



HHF Blight Elimination Program Guide

January 2017

(Revised September 2018)

**BEP Program Guide
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THE GUIDE

The Hardest Hit Fund (“HHF”) Blight Elimination Program (“BEP”) is implemented by the Tennessee Housing Development Agency (“THDA”) and funded by both THDA and the U.S. Treasury (“Treasury”). This HHF Blight Elimination Program Guide (“Program Guide”), together with all subsequent revisions, modifications or updates provided by THDA, contains information about the BEP and specific requirements for program participant applications and for BEP loan applications submitted, closed and delivered to THDA (“BEP Loans”).

THDA may revise, modify or update this Program Guide from time to time and will notify the BEP Program Participants of such changes via email or by posting such changes to the THDA web site at www.THDA.org.

SINGLE FAMILY SPECIAL PROGRAMS DIVISION

The Single Family Special Programs Division has day-to-day operational responsibility over the origination, processing and closing of the BEP Loans. All correspondence should be directed to:

Single Family Special Programs
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Nashville, Tennessee 37243

Special Programs General Information 615-815-2100

Toll-Free Voice Mail 1-800-228-8432

Fax (24 hours a day, 7 days a week) 615-649-3153

Via Email..... BEP@thda.org

Any interested person may receive a packet of general information concerning THDA loan programs by leaving their name and address on the Special Programs General Information line (see below) or on the THDA toll-free (TN) message line: 1-800-228-8432.

Information is also available on the THDA website at www.THDA.org.

HOURS OF OPERATION AND HOLIDAY SCHEDULE

The Single Family Special Programs Division hours of operation are 7:30 a.m. until 4:30 p.m. Central Time, Monday through Friday. The Division will be closed on official State holidays which are as follows:

New Year's Day
Martin Luther King Day
Presidents' Day
Good Friday
Memorial Day
Independence Day
Labor Day
Columbus Day*
Veteran's Day
Thanksgiving Day
Christmas Day**

* This holiday may be exchanged for a holiday on the Friday after Thanksgiving.

**Other holidays around Christmas may be announced later.

BEP STAFF DIRECTORY

Name and Title	Telephone	Email Address
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Cynthia Peraza, Director of Special Programs	615-815-2112	CPeraza@thda.org
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BEP OVERVIEW

BEP is designed as a targeted, first come first served program to lend recaptured HHF funds for the demolition and/or acquisition and demolition of blighted one to four unit residential structures in targeted areas to assist in neighborhood stabilization and in preventing foreclosure by helping to stem decline in home values. To be eligible, entities must submit applications that meet BEP requirements and THDA's goals for blight elimination.

Based on instruction from U.S. Treasury, this program will have limited applicability within specific targeted areas identified by THDA in accordance with U.S. Treasury requirements. **BEP will operate only in Shelby, Madison, Montgomery, Hamilton, Knox, and Anderson Counties.**

A property acquired and demolished with a BEP Loan must be maintained "greened" for a period of three (3) years or redeveloped for the benefit of the community. The only exception to this requirement is if new affordable housing that meets THDA acquisition cost and income requirements is constructed on the property.

BEP is a two-phased loan program. In the first phase ("Stage 1 Loan"), THDA funds will be lent to an eligible Participant for acquisition, demolition and greening of a previously approved lot. In the second phase ("Stage 2 Loan"), a Stage 2 Loan made with recaptured HHF funds will be used to repay the Stage 1 Loan in accordance with the U.S. Treasury approved Summary Guidelines attached hereto as Exhibit "A" and incorporated herein by this reference.

BEP PROGRAM DURATION

The BEP will begin on November 1, 2015 and will last as long as funds for BEP Stage 1 and Stage 2 Loans are available or until September 30, 2020, whichever occurs first. All funds for BEP Stage 2 Loans must be disbursed by or before December 31, 2020.

LOAN TERMS

STAGE 1 LOAN TERMS	
Maximum Loan Amount	\$25,000.00
Interest Rate	0% fixed rate
Loan Term	180 days
Forgiven	No
Available for Modification	No
Available without Stage 2 Loan	No
Targeted Counties	Shelby, Madison, Montgomery, Hamilton, Knox, Anderson

STAGE 2 LOAN TERMS	
Maximum Loan Amount	\$25,000.00
Interest Rate	0% fixed rate
Loan Term	3 years
Forgiven	1/3 per year (or 100% if end use of lot meets certain criteria)
Available for Modification	Yes
Available without Stage 1 Loan	No
Prepayment Penalty	No

PROGRAM PARTICIPANT ELIGIBILITY

To be eligible to be a BEP Program Participant, an applicant must be a local nonprofit entity or a land bank as described below.

For Nonprofit Applicants:

- Be a nonprofit organized under Tennessee law with 501(c)(3) status from the IRS for at least two years prior to the date of this application;
- Be engaged in affordable housing development activities in the counties within which the BEP Program operates for at least two years prior to the date of this application;
- Demonstrate sufficient capacity and experience to carry out the required activities;
- Identify properties to be addressed through BEP;
- Demonstrate preparation to proceed with the eligible activities upon closing and funding of the first Stage 1 Loan.

