of the HOME Working Agreement;
 - ◆ Has the ability to draw down funds in a timely manner;
 - ◆ Has the ability to complete a project within the contract period;
 - ◆ Has a lack of monitoring findings; and
 - ◆ Appropriately responds to client concerns or complaints, and requests for information from THDA staff.

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 homeownership projects, the need factors used are percentage of owner households that are low income; the percentage of owner households with cost burden; the percentage of affordable owner units built before 1960; the percentage of homes lacking complete kitchen facilities; the percentage of homes lacking complete plumbing; and the percentage of food stamp recipient households in the county.

For rental projects, the county need factors used are the percentage of tenant households that are low income; the percentage of low income tenant households with cost burden; and the percentage of affordable units built before 1960 occupied by tenant households; the percentage of homes lacking complete kitchen facilities; the percentage of homes lacking complete plumbing; and percentage of food stamp recipient household in the county.

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

3) Not Proportionately 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 1992 - 2011 HOME dollars awarded 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) Leverage

Up to 10 points

THDA shall award up to 10 additional points to applications that include the use of funds from other sources. THDA will award point in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. In order to receive point, there must be written documentation for the leveraged funds in the application.

6) Energy Conservation

Up to 5 points

THDA shall award up to 5 additional points to applications for rental rehabilitation that include an independent energy audit and, to the extent feasible, incorporate the recommendations of the audit report in the rehabilitation work write-up.

EMERGENCY SOLUTIONS GRANT METHOD OF DISTRIBUTION AND PROGRAM DESCRIPTION

1. Introduction

The Emergency Shelter Grants Program was established by the Homeless Housing Act of 1986 in response to the growing issue of homelessness in the United States. In 1987, the program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. Sec. 1137111378), now known as the McKinney Vento Homeless Assistance Act. In 2009 a bill was passed to reauthorize HUD's McKinney Vento Homeless Assistance programs. The new Act which amended the McKinney Vento Homeless Assistance Act is the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act.

The Emergency Solutions Grant Program (ESG) replaces what was formerly the Emergency Shelter Grants Program. ESG funds are administered by THDA and are awarded by HUD. The expected allocation for ESG for Fiscal Year 2012-13 is \$2,756,409.

ESG funds are awarded on a competitive basis to non-profit organizations outside the CDBG entitlement communities that receive their own ESG funding directly from the U. S. Department of Housing and Urban Development. The Tennessee entitlement communities that receive their own allocation of ESG funds are Knoxville, Memphis and Nashville-Davidson County. An applicant must apply for at least \$35,000 and may apply for a maximum of \$75,000 in ESG funding.

2. The Emergency Solutions Grant Program

The ESG program is governed by Title 24 Code of Federal Regulations, Part 576. Those regulations are incorporated by reference in this Program Description. The federal regulations take precedence over this program description in cases of conflicting requirements.

The objectives of the ESG program are:

- 1) To help improve the quality of emergency shelters for the homeless;
- 2) To help meet the costs of operating and maintaining emergency shelters;
- 3) To provide essential services so that homeless individuals have access to the assistance they need to improve their situation;
- 4) To provide street outreach services to the homeless; and
- 5) To provide emergency intervention assistance and rapid-rehousing services to prevent homelessness and to obtain permanent housing.

A person or family is considered homeless according to the following categories:

- 1) Individuals and families who lack a fixed, regular, and adequate nighttime residence and includes a subset for an individual who resided in an emergency shelter or a place not meant for human habitation and who is exiting an institution where he or she temporarily resided (up to 90 days);
- 2) individuals and families who will imminently lose their primary nighttime residence;
- 3) unaccompanied youth and families with children and youth who are defined as homeless under other federal statutes who do not otherwise qualify as homeless under this definition; and

4) individuals and families who are fleeing, or are attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member.

A. Consistency with the Consolidated Plan

ESG activities are focused on helping meet the needs of emergency homeless shelters and programs in under-served areas of the state outside of Entitlement Cities. The State is particularly interested in developing and expanding shelter programs in rural areas that lack ready access to other homeless funds. The State is also placing a priority on shelter programs serving families and on transitional living shelters that provide an array of supportive services in addition to living arrangements for a period of at least six months. ESG proposals will be evaluated for consistency with the State of Tennessee's Consolidated Plan, as amended. The State's Consolidated Plan identifies the need for the following types of emergency shelters:

- 1) Emergency Family Shelters - With the increase of homeless single and two-parent families noted statewide, there is a need for 24-hour emergency family shelters.
- 2) Emergency Elderly and Disabled Shelters - Small, non-traditional shelter arrangements for the frail, elderly and disabled elderly will protect this vulnerable group. Such shelters could exist in a family home system or be tied to an existing service center for the elderly that could make needed services more accessible.
- 3) 24-Hour Emergency Shelters for the Employed - Most shelters require participants to vacate the shelter during the day. Shelter residents who become employed or who enter the shelter employed may work odd shifts and require access for sleeping, etc. A small shelter for the employed would accommodate second and third shift employees and make available employment support services.
- 4) Shelters for the Mentally Ill - The actions of chronic mentally ill homeless persons can be very distressing to others as well as themselves. Emergency shelters for the chronic mentally ill would allow for a more appropriately controlled environment that would ultimately serve the support needs of these clients.

B. Allocation of Funds

ESG 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 7.5% of its ESG allocation for administrative and planning expenses. THDA will share the amount available for administration with the small city entitlement communities that do not receive their own ESG allocation from HUD. **Non-profit agencies are not eligible to receive administration funds.**

THDA Targeted Set-Aside - For the 2012 ESG program, THDA will allocate \$100,000 of ESG funding that does not require matching funds to the Tennessee Department of Mental Health and Developmental Disabilities (TDMHDD). TDMHDD will use the ESG funds for homeless assistance and prevention activities through its established network of housing agencies providing services to clients being discharged from medical and mental health facilities.

Chattanooga Set-Aside - For the 2012 ESG program, THDA will allocate \$84,000 to the City of Chattanooga, which has lost its direct ESG allocation from HUD.

The remaining ESG funds will be allocated as follows:

Small Cities Set-Aside -THDA will allocate 52% of the remaining ESG funds on a formula basis to the ten CDBG entitlement cities that do not receive ESG grants, but are expected to address homelessness through the “Continuum of Care” described in their Consolidated Plans. These cities are: Bristol, Clarksville, Cleveland, Franklin, Jackson, Johnson City, Kingsport, Morristown, Murfreesboro and Oak Ridge.

Competitive Allocation -The remaining 48% of the ESG funds will be allocated to eligible applicants in a competitive grant review process.

C. Eligible Applicants

The State of Tennessee, through THDA, will accept applications for the ESG program from non-profit organizations.

To be eligible to apply for ESG funding 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 six 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) Be established for charitable purposes and whose activities include, but are not limited to, the promotion of social welfare and the prevention or elimination of homelessness, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of shelter and services to the homeless;
- 4) Have standards of financial accountability that conform to 24 CFR 84.21, Standards of Financial Management Systems;
- 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; and
- 6) Faith-based organizations receiving ESG funds, like all organizations receiving HUD funds, must serve all eligible beneficiaries without regard to religion.

Non-profit organizations are eligible to receive funds only if such funding is approved by the local government jurisdiction where programs are based. If the organization intends to provide homeless assistance in a number of jurisdictions, a certification of approval must be submitted by each of the units of local government in which the projects are to be located. Housing agencies funded by TDMHDD are not eligible to apply for ESG funds through the Competitive Allocation.

D. Eligible Activities

1) Street Outreach: Essential services to eligible participants that are provided on the street or in parks, abandoned buildings, bus stations, campgrounds, and in other such settings where unsheltered persons are staying. Staff salaries related to carrying out street outreach is also eligible.

