

# **City of Chattanooga**

## **Programs & Initiatives**

**for**

## **Preserving & Producing**

## **Affordable Housing**

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# 1. Chattanooga Affordable Housing Fund

The Chattanooga Affordable Housing Fund (CAHF) leverages Federal, State, and private dollars to incentivize expanded availability of and access to affordable rental and homeownership for households in Chattanooga, earning up to 120% of area median income (AMI). Funding is made available for:

- Creating or preserving affordable rental units and housing for homeownership through new construction and/or renovation,
- Increasing access to homeownership through collaborative homebuyer programs,
- Providing resources to assist vulnerable households in accessing and or retaining housing
- Leveraging funding by working with for-profit and nonprofit entities - home builders, Realtors, foundations, financial institutions, etc., and
- Exploring various tools to achieve the desired outcomes, including but not limited to: possible policy changes, providing access to resources to assist with wealth building and retention, reducing, and eliminating barriers to producing/preserving/ or accessing affordable housing.

<p><b>Minimum/ Maximum Total Funding Request:</b></p>	<p>No minimum or maximums - determined project by project, based on:</p> <ul style="list-style-type: none"> <li>• Demonstrated community need for proposed project/program/activity</li> <li>• Demonstrated need for level of funding being requested,</li> <li>• Project/program/activity timeline</li> <li>• Income level of beneficiaries to be assisted,</li> <li>• Alignment with the City’s affordable housing goals and objectives</li> <li>• Leverage ratio of the project</li> <li>• Cost vs benefit</li> <li>• CAHF available balance of funds</li> </ul>
<p><b>Funding Format:</b></p>	<p>Based on proposed project/program/activity, funding is made available in the form of grants, direct loans, forgivable loans, loan guarantees, other forms of credit enhancements, and payments on behalf of clients in housing assistance programs. Funds are typically dispersed on a reimbursement basis.</p>
<p><b>Eligible Use(s):</b></p>	<p><b>(1) Rental Housing</b></p> <ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Renovation</li> <li>• New Construction</li> <li>• Emergency housing assistance</li> </ul> <p><b>(2) Homeowner Housing</b></p> <ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Renovation</li> <li>• New Construction</li> <li>• Emergency housing assistance</li> </ul> <p><b>(3) Strategic research, plans, and reports</b></p>
<p><b>Eligible (funded) costs:</b></p>	<p>Construction/renovation costs, emergency housing assistance on behalf of eligible households, and direct cost associated with strategic research, relevant plans, or housing reports.</p>

<b>Project Location:</b>	All assisted housing units must be physically located within the city limits of Chattanooga. Other proposed projects or services must show benefit for City of Chattanooga residents.	
<b>Application Process:</b>	Projects are identified through an ongoing application process. Applications are vetted by the Department of Economic Development (ED)'s Division of Housing & Community Investment (HCI) and presented to the Health, Educational and Housing Facilities Board (HEB) for consideration. The HEB meets monthly on the third Monday.	
<b>Eligible Applicants:</b>	For-profit and non-profit entities with a minimum of 3 years' experience, in undertaking projects/activities similar in size or complexity, and in good standing with the City.	
<b>Targeted Households:</b>	Households meeting income eligibility guidelines, not to exceed: <ul style="list-style-type: none"> <li>Rental housing - &lt;= 80% AMI</li> <li>Homeowner housing - &lt;= 120% AMI</li> </ul>	
<b>Minimum Period of Affordability for Constructed/Renovated Housing Units:</b>	7 to 20 years, based on level of funding and type of project	
<b>Application Fee:</b>	An application fee is due along with <b>EACH</b> application submitted. Based on the total amount of request, as follows:	
	Funding Request	Fee
	< \$100,000	\$100.00
	\$100,001 - \$300,000	\$500.00
	\$300,001 - \$400,000	\$1,000.00
	> \$400,000	\$1,500.00
<b>Application and Guidelines</b>	<a href="https://chattanooga.gov/economic-development/home-application">https://chattanooga.gov/economic-development/home-application</a>	
<b>Funding</b>	The CAHF is capitalized with City general funds and other local resources	

## 2. HOME Affordable Housing Program

Using federal, HOME Investment Partnership Program (HOME) funds, this program is designed to promote the development and or preservation of affordable rental and homeowner housing through partnerships with for-profit and non-profit entities. The City funds are provided as gap financing that is not otherwise available from other sources.