For Land Bank Applicants:

- Be a land bank formed and organized under Tennessee Code Annotated Section 13-30-101, et seq.
- Be engaged in affordable housing development activities within (i) the jurisdictional boundaries of the local government establishing the land bank and (ii) the counties within which the BEP Program operates;
- Demonstrate sufficient capacity to carry out the required activities;
- Demonstrate sufficient experience or have staff employed with sufficient experience to carry out the required activities;
- Identify properties to be addressed through BEP;
- Demonstrate preparation to proceed with the eligible activities upon closing and funding of the first Stage 1 Loan.

In order to apply, a nonprofit applicant must complete the HHF Blight Elimination Program Participant Application and submit all of the required documentation as specified on the BEP Program Participant Application Checklist. A land bank applicant must complete the HHF Blight Elimination Program Land Bank Participant Application and submit all of the required documentation as specified on the BEP Program Land Bank Participant Application Checklist. Once an applicant is approved to participate, has executed a BEP Program Participant Agreement, and returned it to THDA, THDA will provide the new BEP Program Participant (“BEP Program Participant”), with access to THDA’s secure portal that will allow the BEP Program Participant to submit BEP Loan Applications.

The HHF Blight Elimination Program Participant Application, the BEP Program Participant Application Checklist, the HHF Blight Elimination Program Land Bank Participant Application, and the BEP Program Land Bank Participant Application Checklist are located at www.THDA.org.

PROGRAM PARTICIPANT COMPENSATION

BEP Program Participants can earn an Administration Fee of \$1,000 per property. The Administration Fee will be disbursed from Stage 1 Loan proceeds once successful completion of Stage 1 has been confirmed and verification of Stage 2 loan closing is obtained.

PROGRAM PARTICIPANT SELECTION PROCESS

A Review Committee, including THDA staff from Internal Audit, Finance, Legal, and Single Family Divisions, will meet on an as needed basis to review and evaluate BEP Program Participant Applications. The Review Committee will discuss each application and factors deemed relevant. Each applicant will be informed of the Review Committee decision via email.

PROGRAM PARTICIPANT BENCHMARKS

A BEP Program Participant must submit a minimum of one (1) BEP Loan Applications per calendar year and meet all other participant requirements to maintain their approval as a BEP Program Participant.

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BEP LOAN PROCESS

Once approved, a BEP Program Participant may submit a BEP Loan Application for each property identified for the HHF Blight Elimination Program. If approved, the BEP Program Participant can have a maximum of 10 active Stage 1 loans at one time. Exceptions may be granted on a case by case basis at THDA's sole discretion. Upon closing of a Stage 2 loan, which pays off a Stage 1 loan, the BEP Program Participant can submit another BEP Loan Application, to maintain the 10 active Stage 1 loan maximum. THDA, at its sole discretion, has the right to lower a BEP Program Participant's maximum.

For a BEP Loan Application for a specific property, a BEP Program Participant must submit each of the following items to THDA:

- (1) A completed property inspection report using THDA's BEP Property Condition Checklist. This inspection can be performed by the BEP Program Participant and must include photos of the interior, exterior (front and back), and visible damage. A BEP Property Condition Checklist is not required if the property is condemned by a City or County where the property is located.
- (2) A complete BEP Loan Application.
- (3) Any documentation identified on the BEP Loan Application Checklist

After review of a BEP Loan Application, if the property meets THDA requirements, THDA will order a title report through a THDA designated Title Company in order to confirm clear title will be available at closing. If the BEP Loan Application does not meet THDA requirements, a Denial Letter will be issued and delivered to the BEP Program Participant within 48 hours of decision.

If the Title review confirms the subject property has a clear title, THDA will issue a Prior to Closing - Conditional Approval Letter to the BEP Program Participant. The conditions listed on the Prior to Closing - Conditional Approval Letter must be satisfied by the BEP Program Participant within 20 business days from the date of issuance.

Once the Prior to Closing - Conditional Approval conditions are satisfied, the BEP Loan Application will be approved or declined. If the loan is approved, the Underwriter will request the closing be performed by the THDA designated Title Company. If declined, a Cancellation Letter will be issued and delivered to the BEP Program Participant within 48 hours of decision.

SUBMITTING A BEP LOAN APPLICATION

To submit a BEP Loan Application, an approved BEP Program Participant must submit the BEP Loan Application and all of the items listed above electronically through THDA's secure portal. No originals will be accepted. Access to THDA's portal will be provided to the BEP Program Participant upon their approval.

The BEP Loan Application, BEP Loan Application Checklist and the BEP Property Condition Checklist are located at www.THDA.org.