Eligible Program Participants: Unsheltered individuals and families

Allowable Activities:

- Engagement - Activities to locate, identify, and build relationships with unsheltered homeless persons for the purpose of providing immediate support, intervention, and connections with homeless assistance programs and/or social services and housing programs. Eligible costs include: initial assessment of need and eligibility; providing crisis counseling; addressing urgent physical needs; and actively connecting and providing information and referral. Eligible costs also include the cell phone costs of outreach workers during the performance of these activities.
- Case Management - Assessing housing and service needs, and coordinating the delivery of individualized services. Eligible costs include: using a continuum of Care centralized or coordinated assessment system; initial evaluation including verifying and documenting eligibility; counseling; helping to obtain Federal, State and local benefits; providing information and referral to other providers; and developing an individualized housing/service plan.
- Emergency Health Services - Outpatient treatment of urgent medical conditions by licensed medical professionals; and providing medication and follow-up services.
- Emergency Mental Health Services - Outpatient treatment of urgent mental health conditions by licensed professionals; medication costs and follow up services.
- Transportation - Travel by outreach workers or other service providers during the provision of eligible outreach activities; costs of transportation of clients to emergency shelters or other service providers; and costs of public transportation for clients.
- Services to Special Populations - Essential Services that have been tailored to address the needs of homeless youth, victims of domestic violence, and related crimes/threats, and/or people living with HIV/AIDS who are literally homeless.

2) Emergency Shelter: Rehabilitation of an existing shelter or conversion of a building for the purposes of providing emergency shelter, essential services and operational expenses.

Eligible Participants: Individuals and families who are homeless.

Allowable Activities:

- Renovation, major rehabilitation or conversion - Renovation means rehabilitation that involves costs of 75% or less of the value of the building before renovation. Major rehabilitation means rehabilitation that involves costs in excess of 75% of the value of the building before rehabilitation. Conversion means a change in the use of the building to an emergency shelter for the homeless, where the cost of conversion exceeds 75% of the value of the building after conversion.

All renovation, rehabilitation or conversion work proposed for buildings constructed prior to 1978 must comply with Lead-Based Paint Regulations at 24 CFR Part 35, Subpart J, as applicable.

Grantees receiving ESG assistance for major rehabilitation or conversion must maintain the building as a shelter for homeless individuals and families for ten years; grantees receiving ESG assistance for renovations must be maintained as a shelter for homeless individuals and families for three years.

- Essential Services - This includes services concerned with employment, health, drug abuse, education and staff salaries necessary to provide these services and may include, but are not limited to:

- a. Assistance in obtaining permanent housing;
- b. Medical and psychological counseling and supervision;
- c. Employment counseling;
- d. Nutritional counseling;
- e. Substance abuse treatment and counseling;
- f. Assistance in obtaining other Federal, State and local assistance including mental health benefits; employment counseling; medical assistance; Veteran's benefits; and income support assistance such as Supplemental Security Income, Food Stamps and Aid to Families with Dependent Children;
- g. Other services such as child care, legal services, life skills training, transportation, job placement and job training; and
- h. Staff salaries necessary to provide the above services.

- Operating expenses - Payment of eligible operation costs related to the operation of emergency and transitional housing, including but not limited to, maintenance, operation, rent, repair, security, fuel, equipment, insurance, utilities, food and furnishings.

Expenditure limits of combined Street Outreach and Emergency Shelters cannot exceed 60% of the total State allocation.

3) Prevention Activities: Activities related to preventing persons from becoming homeless and to assist participants in regaining stability in their current or other permanent housing.

Eligible Participants: Extremely low-income individuals and families with household incomes of at or below 30% of Area Median Income who meet the definition of "at risk of becoming homeless".

4) Rapid Re-Housing Activities : Activities related to help a homeless individual or family to move into permanent housing.

Eligible Participants: Extremely low-income individuals and families with household incomes of at or below 30% of Area Median Income who meet the definition of "homeless" who live in an emergency shelter or other place described in the definition provided by HUD.

Allowable Activities for Prevention and Rapid Re-Housing:

- Financial Assistance - Rental application fee (excludes pet deposit); moving costs; security deposit for rental or utility; payment of rental arrears up to six months; and short-term (up to 3 months) or medium-term (up to 6 months) rental and/or utility assistance.

Short and Medium Term Rental Assistance Requirements and Restrictions

- a. Compliance with Fair Market Rents (FMR) and Rent Reasonableness;
- b. For purposes of calculating rent, the rent must equal the sum of the total rent, any fees required for rental (excluding late fees and pet deposits), and, if the tenant pays separately for utilities (excluding telephone) the monthly allowance for utilities as established by the public housing authority for the area in which the housing is located;
- c. Compliance with minimum habitability standards;

- d. Tenant based rental assistance means that participants select a housing unit in which to live and receive rental assistance. Project based rental assistance means that grantees identify permanent housing units that meet ESG requirements and enter into a rental assistance agreement with the owner to reserve the unit and subsidize it so that eligible program participants have access to the unit;
- e. A standard and legal lease must be in place;
- f. No rental assistance can be provided to a household receiving assistance from another public source for the same time period (with the exception of rental arrears); and
- g. Participants must meet with a case manager at least monthly for the duration of the assistance (participants who are victims of domestic violence are exempt if meeting would increase the risk of danger to client).
- h. The Grantee must develop an individualized plan to help the program participant remain in permanent housing after the ESG assistance ends.

- Housing Relocation and Stabilization Services - Housing search and placement; assessment of housing barriers and needs; landlord mediation; legal services resolving landlord/tenant matters; assistance with submitting rental applications and leases; assessment of housing for habitability, lead-based paint and rent reasonableness; case management; Homeless Management Information System (HMIS) data collection and submission; credit repair counseling; budget classes; and monitoring and re-evaluating program participants.

5) Homeless Management Information System (HMIS): Eligible costs include hardware; software; equipment costs; staffing for operating HMIS data collection, monitoring and analysis; reporting to the HMIS Lead Agency; training on HMIS use; and obtaining technical support.

Local government recipients may distribute all or a part of their ESG funds to eligible, private non-profit organizations for allowable ESG activities.

For each of the eligible activities, THDA reserves the right to adjust funding requests to remain within the required percentages.

E. Ineligible Activities

Under Street Outreach Services, ESG funds may not be used for the following:

- 1) Emergency medical and/or mental health services accessible or available within the area under an existing program; and
- 2) Maintenance of existing services already being provided within the past 12 months prior to funding.

Under Emergency Shelter Services, ESG funds may not be used for the following:

- 1) Acquisition of real property;
- 2) New construction of an emergency shelter for the homeless;
- 3) Property clearance or demolition;
- 4) Rehabilitation administration, such as the preparation of work specifications or inspections;
- 5) Staff training or fund raising activities associated with rehabilitation;
- 6) Salary of case management supervisor when not working directly on participant issues;
- 7) Advocacy, planning, and organizational capacity building;
- 8) Staff recruitment and/or training;
- 9) Transportation costs not directly associated with service delivery;
- 10) Recruitment or on-going training of staff;
- 11) Depreciation;
- 12) Costs associated with the organization rather than the supportive housing project (advertisements, pamphlets about the agency, surveys, etc.);
- 13) Staff training, entertainment, conferences or retreats;
- 14) Public relations or fund raising;
- 15) Bad debts or bank fees; and
- 16) Mortgage payments.