<b>Available Funding:</b>	Approximately \$2 Million
<b>Minimum/Maximum Total Funding Request:</b>	Minimum \$1,000; Maximum funding is 50% of construction cost up to \$40,000 per unit. Higher funding limits can be considered for entities using CHDO set-aside funds in a project.
<b>Funding Format:</b>	Funding is made available in the form of grants and or forgivable loans.
<b>Eligible Use(s):</b>	Funds are available to finance a wide variety of affordable housing activities that include: <ul style="list-style-type: none"> <li>● rehabilitation of owner-occupied housing;</li> <li>● construction of housing for homeownership;</li> <li>● down payment assistance to homebuyers; and</li> <li>● Acquisition, rehabilitation, or construction of rental housing.</li> </ul>
<b>Eligible (funded) costs:</b>	Funding is available to assist with construction hard costs.
<b>Minimum/Maximum # of Units (per project)</b>	One (1) unit minimum; No set maximum
<b>Project Location:</b>	Must be located within the city limits of Chattanooga.
<b>Application Process:</b>	Applications are accepted from eligible entities on a continuous basis. Awards are made on a first come first served basis until all available funding has been allocated.
<b>Eligible Applicants:</b>	For-profit developers/landlords and non-profit entities
<b>Eligible Occupants of Units:</b>	Households meeting income eligibility guidelines, not to exceed: <ul style="list-style-type: none"> <li>● Rental housing - &lt;= 60%AMI</li> <li>● Homeowner housing - &lt;= 80% AMI</li> </ul>
<b>Minimum Period of Affordability:</b>	7 – 20 years
<b>Application and Guidelines</b>	<a href="https://chattanooga.gov/economic-development/home-application">https://chattanooga.gov/economic-development/home-application</a>

**Future Funding:** Annual federal allocations ranging from \$650,000 - \$890,000

## 3. Landlord Renovation Program

Using federal Community Development Block Grant (CDBG) funds, this program assists private landlords in the renovation of vacant, substandard rental units.

<b>Available Funding:</b>	Approximately \$400,000
<b>Minimum/Maximum Total Funding Request:</b>	Landlords can receive a grant to cover 50% of renovation costs, ranging from \$12,000 to \$17,000, based on the number of bedrooms as follows: <ul style="list-style-type: none"> <li>● 1 – bedroom \$12,000</li> <li>● 2 – bedroom \$15,000</li> <li>● 3 – bedroom \$17,000</li> </ul>
<b>Funding Format:</b>	Funding is made available in the form of grants/forgivable loans.
<b>Eligible Use(s):</b>	Renovation of 1 and 2-unit rental housing.
<b>Eligible (funded) costs:</b>	Funds are available to assist with hard costs associated with the renovation of the rental units.
<b>Minimum/ Maximum # of Units (per project)</b>	One (1) unit minimum; maximum of two (2) units per application. If the landlord applies with a tri-plex or a quadplex, these are allowed (all three/four units are eligible for the per-unit reimbursement).
<b>Project Location:</b>	All units must be located within the Chattanooga city limits
<b>Application Process:</b>	Applications are accepted from eligible entities on a continuous basis. Awards are made on a first come first served basis until all available funding has been allocated.
<b>Eligible Applicants:</b>	For-profit landlords
<b>Eligible Occupants of Units:</b>	All assisted projects must be available to households with incomes that do not exceed 60% AMI
<b>Minimum Period of Affordability:</b>	7 years
<b>Application and Guidelines</b>	<a href="https://chattanooga.gov/economic-development/home-application">https://chattanooga.gov/economic-development/home-application</a>

<b>Future Funding:</b> Annual federal CDBG allocations average \$1.6 million
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## 4. City of Chattanooga Owner-occupied Duplex Program

The Owner-occupied Duplex Program allows non-profit entities to obtain City-owned duplexes through an RFP process to renovate/develop and subsequently sell to eligible buyers. The buyer must agree to live in one unit while renting the other unit to low-to-moderate income households, for a minimum of seven (7) years. The results will be numerous and inter-related, including, lower vacancy rates, increased affordable housing options, new opportunities for income generation, and stronger, safer, mixed-income neighborhoods.

The Owner-occupied Duplex Program couples resources of the Chattanooga Affordable Housing Fund with private and federal funds.