PROPERTY ELIGIBILITY CRITERIA

THDA will determine property eligibility based on documentation provided by the BEP Program Participant. For a property to be eligible for the BEP, it must be a vacant and blighted residential property that meets the following criteria:

- Be an existing single-family (1-4 unit) structure;
- Be appropriate for demolition through the BEP Property Condition Checklist and the third party pre-demolition inspection report;
- Be an existing single-family (one to four unit) home.
- Be located in Shelby, Madison, Montgomery, Hamilton, Knox, or Anderson Counties.
- Be vacant for a minimum of 90 days at the time of application.
- Be condemned, or otherwise been determined by the relevant local government to be a nuisance, or meets the definition of “blight” based on the BEP Property Condition Checklist and the third party pre-demolition inspection report.
- Be available for acquisition (if necessary), demolition, “greening”, and maintaining the property for up to three years at a cost that does not exceed \$25,000.
- Have clear title to the property to be delivered to the BEP Program Participant at closing of the Stage 1 Loan.

All properties must be owned by the BEP Program Participant to qualify for BEP. The BEP Program Participant may acquire the properties through tax foreclosure, purchase of tax liens, forfeiture, donation, purchase, or other means. Properties already owned by a BEP Program Participant are eligible, but must be encumbered by a Stage 1 Loan prior to completion of the demolition.

PROPERTY EXCLUSIONS

The following types of properties will not be eligible for BEP:

- Occupied residential properties.
- Commercial properties, multifamily properties.
- Properties listed on federal, state, or local historic register.
- Properties funded through New Start Loan Program.
- Properties not meeting THDA’s property eligibility criteria or otherwise not meeting the BEP Program requirements.

PROPERTY INSPECTIONS

THDA requires two separate pre-demolition inspections to occur prior to closing a Stage 1 Loan and one post-demolition inspection to occur prior to closing a Stage 2 Loan.

Pre-Demolition Inspections:

- At application, the BEP Program Participant must perform a physical inspection of the subject property using THDA's BEP Property Condition Checklist. This inspection report must include color photos of the interior, exterior (front and back), and visible damage.
- Prior to closing a Stage 1 Loan, a pre-demolition inspection report must be provided to THDA. The inspection must be performed by a third party licensed or certified property inspector and include the date of the inspection, name of the inspector, and license or certificate number on the report. This report must include color photos of the interior, exterior (front and back), and visible damage.
- The pre-demolition inspection report and BEP Property Condition Checklist are not required for a property that has been condemned by a City or County entity.

Post-Demolition Inspection:

- Prior to closing a Stage 2 Loan, a post-demolition inspection report must be provided to THDA. This report must include color photos of the vacant lot, street scene, and any other structure or landscaping removed. The inspection must be performed by a third party licensed or certified property inspector and include the date of the inspection, name of the inspector, and license or certificate number on the report.

CONTRACTOR CERTIFICATION

After demolition is complete, the contractor will be required to sign a Contractor Certification form that confirms all applicable Federal, State, and local laws were met in connection with the demolition of the said property.

HISTORIC PROPERTY

Properties listed on a historic register may be subject to historic preservation legislation, which may or may not allow for demolition, therefore, THDA is excluding any property listed on a national, state, or local historic register from participating in the BEP. BEP Program Participants are responsible for determining and verifying if a property is listed on a historic register prior to submitting a BEP Loan Application.

If the property was built 50 years prior to the date of BEP Loan Application, the BEP Program Participant must retain proof that the property was not considered a historic property or has any historic significance to the State Historic Preservation Office. Evidence that the property is not located on the National Register of Historic Places will be verified by THDA at application.

ENVIRONMENTAL REVIEW

Although a formal Environmental Assessment is not required, BEP Program Participants shall consider environmental factors when making property acquisitions. BEP Program Participants shall comply with all applicable federal, state and local regulations, laws and environmental review policies required for demolition. The BEP Program Participant is the responsible entity for purposes of environmental review for all demolition activities.

LEAD-BASED PAINT

BEP Program Participants shall comply with all applicable federal, state and local regulations, laws, and policies in effect regarding lead-based paint.

ASBESTOS REQUIREMENT

BEP Program Participants shall comply with all applicable federal, state and local regulations, laws, and policies required for asbestos removal and disposal. Given the health hazards associated with asbestos, adequate measures should be taken to minimize exposure to such material from the demolition of buildings. All BEP Program Participants and their contractors should adhere to the following guidance in order to comply with federal and state regulations around demolition of blighted structures. Federal asbestos regulations are contained in 40 CFR sections 61.140 through 61.160. The OSHA regulations on asbestos apply to all BEP loans.

Additional guidance may be obtained at Tennessee Department of Environment and Conservation Division's website: <https://www.tn.gov/environment/program-areas/apc-air-pollution-control-home/asbestos-information/demolition-guidance-for-structurally-unsound-buildings.html>

DISPOSAL OF DEBRIS

BEP Program Participants shall comply with all applicable federal, state, and local regulations, laws, and policies around the disposal of debris.

Waste shipment records must be maintained by the BEP Program Participant and submitted to THDA prior to Draw 3. If it is known that asbestos is present, but could not be safely removed or segregated, the BEP Program Participant and/or his contactor must dispose of the debris as if it is asbestos containing material. Questions around this requirement can be submitted to the Tennessee Department of Environment and Conservation Division of Air Pollution Control and Asbestos at asbestos.NESHAP.Program@tn.gov.