Under Prevention and Rapid-Rehousing Activities, ESG funds may not be used for the following:

- 1) Mortgage payments;
- 2) Pet deposits;
- 3) Late fees incurred if grantee does not pay agreed rental subsidy by agreed date;
- 4) Payment of temporary storage fees in arrears;
- 5) Payment of past debt not related to rent or utility; and

6) Financial assistance to program participants who are receiving the same type of assistance through other public sources or to a program participant who has been provided with replacement housing payments under URA during the same time period.

Under HMIS: Activities funded under this activity must comply with HUD's standards on participation, data collection, and reporting under a local HMIS.

F. Matching Funds

The ESG program requires a dollar for dollar match for the ESG funds. All grantees must supplement their ESG funds with equal amounts of funds or in-kind support from non-ESG sources. Certain other federal grants contain language that may prohibit their use as a match. Matching funds or in-kind support must be provided after the date of the grant award to the recipient and within the period of the ESG contract with THDA. The recipient may not include funds used to match any previous ESG grant.

G. Other Federal Requirements

Non-discrimination and Equal Opportunity - Grantees must make facilities and services available to all on a nondiscriminatory basis, and publicize the facilities and services. The procedures a Grantee uses to convey the availability of such facilities and services should reach persons with handicaps or persons of any particular race, color, religion, sex, age, familial status, or national origin within their service area who may qualify for them. If not, the Grantee must establish additional procedures that will ensure that these persons are made aware of the facilities and services. Grantees must adopt procedures to disseminate information to anyone who is interested regarding the existence and location of handicap accessible services or facilities.

Lead-based Paint - Housing assisted with ESG funds is subject to the Lead-Based Paint Poisoning Prevention Act and the Act's implementing regulations at 24 CFR Part 35, Subparts C through M for any building constructed prior to 1978. Grantees using ESG funds only for essential services and operating expenses must comply with Subpart K to eliminate as far as practical lead-based paint hazards in a residential property that receives federal assistance for acquisition, leasing, support services or operation activities. Grantees using ESG funds for renovation, major rehabilitation or conversion must comply with Subpart J to eliminate as far as practical lead-based paint hazards that receives federal assistance for rehabilitation. The Lead-Based Paint Regulations are available at www.hud.gov/lea.

Property Management Standards - In addition to the three-year or ten-year compliance period required for projects that use ESG funds for rehabilitation, renovation or conversion, recipients of ESG funds are also required to follow uniform standards for using and disposing of capital improvements and equipment. Equipment is defined as having a useful life of at least one year and a per unit value of \$5,000 or more.

Relocation and Displacement - Grantees are required to take reasonable steps to minimize the displacement of persons, families, individuals, businesses, non-profit organizations or farms as a result of administering projects funded through ESG. Any persons displaced by the acquisition

of property must be provided with relocation assistance (24 CFR 576.59).

Environmental Review - In implementing the ESG 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 Part 58. THDA as the Responsible Entity and the units of local government funded by THDA will be responsible for carrying out environmental reviews.

THDA will review the release of funds for local governments and must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews. ESG 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 ESG funds.

Conflict of Interest - Each ESG recipient must adopt a conflict of interest policy which prohibits any employee, persons with decision making positions or having information about decisions made by an organization, from obtaining a personal or financial interest or benefit from the organization's activity, including through contracts, subcontracts, or agreements (24 CFR 576.57).

Asbestos - Prior to renovation, Tennessee State law requires an asbestos inspection for any structure that is not a residential building having four or fewer dwelling units. The costs of asbestos removal may be included in the grant request.

Contractual Agreement - All recipients must enter into a contractual agreement with THDA. This Working Agreement includes all requirements contained in the ESG Final Rule (24 CFR Part 576) in addition to all other applicable rules and regulations. The Working Agreement will include, but is not limited to the following:

- 1) **Building Standards** - Recipients must ensure that any building for which Emergency Solutions Grants are used for renovation, conversion or major rehabilitation will meet the local government standards for safety and sanitation.
- 2) **Certification of Assistance** - Recipients must certify that on-going assistance will be provided to homeless individuals in obtaining appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision and other services essential for achieving independent living and other federal, state local and private assistance available for such persons.
- 3) **Confidentiality** - Recipients must develop procedures to ensure the confidentiality of victims of domestic violence.
- 4) **Drug and Alcohol-free Facilities** - Recipients must administer a policy designed to ensure that each assisted homeless facility is free from the illegal use, possession or distribution of drugs or alcohol by its beneficiaries.

- 5) Client Participation - Recipients must involve the homeless individuals and families in the maintenance and operation of facilities, and in the provision of services to residents of these facilities to the maximum extent possible. The involvement of homeless persons is required through the Housing and Community Development Act of 1992.
- 6) Procurement Procedures - Each ESG recipient must have an appropriate procurement procedure in place. At a minimum, three telephone bids must be obtained for any equipment or furniture purchases to be charged totally or in part to ESG.
- 7) Fair Housing - All ESG recipients must perform and document action in the area of enforcement and/or promotion to affirmatively further fair housing. During the grant year recipients must carry out a minimum of one activity to promote fair housing. Non-discrimination and equal opportunity are applicable to ESG programs (24 CFR 5.105(a) as amended).
- 8) Terminating Assistance - All ESG recipients must have a formal process for terminating assistance to an individual or family. At a minimum, there must be an appeals procedure with one level of administrative review for clients who are evicted or refused service from the facility for any reason.
- 9) Reporting Requirements - Each ESG recipient must complete periodic reporting forms as required by THDA.
- 10) HMIS Participation - All ESG recipients must certify that they will fully utilize the Homelessness Management Information System (HMIS) for their area. While recipients must work with their local HMIS administrator, please note that different areas within the state may use different systems and/or system administrators. The applicant should work with their local CoC to coordinate HMIS access and technical assistance. The ESG recipient assumes full responsibility for all reporting to THDA. Please check the following website for local CoC contact information and for information on the geographic areas covered by each CoC:
<http://www.thda.org/commpros/hprp/cocmap.pdf>

Please note that domestic violence programs are exempt from the HMIS requirement, however they will be required to provide aggregate data for reporting purposes.

H. Application and Evaluation Procedure

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria include: 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 576, as amended. Documentation must be submitted along with the completed Checklist to demonstrate that the organization meets threshold requirements and has the capacity to provide shelter, essential services and/or operations for programs serving the homeless. Applications meeting the threshold criteria will be scored and ranked in descending numerical order.

Applicant eligibility factors include:

- 1) Either non-profit or unit of local government
- 2) No outstanding findings or other issues
- 3) Experienced homeless services/prevention provider
- 4) Must be able to meet recordkeeping and reporting requirements including HMIS utilization
- 5) Must be able to meet HMIS requirements (exception of domestic violence programs)

ESG Competitive Allocation Rating Scale

100 points

1) Needs Score

Up to 25 points

THDA calculates need factors using poverty statistics for counties. Factors are based on percentages rather than absolute numbers. The need factors used are the percentage of households that are low income; percentage of population receiving food stamps, percentage of reported domestic violence victims, unemployment rates, and percentage of homeless reported.

2) Agency Data

Up to 30 points

Documentation of Agency's capacity to administer the ESG program and experience with grant funding. Adequate description of staff and volunteers available to implement the proposed activities. Attention will be paid towards agencies that have shown an ability to turn in pay requests with appropriate documentation and turn in reports as requested.

3) Fiscal Information

Up to 25 points

Completeness of budget. Clear and specific documentation of match, source(s) and level of committed cash match. This criterion will include a review of past expenditure of ESG funds. Attention will be paid towards agencies that draw their funds down as needed and in a timely manner.

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) Lack of Resources

5 points

THDA shall award five additional points to applications for projects located in counties that do not have other resources within the county to serve the homeless or to provide homelessness prevention.