<b>Available Funding:</b>	TBD
<b>Minimum/Maximum Total Project</b>	Funding is available to assist with project development and for down payment assistance to the buyer. Minimums and maximums are determined project by project, based on need, feasibility and viability.
<b>Funding Format:</b>	<b>Non-Profit Developer:</b> Funding is provided in the form of a zero-interest/zero payment loan. The loan is repaid to the City of Chattanooga once the duplex is sold to a homeowner. <b>Purchaser of Completed Project:</b> The incentive to the eligible buyer is in the form of a forgivable loan that accrues no interest and requires no payment.
<b>Eligible Use(s):</b>	<ul style="list-style-type: none"> <li>● Renovation</li> <li>● Redevelopment</li> <li>● Acquisition (down payment assistance and closing costs)</li> </ul>
<b>Eligible (funded) costs:</b>	<b>Developer:</b> Renovation, demolition, redevelopment hard costs <b>Purchaser of Completed Project:</b> Down payment assistance and closing costs
<b>Minimum/Maximum # of Units (per project/address)</b>	Minimums and maximums are determined project by project, based on need, feasibility and viability.
<b>Project Location:</b>	All units must be located within the Chattanooga city limits
<b>Application Process:</b>	Projects are identified through a RFP process. Applications are vetted by the Department of Economic Development.
<b>Eligible Applicants:</b>	For-profit entities.
<b>Eligible Occupants of Units:</b>	One unit of the development must be the purchaser's primary residence for seven (7) full years from the closing date. The other unit must be leased to low-to-moderate income tenants whose total household incomes do not exceed 80% of the area median income (AMI), as defined by the US Department of Housing and Urban Development (HUD) for a minimum of seven years.
<b>Minimum Period of Affordability:</b>	Minimum of 7 years
<b>Application and Guidelines</b>	<a href="https://chattanooga.gov/economic-development/home-application">https://chattanooga.gov/economic-development/home-application</a>

**Future Funding:** TBD.

## 5. Residential Payment in Lieu of Taxes (PILOT) Program

The Residential PILOT Program is a financial incentive, in the form of a tax abatement, designed to encourage multi-family rental housing development for public benefit. Significant property tax relief is provided by the “freezing” of property taxes on a project at the predevelopment level. The title to the property is transferred to the Health, Educational and Housing Facility Board of the City of Chattanooga (HEB), and the developer makes payments in lieu of property taxes for a period up to ten (10) years on projects involving new construction and up to fourteen (14) years for renovation projects.

<b>Available Funding:</b>	TDB
<b>Minimum/Maximum Total Project Size (Cost)</b>	Developments with costs, including acquisition, construction, and soft costs, that exceed \$5 million.
<b>Funding Format:</b>	A PILOT approval reduces tax expense over a number of years, thus reducing operating costs. This can result in expanded borrowing capacity for the developer to access development capital and/or enhanced long-term operational viability.
<b>Incentive Duration:</b>	Projects are <b>capped at ten (10) years for new construction</b> developments and <b>fourteen (14) years for renovation</b> projects.
<b>Eligible Use(s):</b>	<b>Rental Housing</b> <ul style="list-style-type: none"> <li>● Renovation</li> <li>● New Construction</li> </ul>
<b>Eligible (funded) costs:</b>	Costs associated with building renovations, or new construction.
<b>Minimum/Maximum # of Units (per project/address)</b>	Minimum project size - \$5 million, no established minimums or maximums per unit.
<b>Project Location:</b>	All units must be located within the Chattanooga city limits.
<b>Application Process:</b>	Applications are accepted at any time. Applications are vetted by the Department of Economic Development and presented to Chattanooga City Council, Hamilton County Commission, and the Health, Educational and Housing Facilities Board (HEB) for consideration. Projects should be on a timeline to begin construction within 2 years of the date the incentive is granted.
<b>Application Fee/Other:</b>	Application Fee payable to City of Chattanooga:\$3,500 Closing Fee payable to Health, Education and Housing Facility Board:\$15,000
<b>Eligible Applicants:</b>	For-profit and non-profit entities
<b>Eligible Occupants of Units:</b>	Fifty percent (50%), or more of the residential units must be occupied by tenants with incomes that do not exceed eighty percent (80%) of the Area Median Income (AMI).
<b>Minimum Period of Affordability:</b>	10 years for new construction, 14 years for renovated properties.
<b>Application and Guidelines</b>	<a href="https://chattanooga.gov/economic-development/home-application">https://chattanooga.gov/economic-development/home-application</a>

## 6. Rapid Rental Repair Program

Using federal Community Development Block Grant COVID (CDBG-CV) funds, the Rapid Rental Repair (RRR) program assists landlords with rental-unit turnover repairs to quickly get affordable units back on the market.