DEMOLITION PERMIT

BEP Program Participants shall obtain all required local government permits and pay all associated fees as necessary to permit demolition and greening of a property identified for BEP Program participation.

DEMOLITION NOTICE

The BEP Program Participants will be required to notify the residents of the community of the scheduled demolition. In order to comply with this requirement, the following notice must be given to surrounding residents:

- A sign must be posted in the front lawn of the subject property a minimum of 1 week prior to the scheduled demolition date.
- A flyer must be distributed to neighbors of the subject property informing them of the scheduled demolition date, a minimum of 48 hours prior to the activity. The following residents must receive a copy the flyer:
 - Residents located directly across the street
 - Residents located next to the subject property (to the right and left side)
 - Residents located behind the subject property

The BEP Program Participants will be required to submit a copy of the flyer provided to surrounding neighbors and a picture of the lawn sign posted with the appropriate draw request.

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BIDS FOR PROFESSIONAL SERVICE

A BEP Program Participant that contracts for services (e.g. general contracting or demolition) should develop qualifying criteria and periodically advertise for contractors that meet those criteria. Advertising can be through newspapers, electronically or by mailing to at least three firms offering the desired services. Advertising communication must be retained on file for auditing purposes.

1. A list of the eligible contractors should be maintained and used to obtain the required services.
2. The purchase should be made from the lowest and best bidder whenever possible. If the lowest bid is not accepted, written justification for selecting a higher bid must be provided.
3. If three bids cannot be obtained, appropriate file documentation must be retained for auditing purposes and provided to THDA upon request

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SCREENING/SELECTION OF CONTRACTORS/VENDORS

BEP Program Participants shall screen and select contractors who will perform BEP demolition work and other vendors as needed to perform approved BEP activities. Screening/selection requirements should be rigorous enough to screen out unqualified or unstable contractors, but not so stringent as to prevent the participation of an adequate number of competent contractors. BEP Program Participants shall submit its contractor/vendor screening/selection policy at the request of THDA. BEP Program Participants shall maintain documentation to show that selected contractors meet the minimum requirements listed below and all other requirements contained in the BEP Program Participant's contractor screening and selection policy.

The following minimum requirements apply to the screening of contractors/vendors carrying out BEP activities:

1. Liability insurance: Private contractors participating in a local demolition program must have adequate liability and property damage insurance;
2. Workers compensation: Private contractors with employees participating in a local demolition program must, at a minimum, be paying into the Tennessee Workers' Compensation Program. Private contractors operating a sole proprietorship and who have no employees are exempt from this requirement; however, they must have proof of adequate private medical insurance coverage;
3. Debarment: No private contractor or any of its personnel may be debarred or suspended by THDA or any Federal or State program;
4. Performance: BEP Program Participants must identify and document policies *and* procedures for barring poor performing contractors from initially participating or continuing to participate in the BEP Program;
5. Certifications: Private contractors must have written policies regarding a Drug Free Workplace and Equal Employment Opportunity; and
6. Conflicts of Interest/Code of Conduct: There must be no conflict of interest or code of conduct violation involving any person (volunteer or paid staff or Board member) associated with the BEP Program Participant and any private contractor personnel.

BEP Program Participants may elect to use contractors previously approved by the local jurisdiction within which the BEP activities will be carried out, so long as there is no conflict of interest.

MINORITY AND FEMALE VENDOR SELECTION

Documentation must show efforts to solicit minority and or female vendor participation. A list of minority/female contractors and businesses must be maintained. A statewide directory is available at www.thda.org, if local minority and female owned businesses are not identified.

Supplies, equipment, services, or other items that are less than five hundred dollars (\$500) may be purchased without bids or estimates. Bids may not be necessary if a qualified vendor is the sole source of the items to be purchased, or in cases of emergency, when immediate delivery is necessary for the entity's continued provision of adequate services.

CONFLICT OF INTEREST

None of the following persons shall have or acquire any (i) direct or indirect interest in or (ii) direct or indirect benefit from real property acquired, held, or sold by a BEP Program Participant. None of the following persons shall have or acquire any (i) direct or indirect interest in or (ii) direct or indirect benefit from any contract or proposed contract for materials or services to be furnished or used by the BEP Program Participant.

The following persons are covered by this conflict of interest provision:

- Member of the board of a BEP Program Participant
- Close Relative* of a member of the board of a BEP Program Participant
- Employee, agent or consultant of a BEP Program Participant
- Close relative* of an employee, agent or consultant of a BEP Program Participant
- Member of governing body of the local jurisdiction in which a BEP Program Participant is carrying out BEP activities
- Close Relative* of a member of governing body of the local jurisdiction in which a BEP Program Participant is carrying out BEP activities
- Employee, agent, or consultant of the local jurisdiction in which a BEP Program Participant is carrying out BEP activities, but only if the employee, agent or consultant (i) has or had functions or responsibilities with respect to BEP activities, or (ii) is in a position to participate in a decision making process with respect to BEP activities, or (iii) is in a position to gain inside information about BEP activities

* Close Relative is defined as: Spouse, child, step child, foster child, parent, foster parent, sibling (brother or sister), foster brother or sister, parent-in-law, daughter-in-law, son-in-law, sister-in-law, brother-in-law, grandparent, grandchild, or other family members or persons who reside in the same household.