6) Domestic Violence Shelters

Up to 5 points

THDA recognizes that while the risk factors for homelessness are also risk factors for domestic violence - they are not the only risk factors. We recognize that domestic violence cannot be necessarily be tracked in the same way as other subgroups of the homeless. Therefore, up to five additional points will be granted to domestic violence shelters in areas of reported incidents.

HOPWA PROGRAM

METHOD OF DISTRIBUTION AND PROGRAM DISCRPTION

1. Introduction

The State of Tennessee anticipates federal funds for the Housing Opportunities for Persons with AIDS (HOPWA) program in the amount of \$947,455. Two metropolitan areas of the state receive direct HOPWA funds from HUD, Nashville and Memphis. The State will administer funds to the remainder of Tennessee, and no more than three percent 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 contractually awarded to the seven Project Sponsors across the state. The Project Sponsors were originally selected using a request for grant proposal (RFGP) process for not-for-profit organizations and/or 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 FY 1997. At that time, the State revised the geographic breakdown for HOPWA into seven regions, which include every county in the state not supported by the two EMSAs. Each of the seven regions has one not-for-profit agency that is the Project Sponsor for HOPWA. The not-for-profit organizations were selected using the RFGP process.

In the winter of 2003, the Office of Management and Budget (OMB) released updated service areas, with HOPWA formula jurisdictions based on the 2000 Census. The update had been conducted periodically, since that time and, by 2005, fifteen counties had been removed from the State's service area. These include: Cannon, Cheatham, Davidson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson counties, which became the responsibility of the metropolitan statistical area of Nashville EMSA. Fayette, Shelby and Tipton counties are the responsibility of Memphis EMSA.

The RFGP process for HOPWA is based on a five-year cycle, which was last issued in 2010. All of the original Project Sponsors selected in 2010 have been retained. The contracts for these agencies are renewed annually for up to five years. However, the State reserves the right to terminate a contract should there be substandard performance by a Project Sponsor. In the event a contract is terminated, the State will solicit new agency proposals.

The Department of Health is contracting with established not-for-profit agencies that continually show both the capability to plan for, as well as the ability to provide direct intervention and housing assistance to eligible clients and their families. Proposals were submitted by the Project Sponsors and evaluated on criteria such as technical services, organization and experience, and budget reasonableness, to name a few. Funds were originally awarded as available to sponsors who submitted proposals that best met, or exceeded the required criteria and provided a detailed budget, which best met the needs of HOPWA clients. Renewal of the contract is determined by periodic evaluation of the Project Sponsors achieving, or exceeding the requirements outlined in the Scope of Services, which is found in each Project Sponsor's contract.

In preparation for the development of the 2010 RFGP, the HIV/AIDS/STD Section staff reviewed the previous RFGP, incorporating any revisions, changes and deletions that had occurred since the original submission. The RFGP recommended the use of HOPWA funds for projects that address needs in the following areas:

A. Housing Information Services Program

The Housing Information Services Program includes, but is not limited to, counseling, information and referral services to help eligible clients locate, acquire, finance and maintain housing. This may also include fair housing counseling for eligible beneficiaries who may encounter discrimination as described in the Federal and State Fair Housing Act.

B. Short-term Rent, Mortgage and Utility Payments Program

The Short-term rent, Mortgage and Utility Payments Program (STRMU) is intended to prevent homelessness of the tenant or the mortgagor of a dwelling over a time specified by HUD.

C. Supportive Services Program

The Supportive Services Program includes, but is not limited to, health, mental health, assessment, drug and alcohol abuse treatment and counseling, day care, nutritional services, intensive care when required, and assistance in gaining access to local, state and federal government benefits and services. Health services may only be provided to clients with AIDS or related diseases, and not to family members (see the definition of Family Member in Section 2. D.).

D. Permanent Housing Placement Program

Permanent housing placement services may be used to help eligible persons establish a new residence where on-going occupancy is expected to continue.

E. Ongoing Housing Assessment Plan

The Ongoing Housing Assessment Plan includes, but is not limited to, systematic reviews of housing needs, investigation of homelessness and current health issues to help assist individuals manage resources, track progress and access community care as available, by Project Sponsors.

The HIV/AIDS/STD Section issued an RFGP in 2010 for the three activities, which HUD has now separated into four; this encouraged the maximum use of HOPWA funds for HIV infected clients 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 and State regulations governing HOPWA financial and resource management criteria and program goals. Additional consideration included 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.

2. 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, and (d) assesses for previous HOPWA grant recipients, the detailed demographic breakdown of their clients, including the three low income categories.

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, as well as an estimate of the number of clients expected to be served.

The program plan outlines procedures expected to be initiated within each selected activity: (a) provides housing information services; (b) provides counseling and referral services; (c) assists eligible clients to locate, acquire, finance, and maintain housing; (d) prevents homelessness of eligible clients; (e) assists with short-term rent, mortgage and utility payments and; (f) provides supportive services.

C. Outreach and Networking

Each plan includes a means by which potentially eligible applicants and clients 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 specified areas.

All plans will develop and describe procedures for interagency referral and follow-up. Documentation is maintained to ensure other needed services are discussed and information is placed on application identifying available services; this information is then made available to clients.

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. Finally it includes 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 by the awarded funds is detailed by each applicant. In the event the target area was limited to a metropolitan city, the plan addresses how needs/inquiries from clients in surrounding rural areas would be managed. All Tennessee counties not served by HOPWA EMSAs will be served by the State HOPWA program in FY 2011-2012.

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 by way of 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.

3. 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.

Funding for 2012-13 will be distributed as follows:

Project Sponsor	% of Funds	Funding Award
East Tennessee (East TN HRA)	30%	\$275,709
Mid Cumberland (Nashville CARES)	5%	\$45,952
Northeast Tennessee (Frontier Health)	12%	\$110,284
Southeast Tennessee (Chattanooga CARES)	23%	\$211,377
South Central Tennessee (Columbia CARES)	9%	\$82,713
Upper Cumberland (Upper Cumberland HRA)	7%	\$64,332
West Tennessee (West Tennessee Legal Services)	14%	\$128,664
Total Regional Distribution	97%	\$919,031
Administration	3%	\$28,424
Grant Total	100%	\$947,455

HRA= Health Resources Agency, CARES = Nashville Community AIDS Resources Education Services, Chattanooga Council on AIDS Resources Education and Support, Columbia Comprehensive AIDS Resources Education Services

Percentages of incidence changed slightly due to the movement of service areas and jurisdictions based on the OMB designations and changing disease incidence by region. The 2010 RFGP was revised to reflect those percentage changes. 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
Consolidated Formula Programs, Summary**

CDBG	<u>Min Amt.</u>	<u>Max Amt.</u>
Competitive	\$22,654,000	\$22,654,000
Formula	0	0
Retained for State Project	0	0
Non-Competitive	\$1,000,000	\$1,000,000
State Administration of Program	<u>\$834,568</u>	<u>\$834,568</u>
Total	\$24,488,568	\$24,488,568

HOME	<u>Min Amt.</u>	<u>Max Amt.</u>
CHDO Round	\$1,488,611	\$1,488,611
Special Needs Round	\$992,407	\$992,407
Regional Round	\$6,450,646	\$6,450,646
Administration	<u>\$992,407</u>	<u>\$992,407</u>
Total	\$9,924,071	\$9,924,071

ESG	<u>Min Amt.</u>	<u>Max Amt.</u>
THDA Targeted Set-Aside	\$100,000	\$100,000
Chattanooga Set-Aside	\$84,000	\$84,000
Small Cities Set-Aside	\$1,230,153	\$1,230,153
Competitive Allocation	\$1,135,526	\$1,135,526
Administration	<u>\$206,730</u>	<u>\$206,730</u>
Total	\$2,756,409	\$2,756,409

HOPWA	<u>Min Amt.</u>	<u>Max Amt.</u>
Competitive	0	0
Formula	\$919,031	\$919,031
Non-Competitive	0	0
State Administration of Program	<u>\$28,424</u>	<u>\$28,424</u>
Total	\$947,455	\$947,455

METHOD OF DISTRIBUTION OF FUNDS OTHER FEDERAL AND NON-FEDERAL RESOURCES

Other Federal Resources to be Made Available

A. HUD Section 8 Tenant Based Rental Assistance Program

While several agencies throughout the state administer the Section 8 Tenant Based program, THDA's program is authorized to operate in 95 all counties. THDA's Section 8 Tenant Based program is administered through eight field offices located in Cookeville, Erin, Jackson, Knoxville, Lewisburg, Madison, 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. THDA currently serves approximately 6,000 families through this program.