<b>Available Funding:</b>	\$400,000
<b>Minimum/Maximum Total Funding Request:</b>	No minimum. The maximum grant amount is \$4,900 per unit.
<b>Funding Format:</b>	Funding is made available in the form of grants, on a reimbursable basis.
<b>Eligible Use(s):</b>	Minor cosmetic repairs in vacant, rental housing.
<b>Eligible (funded) costs:</b>	Costs associated with materials for minor repairs, patching of cracks and holes, repairing doors/windows, etc., and replacement of appliances such as washers and dryers, heat and air units.
<b>Minimum/Maximum # of Units (per project/address)</b>	One (1) unit minimum; Maximum of seven (7) units, per address.
<b>Project Location:</b>	All units must be located within the Chattanooga city limits
<b>Application Process:</b>	Applications are accepted from eligible entities on a continuous basis. Awards are made on a first come first served basis until all available funding has been allocated.
<b>Eligible Applicants:</b>	For-profit, non-profit landlords
<b>Eligible Occupants of Units:</b>	All assisted projects must be available to households with incomes that do not exceed 60% AMI
<b>Minimum Period of Affordability:</b>	1-year, minimum.
<b>Application and Guidelines</b>	<a href="https://chattanooga.gov/economic-development/home-application">https://chattanooga.gov/economic-development/home-application</a>

**Future Funding:** Program funded under a special allocation from HUD to the address national pandemic. Do not anticipate that such funding will be available on an ongoing basis.



# GLOSSARY OF TERMS

**AMI: The Area Median Income (AMI)** is the midpoint of a region’s income distribution – half of the families in a region earn more than the median and half earn less than the median. For housing policy, income thresholds set relative to the area median income—such as 50% of the area median income—identify households eligible to live in income-restricted housing units and the affordability of housing units to low-income households

**AFFORDABLE HOUSING:** Under State and federal statutes, housing which costs no more than 30 percent of gross household income. Housing costs include rent or mortgage payments, utilities, taxes, insurance, homeowner association fees, and related costs. Some jurisdictions may define affordable housing based on other, locally determined criteria. This definition is intended as an approximate guideline or general rule of thumb.

**AFFORDABILITY:** the extent to which enough rental housing units of different costs can provide each renter household with a unit it can afford (based on the 30-percent-of-income standard).

**CAHF (Chattanooga Affordable Housing Fund):** The Chattanooga Affordable Housing Fund (CAHF) was established and capitalized in 2018 to provide an additional resource in the City’s ongoing commitment to the preservation and production of quality, affordable housing. The Chattanooga Affordable Housing Fund was capitalized with \$1 million with the expectation of the same, per year, for 5 years. Applications are accepted by the Community Development Division, vetted, and presented to the Health, Educational and Housing Facilities Board (HEB) for funding consideration.

**CHDO (Community Housing Development Organization):** A non-profit community-based and low-income community service organization that has, or intends to retain, staff with the capacity to develop affordable housing for the community it serves.

**CHDO Set-aside:** The City is required to allocate a minimum of 15% of its annual HOME allocation to an eligible CHDO. Currently, there is one such eligible entity - Chattanooga Community Development Organization.

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG):** Created under the Housing and Community Development Act of 1974, this program provides grant funds to local and state governments to develop viable urban communities by providing decent housing with a suitable living environment and expanding economic opportunities to assist low- and moderate-income residents. **The City of Chattanooga receives an annual allocation of approximately \$1.7 million.**

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM COVID (CDBG-CV):** Special allocations of CDBG funding awarded under the Coronavirus Aid, Relief, and Economic Security Act (CARES) to prevent, prepare for, and respond to coronavirus. There were three allocations of CDBG-CV funding. **The City of Chattanooga received funding under allocations one and three of \$938,930 and \$1,448,742 respectively.**

**ELDERLY HOUSEHOLD:** For HUD rental programs, elderly households are households of one- or two persons in which the head of the household or spouse is at least 62 years of age.

**EMERGENCY SHELTER GRANT (ESG) PROGRAM:** A federal HUD program grant designed to help improve the quality of existing emergency shelters for the homeless, to make additional shelters available, to meet the costs of operating shelters, to provide essential social services to homeless individuals, and to help prevent homelessness. ESG also provides short-term homeless prevention assistance to persons at imminent risk of losing their housing due to eviction, foreclosure, or utility shutoffs. **The City of Chattanooga receives approximately \$150,000, annually from HUD or the State of Tennessee.**

**EMERGENCY SHELTER GRANT - COVID (ESG-CV):** Special allocations of ESG funding awarded under the Coronavirus Aid, Relief, and Economic Security Act (CARES) to prevent, prepare for, and respond to coronavirus. **The City of Chattanooga received two allocations through the State of Tennessee in the amounts of \$437,500 and \$436,800.**

**EXTREMELY LOW-INCOME:** Households whose incomes do not exceed 30 percent of the median household income for the area, as determined by HUD.