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BEP TITLE

Once THDA issues a commitment for a Stage 1 Loan, THDA will order a title report through a THDA designated Title Company to confirm clear title will be available at closing. Lack of clear title or title issues unacceptable to THDA in its sole discretion will mean a property is not eligible for BEP Stage 1 or Stage 2 Loans until such title issues are cleared to THDA's satisfaction.

BEP STAGE 1 LOAN

Upon approval of a BEP Loan Application and title review acceptable to THDA, in its sole discretion, a closing will be scheduled for the Stage 1 Loan. THDA's designated Title Company will handle the closing of the acquisition of the property by the BEP Program Participant, if needed, and the closing of the Stage 1 Loan to the BEP Program Participant. Closing Instructions will be provided to the BEP Program Participant once a loan is fully approved.

A Stage 1 Loan is a short term, 0% interest loan with a maximum loan amount of \$25,000, disbursed in a maximum of 5 draws, for a term ending the earlier of the completion of the demolition and greening of property, as determined by THDA at its sole discretion, or 90 days from the date the note is executed. A BEP Program Participant may request an extension to the term of the Stage 1 Loan one time for a maximum of 90 days by submitting all documentation as THDA, in its sole discretion, may require. THDA will, in its sole discretion, reject or approve the extension request and determine the length of the extension.

The Stage 1 Loan will be evidenced by a promissory note executed by the BEP Program Participant and will be secured with a deed of trust encumbering the property, both of which shall be in a form and with substance acceptable to THDA in its sole discretion.

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BEP DRAWS & REQUIRED DOCUMENTATION

A Stage 1 Loan may be drawn down in no more than 5 draws. The draws will be funded upon receipt of documentation satisfactory to THDA, in its sole discretion, verifying completion of each stage.

<u>Draw</u>	<u>Draw Triggers for Stage 1 Loan</u>
Draw 1	ACQUISITION OF PROPERTY – Draw trigger: Copy of fully executed Stage 1 Note and Stage 1 Deed of Trust. (If purchasing property, copy of executed Settlement Statement/Hud-1 and copy of executed Warranty Deed, must be included.)
Draw 2	UPFRONT - HALF OF DEMOLITION COST- Draw trigger: Copy of recorded Warranty Deed (for purchase only), executed Note and Deed of Trust for Stage 1 Loan, Demolition Permit, picture of demolition lawn notice, and copy of flyer distributed to surrounding neighbors.
Draw 3	2ND HALF OF DEMOLITION COST and GREENING- Draw trigger: Final itemized invoice for demolition, post-demo inspection report with color pictures confirming the demolition of the property met local city (or county) requirements, waste shipment records reflecting the number of debris loads (front and back), and greening occurred. The post-demo inspection reports must be conducted by a city/county or third party licensed or certified inspector.
Draw 4	FUTURE MAINTENANCE - Draw trigger: Maintenance fee of \$1,800 will be disbursed to BEP Participant. If affordable housing will be built within 90 days, the Maintenance Fee will not be disbursed.
Draw 5	ADMIN FEE – Draw trigger: Proof of executed Stage 2 Note, Deed of Trust, and Recorded Release of Lien for Stage 1. (This draw may be used, to fund additional fees or charges for unexpected remediation costs.)

BEP STAGE 1 APPROVED CHARGES

A Stage 1 Loan will only be used to pay THDA approved charges and fees.

<u>Draw</u>	<u>Authorized Use of Stage 1 Loan Proceeds</u>
Draw 1	Purchase price (if necessary), title work, Stage 1 closing fees and recording fees.
Draw 2	Half of the demolition costs, environmental review, if applicable, pre-demolition inspection fee or reimbursement of the pre-demolition inspection fee, if paid by BEP Participant.
Draw 3	Second half of demolition costs, greening costs, clean dirt costs, and post-demo Inspection fee.
Draw 4	Future maintenance costs (if affordable housing is not being built within 90 days).
Draw 5	Admin fee for BEP Participant or other fees to be approved by THDA at its sole discretion.

A BEP Program Participant will have no more than one hundred and eighty (180) days to complete the demolition and greening activities listed above. Failure to do so will be a default under the Stage 1 loan and will entitle THDA to exercise all remedies it may have under the deed of trust and may bar the BEP Program Participant from further BEP participation.

REASONABLE CHARGES

All invoices submitted for payment through the BEP will be reviewed by THDA prior to disbursement. THDA, at its sole discretion, will determine if the charges are both necessary and reasonably priced.

BEP DRAW DISBURSEMENTS

All BEP draw disbursements must have an invoice for the inspections, demolition, or greening activity. All Stage 1 Loan proceeds must be used to pay (or reimburse) the BEP Program Participant (or Title Company) for costs that are both necessary and reasonable for the completion of the required blight elimination activities.