B. HUD Section 8 Contract Administration Program

Since 2000, the THDA Contract Administration Division has had responsibility for administration of Section 8 Project Based HAP Contracts throughout the state. As of the end of calendar year 2012, the Division had 397 contracts, representing 29,251 units, and monthly Housing Assistance Payments (HAP) that average approximately \$12,396,258 per month. The Contract Administration Division expects the number of contracts, number of units and amount of HAPs per month to be stable for calendar year 2013.

C. Low Income Housing Tax Credit Program (LIHTC)

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 application cycle annually based on level of tax credit authority, demand and the 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 priority to persons on current public housing waiting lists;
- Plan to develop housing designed for Households with Children, Elderly, Persons with disabilities, Homeless (permanent, non-transient) or include extended use restrictions for low-income occupancy beyond 15 years; or
- Elect to set aside a minimum of ten percent of the units for households with income no higher than 50% of the area median income.

Other Non-Federal Resources to be Made Available

E. 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 90 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, to the originating agent and will close soon thereafter.

At present, the agency has seven Homeownership programs. Income limits and acquisition limits apply to each.

In the **Great Rate** program, the interest rate as of April 10, 2012 is 3.95%. Income limits vary by county and by household size. The lowest household income rates, which occur in the rural non-metro counties, are \$54,480 for a household of one or two persons and \$63,560 for a household of three or more persons. The highest household income rates occur in Nashville MSA counties and are \$79,440 for households of one or two persons, and \$92,680 for households of three or more persons. Acquisition cost limits are \$240,000 for all counties except those in the Nashville MSA, where the limit is \$275,000. Income and acquisition cost limits are subject to change. In addition, homebuyer education is not required for this program.

Great Advantage offers a 2% down payment and closing cost assistance on FHA, VA, and USDA/RD loans to qualified buyers. The interest rate for this program, as of April 10, 2012 is 4.25%. To help the new home buyer maintain sustainable homeownership, homebuyer education or counseling is required. The income and acquisition cost limits of the Great Rate program apply to Great Advantage also.

Great Start offers a 4% down payment and closing cost assistance on FHA, VA, and USDA/RD loans to qualified buyers. The interest rate for this program, as of April 10, 2012 is 4.55%. To help the new home buyer maintain sustainable homeownership, homebuyer education or counseling is required. The income and acquisition cost limits of the Great Rate program apply to the Great Start program also.

The **Veteran Homeownership for the Brave** program offers a below market interest rate to qualified members of the United States military, National Guard, veterans and some widowed military spouses. A 50 basis point rate reduction applies to the following loan programs: Great Rate, Great Advantage and Great Start, based on the current THDA rate at the time of the loan submission. The following government insured loan products are available: FHA, VA and USDA/RD 30-year fixed rate mortgages. The income and acquisition cost limits of the Great Rate, Great Advantage and Great Start programs apply to Veteran Homeownership for the Brave.

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. THDA currently works with 30 non-profit partners. Effective in April, 2012, the New Start Program is delivered in three tiers:

Tier I - The maximum household income limit is \$32,760 which is 60% of the statewide median income. The interest rate for the Tier 1 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 \$38,220 which is 70% of the statewide median income. Currently the interest rate on the Tier II program is 1.975%. The Tier II interest rate is subject to change. The maximum loan amount cannot exceed 75% of the appraised value.

Tier III - This program will allow the New Start Partners to purchase foreclosed properties in their area and renovate and/or rehabilitate them. Loans to eligible borrowers for these properties will be purchased by THDA. The interest rate on these loans will be the same as Tier II (1/2 of THDA's Great Rate). The maximum household limit for the Tier III program cannot exceed \$38,220, which is 70% of the statewide median income. Currently, the interest rate on the Tier III program is 1.975. The Tier III interest rate is subject to change. The maximum loan amount cannot exceed 75% of the appraised value.

Preserve Home Improvement Loan Program An affordable-cost loan program has been developed by Tennessee Housing Development Agency (THDA) to help low and moderate-income homeowners make necessary home repairs. The Preserve Loan Program is part of the innovative Housing Trust Fund (HTF) established by THDA in 2006 with an approximately \$1 million appropriation from the Tennessee General Assembly. The Housing Trust Fund is an umbrella for many housing assistance programs.

The interest rate for this program is 4% and the loan amount cannot exceed \$30,000. Income limits vary by county and by household size. The lowest household income limits, which occur in the rural non-metro counties, are \$54,480 for a household of one or two persons and \$63,560 for a household of three or more persons. The highest household income limits occur in Nashville MSA counties and are \$79,440 for households of one or two persons, and \$92,680 for households of three or more persons. Appraised value of the property prior to closing shall not exceed the acquisition cost limits for the THDA Homeownership Choices Program.

Fifth Third Bank was the first bank to partner with THDA to offer the program statewide to enable homeowners with low to moderate income to make necessary home repairs. Fifth Third Bank committed a full-funded \$3.25 million line of credit to initiate the program.

First State Bank is partnering with THDA to offer program in the Madison County (Jackson) area of West Tennessee to enable homeowners with low to moderate income to make necessary home repairs. First State Bank committed a fully-funded \$500,000 line of credit to initiate the program in Madison County.

F. Community Investment Tax Credit (CITC)

Financial institutions may obtain a credit against the sum total of taxes imposed by the Franchise and Excise Tax Laws when qualified loans, qualified investments, grants or contributions are extended to eligible housing entities for engaging in eligible low-income housing activities. The amount of the credit shall be applied one time and will be based on the total amount of the loan, investment, grant, or contribution; or the credit may be applied annually for qualified loans and qualified low rate loans and will be based on the unpaid principal balance of the loan. The amount of the credit shall be as follows:

- Five percent (5%) of a qualified loan or qualified long term-term investment; OR three percent (3%) annually of the unpaid principal balance of a qualified loan as of December 31 of each year for the life of the loan, OR fifteen (15) years, whichever is earlier.
- Ten percent (10%) of a qualified low rate loan, grant, or contribution; OR five percent (5%) annually of the unpaid principal balance of a qualified low rate loan as of December 31 of each year for the life of the loan, OR fifteen (15) years, whichever is earlier.

The program is administered in cooperation with the Tennessee Department of Revenue. THDA will certify the housing entity and activity as eligible to receive the tax credits. The Tennessee Department of Revenue will award the tax credits to the financial institutions. The eligible

housing entity will be required to maintain records as requested by THDA to ensure that **affordable housing opportunities are being provided.**

G. 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 approximately \$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, and site preparation.

H. Emergency Repair Program for the Elderly

In January 2007, THDA created a \$2 million statewide Emergency Repair Program for the Elderly. The program is administered through the nine Development Districts that are located throughout the state and it provides grants to low income, elderly homeowners who are 60 years or older to correct, repair, or replace an essential system and/or a critical structural problem. The purpose of the program is to stabilize the elderly homeowner's residence by making rapid, essential repairs to make the home livable. This is not a comprehensive homeowner rehabilitation program. THDA's Board of Directors has allocated an additional \$2 million each subsequent fiscal year for a total of \$14 million to this program through FY 12-13.