**FAIR MARKET RENT (FMR):** Primarily used to determine payment standard amounts for **HOME, ESG, CDBG,** and other City-assisted rental assistance programs, the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, and to determine initial rents for housing assistance payment contracts in the Moderate Rehabilitation Single Room Occupancy program.

**HOME (HOME INVESTMENT PARTNERSHIPS PROGRAM):** Provides formula grants to states and localities that communities use — often in partnership with local nonprofit groups — to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or to provide direct rental assistance to low-income people. **The City of Chattanooga receives between \$600,000 to \$800,000 annually.**

**HOME INVESTMENT PARTNERSHIPS AMERICAN RESCUE PLAN (HOME-ARP):** Special allocation of HOME funding awarded under the American Rescue Plan (ARP) to prevent, prepare for, and respond to coronavirus, particularly among the homeless. **The City of Chattanooga received an allocation of \$2,966,210.**

**HOMELESS PREVENTION:** Activities or programs designed to prevent the incidence of homelessness, including, but not limited to: (1) short-term subsidies to defray rent and utility arrearages for families that have received eviction or utility termination notices; (2) security deposits or first month's rent to permit a homeless family to move into its apartment; (3) mediation programs for landlord-tenant disputes; (4) legal services programs that enable representation of indigent tenants in eviction proceedings; (5) payments to prevent foreclosure on a home; and (6) other innovative programs and activities designed to prevent the incidence of homelessness.

**LOW AND MODERATE INCOME:** Low and moderate-income (also referred to as LMI) means family or household annual income less than the Section 8 Low Income Limit, generally 80 percent of the area median income, as established by HUD.

**LOW-INCOME HOUSING TAX CREDIT (LIHTC):** A tax incentive intended to increase the availability of low-income housing. The program provides an income tax credit to owners of newly constructed or substantially rehabilitated low-income rental housing projects.

**MODERATE-INCOME HOUSEHOLD/FAMILY:** A household/family having an income equal to or less than the Section 8 Low-Income limit (80% of area median income) established by HUD, but greater than the Section 8 Very Low-Income limit (50% of area median income) established by HUD.

**SECTION 202:** Provides capital advances to finance the construction, rehabilitation, or acquisition (with or without rehabilitation) of structures that will serve as supportive housing for very-low-income elderly persons, including the frail elderly, and provides rent subsidies for the projects to help make them affordable.

**SECTION 8 RENTAL VOUCHER/CERTIFICATE PROGRAM:** A tenant-based rental assistance program that subsidizes a family's rent in a privately owned house or apartment. The program is administered by local public housing authorities. Assistance payments are based on 30 percent of household annual income. Households with incomes of 50 percent or below the area median income are eligible to participate in the program.

**SECTION 811 SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES:** HUD provides funding to develop and subsidize rental housing with the availability of supportive services for very low- and extremely low-income adults with disabilities.

**VERY LOW-INCOME:** Households whose incomes do not exceed 50 percent of the median area income for the area, as determined by HUD, with adjustments for smaller and larger families.

# Income Limits and Fair Market Rents for Chattanooga

Income Limits (Effective June 1, 2021)

2021 Median Family Income: \$71,300

Family Size	Moderate		Low Income		Very Low
	80% of Median	60% of Median	50% of Median	30% of Median	Income
1 Person	\$ 39,950	\$ 30,000	\$ 25,000	\$ 15,000	
2 Person	\$ 45,650	\$ 34,260	\$ 28,550	\$ 17,150	
3 Person	\$ 51,350	\$ 38,520	\$ 32,100	\$ 19,300	
4 Person	\$ 57,050	\$ 42,780	\$ 35,650	\$ 21,400	
5 Person	\$ 61,650	\$ 46,260	\$ 38,550	\$ 23,150	
6 Person	\$ 66,200	\$ 49,680	\$ 41,400	\$ 24,850	
7 Person	\$ 70,750	\$ 53,100	\$ 44,250	\$ 26,550	
8 Person	\$ 75,350	\$ 56,520	\$ 47,100	\$ 28,250	

## Fair Market Rents (Effective June 1, 2021)

	0 BR	1 BR	2 BR	3 BR	4 BR	
	\$ 636	\$ 694	\$ 838	\$ 1,092	\$ 1,306	
Low Home	\$ 636	\$ 681	\$ 817	\$ 944	\$ 1,053	5 or more units
High Home	\$ 636	\$ 694	\$ 838	\$ 1,092	\$ 1,306	1 - 4 units