Any variance between invoices received prior to closing and after demolition will require a written justification from the BEP Program Participant. THDA, at its sole discretion, will review the justification and will approve or decline the variation in costs within 10 business days from the date of receipt

LIEN WAIVER

All vendors who receive a payment from a BEP Participant for services rendered will be required to furnish THDA with an executed Lien Waiver. The waiver will state that the vendor received full payment and waives any future lien rights to the property for the amount paid.

BEP STAGE 2 LOAN

Upon completion of the demolition and greening activity on a property, a Stage 2 loan may be closed and, if closed, the proceeds will be used to pay off the Stage 1 loan. Stage 2 loans are not available unless a Stage 1 loan was made for the property.

A Stage 2 loan is for a maximum amount of \$25,000 at 0% interest with a deferred payment for a three (3) year term. The Stage 2 loan will be evidenced by a promissory note executed by the BEP Program Participant and a deed of trust that will encumber the property for the term of the note.

A Stage 2 loan will have only one draw. A Stage 2 loan will only be used to pay THDA approved charges and fees. The draw will be funded upon receipt of documentation verifying completion and successful pay off of the Stage 1 loan.

<u>Draw</u>	<u>Draw triggers for Stage 2 Loan</u>
Draw 1	Copy of executed Stage 2 Note, Deed of Trust and recorded Release of Lien for Stage 1 Loan.

<u>Draw</u>	<u>Authorized Use of Stage 2 Loan Proceeds</u>
Draw 1	Payoff of Stage 1 Loan

A BEP Program Participant will have no more than thirty (30) days to close the Stage 2 Loan from the date of the final draw under the Stage 1 Loan. Failure to do so will be a default under the Stage 1 Loan.

A Stage 2 loan may be modified, forgiven, or paid off under the following conditions:

- If the BEP Program Participant submits a request to redevelop the vacant lot for the benefit of the community, build affordable housing for homeownership, or rental on the property at any time prior to the end of the 3 year term of the Stage 2 loan, the remaining balance of the Stage 2 loan can be forgiven once THDA receives a final certificate of occupancy or other documents requested by THDA

- Affordable housing is housing occupied by a person or household with median household income that does not exceed THDA's Great Choice Income Limits by County and, if rental, is leased for rents that do not exceed 30% of the tenant's income or, if sold, is sold for a purchase price that does not exceed THDA's Great Choice Purchase Price Limits by County.
- If the BEP Program Participant wishes to sell or otherwise dispose or transfer all or any part of the property prior to the end of the 3 year term of the Stage 2 loan without constructing affordable housing, the then current balance of the Stage 2 loan will be due and immediately payable to THDA.

GREENING OF LOT

Following demolition work and lot clearing, grading and lot treatment (greening) must be performed to enhance appearance and interim use, to reduce the unfavorable impact of a vacant lot, or to promote an end reuse consistent with the goal of preventing/discouraging foreclosure and abandonment among nearby occupied properties. Greening activities may include but are not limited to the following:

- Tree removal
- Planting
- Grading
- Laying sod
- Mulching
- Laying gravel in sections but not covering the entire lot
- Paving sections but not covering the entire lot
- Grass or plant seeding
- Installation of bioswales for water runoff management
- Fencing / barrier
- Sidewalks

DISPOSITION OF PROPERTY

Once the property is acquired and demolished, it must be maintained as greened space in accordance with local codes and ordinances or if sold during the 3 year period, the then outstanding balance of the Stage 2 Loan must be repaid.

MAINTENANCE OF LOT

During the 3-year loan term of the Stage 2 Loan, any lot acquired and greened with BEP funds must be maintained if the lot is not reused, redeveloped, or sold. Up to \$1,800 per lot may be available to the BEP Program Participant for maintenance. Maintenance costs may include:

- Shoveling sidewalks and walkways
- Fencing and securing the lot
- Cutting grass
- Maintaining plants and grass
- Garbage and debris removal

If the lot is sold, redeveloped or otherwise not maintained as required by THDA, any funds drawn down for maintenance must be repaid to THDA. The repayment amount will be calculated based on the amount of time elapsed on the loan from the Closing Date to the early loan release date. The maintenance balance will be forgiven at a rate of 33.3% per year.

Although invoices will not be requested for maintenance work, they may be subject to compliance or reporting reviews. Failure to maintain program properties and comply with THDA reporting requirements may result in a recapture of funds.

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QUARTERLY REPORTING:

BEP Program Participants shall provide THDA with updates on the BEP properties on a quarterly basis. Using the Quarterly Report Form, BEP Program Participants will submit the following information for each reporting period:

- Properties submitted through the BEP for the quarter and total to date
- Maintenance completed for the quarter and total to date
- Cost of Maintenance for the quarter and total to date
- Citations or violations received on BEP properties for the quarter and total to date
- Income attained through the use of BEP properties for the quarter and total to date
- BEP Properties sold or transferred with lien release for the quarter and total to date
- Plans to sell or market a property for sale during the next quarter
- Notable achievements and challenges experienced by the BEP Program Participant for the quarter
- Accomplishments including community and economic benefits realized for the quarter
- BEP Program Participant changes for the quarter

Quarterly Reports are due the fifteenth (15th) of the month following the end of the quarter. Due dates will be: January 15th, April 15th, July 15th, and October 15th.