III. GEOGRAPHIC DISTRIBUTION OF FUNDS

In general, the four consolidated formula programs described in the Action Plan reach all areas of the State of Tennessee through a state-wide distribution of funds, with the exception of entitlement areas, which receive their own funding directly from HUD. Each program has exceptions to the statewide distribution. The ways in which funds are distributed geographically for each program are as follows:

1. 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, Franklin, Hendersonville, Jackson, Johnson City, Kingsport, Knoxville, Memphis, Morristown, Murfreesboro, Oak Ridge, the Metropolitan Government of Nashville-Davidson County, and the counties of Knox and Shelby.

2. 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 the CHDO set-aside, 10% to the Supportive Needs set-aside, and 65% allocated regionally based upon the percentage of low-income households in areas of Tennessee, excluding local HOME Participating Jurisdictions (PJs). Local PJs are those local governments in Tennessee that receive HOME funds directly from HUD. 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, Sullivan County, and Washington County, excluding the Town of Jonesborough).

3. ESG

The ESG Program makes funds available to ten of the CDBG Entitlements that do not receive ESG grants, but address homelessness through the Continuum of Care described in their Consolidated Plans. The cities include: Bristol, Clarksville, Cleveland, Franklin, Jackson, Johnson City, Kingsport, Morristown, Murfreesboro and Oak Ridge. The ESG Program also provides Chattanooga with a set-aside, due to a loss of its direct ESG allocation from HUD. The remaining funds are made available to eligible applicants in a competitive grant review process.

4. HOPWA

The State HOPWA program allocates funds by region in the state to Project Sponsors. Project Sponsor regions cover all of the counties in the state not covered by the HOPWA EMSA entitlements. Organizations meeting the requirements established in the RFGP may apply for state funds on a regional basis as part of a competitive application process.

IV. SUMMARY OF PRIORITIES AND OBJECTIVES

The HUD Performance Measurement Outcome System states the following three objectives: to create a suitable living environment, to provide decent housing and to create economic activities. In its five-year Consolidated Plan, the State of Tennessee developed four priority areas, which compliment HUD's objectives and contain a list of action steps, which serve as objectives in meeting the State's priority areas. Each of the priority areas relate to housing and non-housing community development needs and include the following:

Housing

1) **Preserve affordable housing stock, increase the amount of affordable housing and increase home ownership opportunities**

Action Steps

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

Non-Housing Community Development

2) **Provide for the viability of communities through ensuring infrastructure, community livability, health and safety, and economic development**

Action Steps

- G. 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.
- H. Provide safe, reliable wastewater services to low and moderate-income families in underserved areas of the state.
- I. Provide economic development opportunities through the financing of infrastructure development, manufacturing facilities and equipment that support job creation for low and moderate-income people.
- J. General enhancement of quality of life in low and moderate-income neighborhoods throughout the state.

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

Action Steps

- K. Support the acquisition or rehabilitation of facilities to house homeless persons or those at risk for homelessness.
- L. Provide funds to assist persons at risk for homelessness.
- M. Increase the amount of services provided to mentally ill homeless.
- N. Encourage programs to support children in homeless facilities to receive preventative and emergency medical care, as well as other developmental or cognitive services.
- O. Provide supportive services and housing-related services for persons who are HIV positive or have AIDS.

4) Affirmatively further fair housing and ensure access to business opportunities in the state for women and minority-owned businesses

Action Steps

- P. Conduct an Analysis of Impediments to Fair Housing Choice in the state.
- Q. Convene fair housing and Title VI workshops in the state for local governments, grantees, housing providers, advocates and consumers.
- R. Provide fair housing information throughout the state informing citizens of their housing rights.
- S. 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 activities for each of the four formula programs, which specifically address the priority areas, action steps and HUD's Performance Measurement Outcome System, are included in State Table 3B, State Annual Affordable Housing Goals and Table 3C, Annual Action Plan Planned Project Results. These tables are included in Appendices C and D of this document. A brief summary of the activities and their relationship to HUD's Performance Measurement Outcome System and the State's priority areas are below.

CDBG funds will be used for acquisition, public facilities, clearance and demolition, relocation, housing rehabilitation and economic development activities. CDBG activities contribute to the availability and accessibility of economic opportunities, providing decent and affordable housing and sustaining a suitable living environment. Housing rehabilitation and clearance and demolition funds preserve the affordable housing stock and serve to revitalize deteriorating neighborhoods. Funds for public facilities projects include water and sewer services to low-income areas and their residents, thereby improving the safety and livability of neighborhoods and communities. Economic development activities increase access to opportunity, capital and jobs.

HOME funds will be used for acquisition, homeowner rehabilitation, rental rehabilitation, homebuyer new construction and down payment assistance. All of the HOME activities contribute to providing affordable and decent housing, improving the availability and accessibility to decent housing and sustaining affordable housing. Homeowner and rental rehabilitation funds preserve the affordable housing stock and sustain the amount of decent housing available in communities. Homebuyer and down payment activities increase the amount of affordable housing and increase homeownership activities throughout the state.

ESG funds will be used for rapid re-housing, homelessness prevention, street outreach and emergency shelter activities. All of the ESG activities contribute to providing decent housing for program beneficiaries. Homeless assistance, street outreach and emergency shelter activities provide funds for the housing and supportive service needs of homeless individuals and families. Homelessness prevention activities provide funds and support for persons at risk of homelessness.

HOPWA funds will be used for operation of housing information services, short-term mortgage and utility payments, supportive services and the permanent housing placement program. All HOPWA activities improve the affordability of decent housing under HUD's Performance Measurement Outcome System. All of the HOPWA activities seek to provide housing and supportive services for special needs persons who are HIV positive or have AIDS, as well as their family members.

The Section 8 program provides rental assistance and incorporates the Family Self-Sufficiency program into its operations. The Section 8 to Homeownership program allows eligible voucher participants to utilize the voucher to pay a portion of their mortgage. 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. Both of these programs contribute to the affordability of decent housing.

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 Homeownership program increases ownership rates, particularly among low-income and minority households.

The THDA Homebuyer Education Initiative (HBEI) provides training in 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 receive 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. CITC and BUILD both provide opportunities for the development of affordable housing throughout the state.

V. OUTCOME MEASURES

In order to quantify the priorities and objectives associated with the State's priority areas and HUD's Performance Measurement Outcome System, the consolidated planning partners have completed Table 3B, State Annual Housing Goals and Table 3C, Annual Action Plan Planned Project Results. These tables have been completed for the four formula programs and can be found in Appendices C and D of this document.

For the CDBG and HOME Programs, the performance indicators include the number of units or projects expected to be completed under each of the activity descriptions. Approximations of the number of units or projects to be completed are based on the level of funding and units/projects completed during prior grant years. The performance of ESG and HOPWA activities include the number of clients served under each of the programs' activities. Approximations of the expected number of clients to be served were also developed using information from prior years regarding the number of clients served in each eligible category, based on the amount of available

funding. The performance indicators, which are intended to measure the outcomes of the four formula programs' activities, and the expected number to be completed during Fiscal Year 2012-13 can be found in Table 3C, Annual Action Plan Planned Project Results (Appendix D).

VI. AFFORDABLE HOUSING GOALS

The number of homeless, non-homeless and special needs households to be provided affordable housing, using funds made available to the State through each of the four formula programs, can be found in Table 3C Annual Action Plan Planned Project Results (Appendix D). The aggregate results of the four programs are included in the column titled "Expected Annual Number of Units to Be Completed" of Table 3B (Appendix C). Approximations for the number of units and households served under each of the four formula programs are based upon the expected federal allocations and are subject to change.

