



**TENNESSEE HOUSING TRUST FUND
THDA CHALLENGE GRANT PROGRAM
FY 2023 PROGRAM DESCRIPTION**

The THDA Challenge Grant Program provides initial seed funding to support the private fundraising efforts of nonprofit organizations across Tennessee to implement housing and related activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day-to-day activities of the organization. Selected proposals must generate cash leverage of at least 300% within nine months of THDA’s commitment of Challenge Grant resources to the housing initiative.

A. ELIGIBLE APPLICANTS

To be eligible, an organization must meet all of the following:

- Be organized and existing under the laws of the State of Tennessee or organized and existing under the laws of another state, but authorized to do business in Tennessee;
- Must demonstrate at least two years of experience providing affordable housing or affordable housing-related services in the State of Tennessee;
- Have a 501(c)3 designation from the Internal Revenue Service; and
- Be compliant and in good standing in all programs administered and/or funded by THDA.

B. FUNDS AVAILABLE

THDA will determine in its sole discretion the funding amount to be made available annually for THDA Challenge Grants and, in any given year, may determine that funding will not be available. THDA has allocated \$500,000 to this program for FY 2023; however, THDA reserves the right to not make any awards for FY 2023.

C. MAXIMUM GRANT

The maximum grant to be awarded is \$500,000 and the minimum grant is \$50,000.

D. ELIGIBLE ACTIVITIES

The housing activity proposed must be outside of the normal business of the applicant and/or not part of an ongoing or existing project. The activity must represent a unique milestone or opportunity for the applicant and for Tennessee. The scope of the housing activity must demonstrate broad community support and result in a significant community or regional impact.

The housing activity must include or directly support one of the following broad goals:

- Significantly expand or preserve the supply of housing for sale to low and moderate income homebuyers, including new construction, reconstruction, and rehabilitation of housing.
- Significantly preserve and enhance the supply of existing owner-occupied units.
- Significantly expand or preserve the supply of rental housing for low and moderate income households, including new construction and rehabilitation of rental housing.
- Significantly reduce the number of individuals who are homeless or move a significant number of a more vulnerable population into housing.

Applications are more likely to be successful if the application clearly demonstrates how the housing activity:

- Is part of a comprehensive community development initiative that integrates infrastructure improvements, neighborhood development or redevelopment, commercial development or the provision of services;
OR
- Supports the implementation of a comprehensive community-wide initiative that delivers housing and related services to the homeless or other vulnerable populations.

A THDA Challenge Grant must only be used for the implementation of the housing activity approved. Funds may be used for demolition that is undertaken as part of the approved housing activity.

E. PROHIBITED ACTIVITIES

No portion of a THDA Challenge Grant shall be used for the following activities or costs:

1. Administrative costs of the applicant or any other participant in the proposed project
2. Non-housing costs associated with the approved housing activity
3. Acquisition of land or housing
4. Rental assistance

F. LEVERAGE

The THDA Challenge Grant is designed to encourage the commitment of additional funds to support the proposed housing activity. THDA requires the nonprofit to leverage cash in an amount equal to 300% of the value of the THDA Challenge Grant provided for the proposed housing activity. The leveraged resources must be cash and be used for the approved housing activity. The applicant must present a fundraising plan to generate the cash leverage requirement.

In order to demonstrate broad community support for the proposed activity, all cash contributions eligible for leverage must be from third party, private entities with no expectation of repayment by the third party contributor. All cash must be secured through formal documentation provided within nine (9) months of THDA's commitment to the proposal. No THDA funds will be made available by THDA prior to THDA's receipt of formal, third party documentation demonstrating a binding commitment of resources and any associated terms. To be considered a "binding commitment", the documentation must demonstrate that the obligation to provide the resources cannot be broken and reasonable expectation of its receipt can be enforced under state law. The commitment also must demonstrate that receipt of the cash contribution will occur during the grant term. Fundraising and capital campaign pledges will not be considered toward meeting the leverage requirement. Commitment letters from corporations on company letterhead may be considered as formal documentation of a cash commitment from a third party entity. Pledges from individuals will not be considered toward meeting the leverage requirement.

The following additional resources will not be considered towards the leverage requirements for this program:

1. Administrative costs of the applicant or its partners in the initiative.
2. Other funds of the applicant that are currently on hand.
3. Project resources provided through any other programs administered by THDA.
4. Resources from any federal, state or local public entity or any quasi-public entity, such as the Federal Home Loan Bank.
5. Private equity generated from the sale of low income housing tax credits, new market tax credits, historic tax credits, or other similar federal or state tax credit financing mechanisms.
6. Donated materials, land or services.
7. In-kind services.
8. Funds invested in earlier phases of a project or committed to the activity prior to THDA's commitment of the THDA Challenge Grant.
9. Costs of infrastructure, development or redevelopment activities not directly associated with the housing activity supported by the THDA Challenge Grant.

G. MARKETING REQUIREMENTS

Each successful applicant shall work with the Industry and Government Affairs Division and the Communications Division of THDA to publicize the housing activity and the involvement of THDA. This marketing may include, but is not limited to, photo opportunities and beneficiary stories. THDA shall be listed on all marketing and signage as a contributor of funds in support of the approved housing activity.

H. REPORTING

The THDA Executive Director shall periodically report to the THDA Board of Directors regarding THDA Challenge Grants awarded. Each report shall include information about the eligible housing activity, the successful applicant and local community involved, the amount of the Challenge Grant awarded, progress made by the applicant in fundraising and in implementation of the approved

housing activity, and, following completion, the impact of the approved housing activity. Grantees shall provide all data, in a form and with the substance as requested by THDA, in its sole discretion.

I. APPLICATION PROCESS AND REVIEW

THDA will offer a single application process for FY2023. THDA will release information on its website regarding the application process by Wednesday, June 1, 2022. Applications must be submitted by 4:00 PM CDT on Friday, July 1, 2022.

Applications will be reviewed by designated senior staff of THDA and a recommendation for funding consideration will be made to the THDA Executive Director. The THDA Executive Director will make a recommendation for funding to the THDA Board of Directors for their consideration and approval at their July meeting. THDA reserves the right not to select any proposal submitted.

THDA will provide a preference for applications that:

- Are unique opportunities for the organization;
- Incorporate volunteerism as a key component of the project;
- Result in neighborhood-wide or area-wide redevelopment;
- Address a significant challenge to the community;
- Benefit vulnerable populations, including the homeless, individuals with a disability, youth aging out of foster care, and ex-offenders;
- Have a robust fundraising plan; and,
- Propose the generation of cash leverage in excess of the program requirements.

THDA will announce funding determinations by July 22, 2022. Contracts for selected applicants will begin August 1, 2022 and end on July 31, 2025.

J. BOARD ACTION

The Tennessee Housing Development Agency Board of Directors authorized staff in that board meeting on May 24, 2022 to make minor program changes and housekeeping changes to the program, as deemed necessary by appropriate THDA staff or as directed by any federal agency, and for appropriate staff to do all things necessary and proper, including execution of all documents, to carry out the described changes.

THDA may provide notice of changes by posting such changes to its web site at <https://thda.org/government-nonprofit-partners/tennessee-housing-trust-fund/thda-challenge-grant-program>.