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IMPACT ASSESSMENT:

THDA will evaluate the impact demolition and greening of BEP properties had on the neighborhood or community in which the property was located. THDA will gather data for all BEP properties when each property is approved for a Stage 1 Loan and at such other times as THDA may determine. The BEP Program Participant shall provide all data and documentation as may be required by THDA in its sole discretion.

Final reports will be published at the end of the BEP on THDA's website www.THDA.org and will be available upon request.

DOCUMENT RETENTION:

BEP Program Participants shall retain all data, books, reports, documents, audit logs and records, including electronic records, or copies thereof, related to the BEP program ("Records") for a period of five (5) years from the Closing Date of each BEP Stage 2 Loan ("Retention Period"). Upon expiration of the Retention Period, BEP Program Participants may dispose of its Records, provided that, it has electronically submitted all Records to THDA and has received confirmation by THDA of the receipt of said Records.

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EXHIBIT “A” - Treasury Summary Guidelines

Tennessee Housing Development

Agency HHF Blight Elimination

Program (BEP) Summary

Guidelines

1. Program Overview	<p>The Tennessee Housing Development Agency (THDA) will administer the Hardest Hit Fund Blight Elimination Program (BEP) to assist in the removal of blighted properties in targeted areas within the State of Tennessee.</p> <p>THDA will work in partnership with approved non-profit agencies and land banks (collectively, Program Participants) to strategically target blighted residential single-family properties for demolition, site improvement, and acceptable reuse.</p>
2. Program Goals	<p>The BEP will reduce foreclosures, promote neighborhood stabilization, and maintain or improve property values through the demolition of vacant, abandoned, blighted residential structures, and subsequent greening/improvement of the remaining parcels.</p> <p>THDA has identified meaningful indicators that will enable THDA to track and quantify the program’s impact in the targeted areas.</p>
3. Target Population / Areas	<p>This program will focus on targeted counties in Tennessee with high numbers of vacancies and foreclosures. The presence of a land bank will also be considered. This program will be made available to the following counties: Shelby, Madison, Montgomery, Hamilton, Knox and Anderson.</p> <p>THDA program guidelines will ensure that demolition and greening/improvement is designed to increase values of neighboring properties and will promote a positive effect on preserving existing neighborhoods.</p>
4. Program Allocation (Excluding Administrative Expenses)	10,000,000.00

<p>5. Property Eligibility Criteria</p>	<ul style="list-style-type: none"> • Existing single-family (one to four unit) home. • The property must be located in the State of Tennessee. • The property must be located in a targeted area as defined in the program guidelines. • The property must be vacant at the time of acquisition. For any requests submitted on or after January 15, 2016, the property must not be legally occupied at the time of any review or approval by the HFA or eligible entity (as applicable) for blight elimination activity. • The property is a nuisance due to abandonment and/or other adverse conditions as identified in the program guide. • The cost to acquire (if necessary), demolish, green, and maintain the property for up to three years does not exceed \$25,000. THDA will determine property eligibility including the following requirements: <ul style="list-style-type: none"> (1) Pass a Property Condition test; (2) Meet the State of Tennessee’s definition of “Blight” according to Title 13, Public Planning and Housing; and (3) Qualify for lawful demolition.
<p>6. Ownership / Loan Eligibility Criteria</p>	<p>Program Participant must hold title to the property (may acquire title in conjunction with the program transaction).</p> <p>The property must be subject to a loan that can be modified or extinguished.</p>
<p>7. Program Exclusions</p>	<ul style="list-style-type: none"> • Commercial properties, multifamily properties. • Properties listed on a state, national, or local historic register. • Properties not meeting THDA’s eligibility requirements as specified in the program guidelines.