VII. HOMELESS AND OTHER SPECIAL NEEDS ACTIVITIES

The ESG and HOPWA programs specifically address homeless and other special needs activities. The supportive needs activities through the HOME Program also address special needs populations. ESG will address the needs of homeless persons or those at risk of homelessness through street outreach, emergency shelter, rapid re-housing and homelessness prevention activities. Complete details regarding each of these activities may be found in Section III. Method of Distribution and Program Descriptions. The number of clients to be served under each of these activities is found in Table 3C, Annual Action Plan Planned Project Results (Appendix D).

The HOPWA program will specifically address homeless and other special needs activities to low-income clients who are HIV positive or have AIDS and their families, as outlined in 24 CFR 500-700. Specific activities include: housing information services, short-term mortgage and utility payments, supportive services and the permanent housing placement program. More information about each of these activities may be found in Section III. Method of Distribution and Program Descriptions. The number of clients to be served under each of the HOPWA activities may be found in Table 3C, Annual Action Plan Planned Project Results (Appendix D).

The HOME program also works to provide housing for those with special needs through the supportive needs allocation of HOME funds. Ten percent of the total allocation will be reserved for eligible applicants proposing rental projects serving special needs populations with appropriate on-site services. Activities in the supportive needs housing category are limited to rental housing and include housing designed for persons with a specific type of disability who could not reside in housing that is available to the general public due to a condition that can be either a permanent or temporary disability.

VIII. OTHER ACTIONS

Lead Based Paint

The State of Tennessee addresses hazards of lead based paint in the state through the programs and initiatives discussed in this section.

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

professionals. The Prevention Programs requires TennCare, the state health system for uninsured persons, to test children enrolled in the program. The department coordinates 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 Tennessee.

Lead-based paint policies are also in effect for the CDBG and HOME programs in Tennessee. Specifically, grantees must give participants notice of possible lead hazards within the unit when the house is dated 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 allocations. 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 allocations 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 Section 8 Rental Assistance program, administered by THDA, 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 who 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.

The Quality Work Responsibility Act and the requirement of the Public Housing Authorities (PHA) to develop a five-year plan have altered the relationship between the State of Tennessee and the public housing authorities. The State supports local PHA initiatives that provide self-sufficiency assistance to residents, encourages literacy, and provides safe places for children residing in public housing. The State further supports initiatives that serve the elderly and those with disabilities in public housing. The State is currently required to review and sign off on the five-year plans of PHAs and attempts to support PHAs by streamlining the review process. The State also tries to ensure that residents have been informed of the impact that such five-year plans have on their organizations.

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. However, the State 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 five-year Consolidated Plan and online at www.thda.org. The guidelines may be accessed by clicking on the Research and Planning Section of the webpage.

Barriers to Affordable Housing

The State of Tennessee's five-year plan identified a number of barriers to affordable housing. Among the barriers identified included: growth rates in some areas of the state that may impact housing costs, neighborhood resistance to the development of affordable housing, absence of infrastructure, water and wastewater services, and a lack of adequate zoning, building and code enforcement at the local level.

The State of Tennessee works to address barriers to affordable housing and affirmatively furthers fair housing through the following goals and action steps:

- Increase the amount of affordable housing stock.
- Rehabilitate the current housing stock to maintain affordable units 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.

Since the completion and approval of the five-year consolidated plan, the consolidated partners have identified the lack of a state-wide Analysis of Impediments to Fair Housing Choice as another barrier to affordable housing. The State's plan to address this barrier is included in Section VII. Other Actions, Affirmatively Furthering Fair Housing.

Anti-Poverty Strategy

Tennessee's 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 area median income (AMI). 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. The ways in which the State addresses the circumstances of very low and low-income persons and families is described below.

CDBG - For several years the CDBG program did not separate low and moderate- income beneficiary data to show participants below 30% of the AMI. ECD is now collecting data on program participants below 30% of the AMI. 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.

HOME - The HOME Program serves very low and low-income households. Very low-income households are defined as those households whose annual income is 50 percent or less of the area median income (AMI) for the county in which the household resides. Low-income households are defined as those households whose annual income is between 50 percent and 80 percent of the AMI for the county in which the household resides. 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 intent that very low-income persons be served.

In addition to the HOME and CDBG programs, 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 Program and Families First 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 low-income families in finding and maintaining employment.

Coordination of Public and Private Housing and Social Service Agencies

The four formula programs that are addressed and applied for within the Action Plan are carried out by entities other than the State and include local governments and nonprofit organizations. These entities are responsible for conducting the actual activities associated with each program. Of the other federal and non-federal resources discussed in this plan, the Section 8 Housing Choice Voucher Program for the counties covered by THDA is the only program directly administered in its entirety by THDA for the State of Tennessee. 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 TN Department of Human Services, the TN Department of Health, and the TN 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.

Affirmatively Furthering Fair Housing

In previous grant years, the State of Tennessee has required counties that received CDBG assistance to have a current Analysis of Impediments to Fair Housing Choice (AI) that could last up to five years. Local AIs were submitted to ECD for review and a summary of impediments was developed annually. Local governments also provided a list of fair housing activities they completed throughout the year. Each of the four formula programs currently require subrecipients to follow all federal and state requirements in regards to fair housing and many are required to complete fair housing activities through their contract with the State.

Beginning in October of 2011, the consolidated partners began a series of meetings to modify the current procedures regarding the AI and the State's obligation to affirmatively furthering fair housing. The consolidated partners find the current process for completing AIs to be inadequate in properly identifying and addressing barriers and impediments to fair housing choice in Tennessee. In collaboration with HUD's Office of Fair Housing and Equal Opportunity (FHEO), the consolidated partners have developed steps and a timeline to ensure the State of Tennessee is compliant with fair housing laws and is fulfilling its obligation to affirmatively further fair housing.

One of the most important steps to preparing a meaningful fair housing plan in Tennessee is the completion of a state-wide AI, which identifies impediments to fair housing choice that are unique to Tennessee and the ways in which the State hinders or may work towards improvement of identified impediments. It was decided that a third party consultant would be secured to complete the AI and that ECD would be the lead agency for coordinating the AI's completion.

At a March 2012 meeting the consolidated partners developed the following propose timeline for securing a consultant and completing the AI:

Activity	Timeline	Responsible Entities
Develop consultant RFP, RFP approval	April - June 2012	ECD
Solicit RFP for 30 days	June - July 2012	ECD
Review RFPs, selection of consultant by August 15 th	July - August 2012	ECD
Secure contract with consultant and report progress in CAPER	August - September 2012	ECD, THDA, DOH
Consultant to conduct AI study and complete by February 1 st	September 2012 - February 2013	ECD
Consolidated partners to review AI findings, identify actions to be taken and develop a long-term fair housing plan	February - March 2013	ECD, THDA, DOH
Develop and identify one-year goals and activities to address impediments found in AI and that address Fair Housing Plan in FY 2013-14 Action Plan	March 2013 - May 2015	ECD, THDA, DOH
Address impediments through completing steps and actions as identified in the AI and fair housing plan	Ongoing	ECD, THDA, DOH
Monitor progress, adjust activities and fair housing plan as impediments continue to be identified and addressed	Ongoing	ECD, THDA, DOH

The consolidated planning partners have met quarterly since an initial meeting in November 2012 and will continue to meet quarterly to discuss the progress of fair housing activities and the completion of an AI. While the AI is being completed, the consolidated partners will continue fair housing activities that were carried out in past years and will also work together to develop new activities and improve current activities. The goal of the consolidated partners is not only to promote fair housing in Tennessee, but to affirmatively further fair housing through its programs and actions.

The consolidated partners recently submitted a list of current fair housing activities to FHEO. During a HUD-sponsored training in February, suggestions were provided to improve fair housing activities while the AI is being completed. Activities being carried out by each of the consolidated partners and activities they intend to complete during FY 2012-13 include the following:

Department of Economic and Community Development (ECD)

The overall programmatic activities funded through the CDBG program work towards furthering fair housing across the state. CDBG projects are targeted at improvements, which benefit low and moderate-income people, as well as minorities, persons with disabilities, elderly persons and female-headed households. ECD collects and analyzes data on those served by CDBG projects and reports findings to HUD annually.

In its CDBG manual, ECD informs all grantees of their roles and responsibilities and program requirements. Each grantee is required to conduct a fair housing activity, must document

relocation that occurs due to grant activities, must include equal opportunity language in their contracts, must create and post an Equal Opportunity Employer policy, must follow Section 3 requirements, must follow Section 504, must involve minority and female contractors and must complete contractor activity reports that outline contracts. While the state-wide AI is being conducted, subrecipients will not be required to provide a local AI; instead, grant recipients will be required to participate in ECD-sponsored workshops that train communities on fair housing. In May or early June, 2012, ECD will conduct four workshops across Tennessee covering fair housing. The workshops will be required for subrecipients who have been awarded funds during FY 2012-13. During Fiscal Year 2012-13, ECD will consider additional options for future participation by subrecipients with regards to the AI.

ECD also sponsors, assists in the planning for, and attends the Tennessee Fair Housing Matters Conference during fair housing month each year. ECD is the lead agency for the coordination and completion of the AI. Together with the consolidated partners, ECD will assist in creating a strategy to address impediments found in the AI. During the time the AI is being completed and coordinated, ECD will continue to keep subrecipients informed of the process and requirements they must meet. Upon completion of the study, ECD has plans to disseminate findings to subrecipients and will plan to provide educational opportunities for subrecipients on identifying fair housing issues and working to improve existing impediments.

Tennessee Housing Development Agency (THDA)

THDA conducts a variety of activities and enforces numerous requirements throughout its programs, including the ESG and HOME programs, to affirmatively further fair housing. THDA ensures compliance with all fair housing requirements and state and federal laws among subrecipients through its contracts and monitoring procedures. Subrecipients of the HOME program are required to adopt affirmative marketing procedures and requirements and are also responsible for conducting a fair housing activity each year. During the HOME Grantee Workshop, THDA conducts a fair housing training component for subrecipients. ESG subrecipients are also required to comply with all state and federal laws and carry out a minimum of one activity that promotes fair housing.

Fair housing and Title VI training are also provided for other THDA Programs including the Homeownership Programs, Section 8 Rental Assistance, Section 8 Contract Administration and the Emergency Repair for the Elderly program. THDA partners with advocacy organizations such as West Tennessee Legal Services and the Tennessee Fair Housing Council to provide education. THDA will continue fair housing training for all these programs in FY 2012-13. Upon completion of the AI, THDA will be better able to target its training to the unique needs of the communities served by THDA programs.

THDA plans, sponsors, organizes and attends a number of fair housing events. Each year, THDA hosts the Governor's Housing Summit, a two-day event with informational sessions on providing safe, sound and affordable housing opportunities for all Tennesseans. During FY 2012-13, the Governor's Housing Summit will take place on October 9-10, 2012 in Nashville. Fair Housing issues have been covered in past Summits and will be included on the 2012 Summit agenda. The Summit provides an opportunity for experts in the field of fair housing and anti-discrimination to provide training for THDA employees, subrecipients, members of nonprofit organizations and people involved in both the private and public housing market.

Other events and educational opportunities that THDA will participate in during FY 2012-13 include the Tennessee Fair Housing Matters Conference, the West Tennessee Fair Housing Celebration and possible events or trainings held by HUD, the Tennessee Human Rights

Commission, the National Council of State Housing Agencies and the Southeastern Affordable Housing Management Association.

During FY 2012-13, THDA will take a number of actions to improve its ability to affirmatively furthering fair housing prior to the completion of the AI. Among the activities and initiatives that THDA will complete during FY 2012-13 include:

- Continue to partner with consolidated partners to develop an AI and a plan of action to address the impediments found in the AI after its completion. Develop a long-term fair housing plan that addresses the impediments and other actions to affirmatively further fair housing for inclusion in the submission of the FY 2013-14 Action Plan in May of 2013.
- A comprehensive housing needs assessment that will look specifically at the housing needs of households residing within regions covered by THDA programs, as well as other parts of the state that receive their own HUD funding. THDA will better be able to gauge how well its programs, including HOME and ESG, are targeting households who need assistance the most.
- The launch of a fair housing, Title VI and anti-discrimination section of the THDA webpage, which will provide access to federal and state fair housing regulations, laws and resources, as well as links and instructions to file fair housing and Title VI complaints.
- Strengthen outreach efforts to LEP populations by working with advocacy groups, advertising public notices and public meetings in Spanish and in Spanish newspapers and continuing to translate vital documents. THDA will also research and assess whether there is a need to translate documents and public notices in languages other than Spanish.
- Conduct a Title VI Compliance Plan and submit to the Tennessee Human Rights Commission by October, 2012.
- Utilize GIS technology and HUD mapping capabilities to study the location of THDA projects in relation to areas of minority concentration.
- Continue to develop and complete an ADA Compliance Plan with the goal of making THDA's programs and activities more accessible to persons with disabilities. The plan will include grievance procedures, which will be publicized on THDA's website.

Department of Health (DOH)

All HOPWA Project Sponsors are required to comply with anti-discrimination legislation including the Americans with Disabilities Act, Title VI and the Fair Housing Act. In addition, all services provided with funds from the HOPWA program are used to assist beneficiaries regardless of their race, religion, national origin, disability and familial status. Although direct housing services are only a portion of the HOPWA program, the Department of Health takes measures to ensure all services are provided free of discrimination.

During FY 2012-13 DOH will continue the following activities in regards to fair housing: host and attend job fairs that promote fair housing practices and training, participate in webinars that prepare communities for the release of funds and contain anti-discrimination and fair housing regulations and attend Veteran Career expos that provide affordable housing and job information for veterans.

DOH's contracts with Project Sponsors contain anti-discrimination conditions and subrecipients are required to show proof of nondiscrimination upon request and must post notices of

nondiscrimination. During FY 2012-13, DOH will review its contracts with Project Sponsors and program materials to strengthen language surrounding fair housing. HOPWA staff will continue to become more involved in educational opportunities regarding fair housing in the upcoming fiscal year. Some of the events staff may attend include the Fair Housing Matters Conference, the Governor's Housing Summit and HUD educational opportunities. DOH will also continue to be involved in the development and completion of the AI and a long-term Fair Housing Plan for Tennessee.

IX. MONITORING AND COMPLIANCE

Each state department responsible for the administration and delivery of the four programs addressed in the Action Plan has developed 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 five-year Consolidated Plan and Annual Action Plans.

X. CITIZEN PARTICIPATION

In accordance with the guidelines of the five-year Consolidated Plan and the State of Tennessee's Citizen Participation Plan, a notice describing the FY 2012-13 Action Plan was placed in newspapers across the state in both English and Spanish. The notice advises citizens that copies of the Action Plan are available for citizen review and comment at each of the nine Development Districts across the state and on the THDA website. The THDA website also provides an online comment forum for citizen participation and comments. The comment period for the Action Plan is 15 days, as is specified in the Citizen Participation Plan. No comments were received for the FY 2012-13 Annual Action Plan.