<p>8. Structure of Assistance</p>	<p>THDA will determine acceptability of project sites.</p> <p>Program Participant will be responsible for acquisition of the property (if applicable), demolition work, greening/site improvement and on-going property maintenance.</p> <p>The Program Participant will submit an application to THDA containing the location of the property, neighborhood conditions, estimated cost of structure removal, estimated cost of greening (if applicable), and the end use of the vacant lot.</p> <p>Required documentation must be submitted by the Program Participant to THDA for review and approval in THDA’s sole discretion pursuant to the program guidelines.</p> <p>HHF funds will be provided in the form of a loan to the Program Participant, upon completion of blight elimination activity on the property, verification by THDA and execution of loan documentation. Total assistance will provide for acquisition costs (if applicable), demolition work, greening/site improvement costs, on-going property maintenance, and a one-time administrative fee of \$1,000 per property for the Program Participant.</p> <p>The loan will be evidenced by a promissory note in favor of THDA and secured by a deed of trust on the property. The loan will be up to a maximum of \$25,000 with a deferred payment, forgivable over a 3 year term at 33.3% per year with a 0% interest rate so long as THDA’s requirements are met.</p> <p>Eligible costs include removal of debris, contractor’s fees, permit fees, final inspections, environmental assessments, greening and maintenance fees in the amount of \$1,800 for a three-year period, and any other fees or charges required to complete the property demolition, removal and site improvement, not to exceed \$25,000. If the cost to demolish the property exceeds the \$25,000 maximum, the non-profit Participant must pay the excess amount upfront.</p>
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	<p>The outstanding loan balance will become due and payable if the property or any interest in it is sold, or otherwise conveyed, or its title transferred, or it is used for an unauthorized purpose prior to the end of the loan term or if any ownership interest in the property owner is sold or otherwise conveyed. Special considerations may be made by THDA to release or subordinate its lien prior to the end of the loan term based upon the merit of the request and the proposed positive impact to the community. The method for calculating the portion of the outstanding balance to be forgiven or released will be determined based upon the closing date of the HHF funding.</p> <p>Any funds returned according to established program guidelines will be recaptured and used in the program in accordance with the Agreement.</p>
9. Per Property Assistance	Maximum amount of assistance may not exceed \$25,000 per property. Maximum assistance amount includes acquisition costs (if applicable); demolition and greening/improvement costs; and a one-time project management and maintenance fee to cover management and maintenance expenses for a period of three (3) years.
10. Duration of Assistance	Funds will be disbursed on a first-come-first-served basis.
11. Estimated Number of Properties Demolished	Based on the maximum amount of assistance of \$25,000, approximately 400 blighted properties are anticipated to be demolished and greened. Program will be expanded if funds are available.
12. Program Inception Duration	The program will begin on November 1, 2015 and will last as long as the allocation of funds is available or until December 31, 2020.
13. Program Interactions with Other HFA Programs	None.
14. Program Interactions with HAMP	None.
15. Program Leverage with Other Financial Resources	If the cost to demolish and green the property are in excess of the \$25,000 program cap, the Program Participant must pay the excess amount up front.

BEP FORMS:

These forms are to be considered part of this Program Guide.

THDA forms may not be altered.

Form Name:	Form Number:	Last Revised:
Nonprofit Application Checklist	HHF-BEP 1010	07-2018
Nonprofit Application	HHF-BEP 1011	
Construction Company Disclosure	HHF-BEP 1012	
Authorize Auto Deposits	HHF-BEP 1013	
ACH Authorization Form	HHF-BEP 1014	
Land Bank Application Checklist	HHF-BEP 1015	
Land Bank Application	HHF-BEP 1016	
Loan Application Checklist	HHF-BEP 1017	02-2017
Loan Application	HHF-BEP 1018	
Projected Expenses	HHF-BEP 1019	
Property Checklist	HHF-BEP 1020	
Draw Request Form	HHF-BEP 1022	
BEP Certification	HHF-BEP 1023	
Lien Waiver	HHF-BEP 1024	
Quarterly Reports	HHF-BEP 1030	

Legal Documents:	Form Numbers:	Last Revised:
BEP Working Agreement	HHF-BEP 2000	12-2017
Note for Stage 1 Loan	HHF-BEP 2001	
Deed of Trust for Stage 1 Loan	HHF-BEP 2002	09-2017
Note for Stage 2 Loan	HHF-BEP 2003	06-2017
Deed of Trust for Stage 2 Loan	HHF-BEP 2004	09-2017
Release of Lien	HHF-BEP 2005	

THDA forms may not be distributed to an agency who is not an approved BEP Program Participant or to any other unauthorized individual or entity.

APPENDIX A

GLOSSARY OF TERMS:

Abandoned or Abandonment - to give up with the intent of never again claiming a right or interest in. For the purposes of BEP, Abandonment shall be satisfactorily determined if ownership rights are terminated by deed, legal decree, or other method.

Affordable Housing – housing occupied or intended to be occupied by an individual or household which meets the income limits and sales price limits of THDA’s Great Choice Program for that particular county.

Applicant – a Nonprofit or Land Bank entity which submits documentation to become a Program Participant.

Blight or Blighted – refers to property described by TN Code § 13-20-201 (2015) and satisfying the BEP Property Condition Checklist and third party pre-demolition inspection report criteria

Demolition, Demolish, Demolished - dismantling, razing, destroying, wrecking of any building or structure and removal of the resulting debris. This includes the securing of any permits and containment/abatement/disposal of any resulting hazardous materials in accordance with all local, state and federal regulations.

Greened or Green – activities as indicated in the section titled “Greening of Lot”.

Multifamily – a residential building/structure that contains more than four (4) single family units.

Occupied – a structure inhabited by an individual or individuals having a legal right to do so.

Program Participant or Participant – a nonprofit agency or land bank which has been determined to meet, and continues to meet, all requirements under sections “Program Participant Eligibility” and “Program Participant Benchmarks”.

Property - a **Residential** dwelling with a unique street address. A unique street address may be confirmed by the U.S. Postal Service, a government entity, or other reliable and independent source.

Record – an original document whether printed or electronic.

Residential – a structure that is used or suitable for use as a dwelling. Any secondary structures at the same address are also considered **Residential**.

THDA – Tennessee Housing Development Agency.

Vacant – a **property** previously used for **residential** purposes and is not **occupied** for a minimum of 90 days.