

Chattanooga Affordable Housing Fund (CAFH)

Program Overview

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>Minimum/ Maximum Total Funding Request:</p>	<p>No minimum or maximums - determined project by project, based on:</p> <ul style="list-style-type: none"> • Demonstrated community need for proposed project/program/activity • Demonstrated need for level of funding being requested, • Project/program/activity timeline • Income level of beneficiaries to be assisted, • Alignment with the City’s affordable housing goals and objectives • Leverage ratio of the project • Cost vs benefit • CAHF available balance of funds
<p>Funding Format:</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>Eligible Use(s):</p>	<p>(1) Rental Housing</p> <ul style="list-style-type: none"> • Acquisition • Renovation • New Construction • Emergency housing assistance <p>(2) Homeowner Housing</p> <ul style="list-style-type: none"> • Acquisition • Renovation • New Construction • Emergency housing assistance <p>(3) Strategic research, plans, and reports</p>

Eligible (funded) costs:	Construction/renovation costs, emergency housing assistance on behalf of eligible households, and direct cost associated with strategic research, relevant plans, or housing reports.	
Project Location:	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.	
Application Process:	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.	
Eligible Applicants:	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.	
Targeted Households:	Households meeting income eligibility guidelines, not to exceed: <ul style="list-style-type: none"> • Rental housing - <= 80% AMI • Homeowner housing - <= 120% AMI 	
Minimum Period of Affordability for Constructed/Renovated Housing Units:	7 to 20 years, based on level of funding and type of project	
Application Fee:	An application fee is due along with EACH 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
Application and Guidelines	https://chattanooga.gov/economic-development/home-application	
Funding	The CAHF is capitalized with City general funds and other local resources	

Background

EVERY CHATTANOOGAN has the right to a safe, affordable and stable home. The City of Chattanooga will increase the supply of truly affordable housing, ensuring equitable access, through an approach that is practical and tailored to each neighborhood. Whether the right approach calls for zoning changes, incentives with community benefits, utilizing existing resources, or establishing partnerships with local stakeholders, we will use common sense practices and a variety of tools to remove existing barriers and create affordable options, while promoting the health and wellbeing of our community. ONE CHATTANOOGA Strategic Framework May 2022: https://connect.chattanooga.gov/wp-content/uploads/2022/05/One_Chattanooga_Plan.pdf

The ONE Chattanooga Strategic Framework establishes the City of Chattanooga's affordable housing priorities as follows:

1. Expand affordable housing inventory across the city
2. Diversify the range of capital options available for affordable housing development
3. Expand supportive housing resources to end chronic homelessness
4. Support both tenants and housing providers with housing security and eviction prevention resources
5. Preserve land for affordable housing in transitioning neighborhoods

In that the Chattanooga Affordable Housing Fund (CAHF) was created to leverage Federal, State, and private dollars to incentivize expanded availability of and access to affordable rental and homeownership for low and moderate-income households in Chattanooga through:

- 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,

CAHF is a resource the City is making available to eligible entities, as leverage in partnering with the City to address affordable priorities for households earning up to 120% of area median income (AMI).

Eligible Applicants

For-profit and nonprofit entities with a minimum of 3 years' experience, in undertaking projects/activities similar in size or complexity and City departments may submit proposals for consideration. Applicants with no experience may apply if partnered with an experienced entity.

For-profit entities partnering with nonprofit entities serving special needs populations (physical/mental illness, veterans, homeless, etc.) will receive an additional 10 points toward their overall score.

Funding Awards

Funding Format

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 usually dispersed on a reimbursement basis.

Minimum/Maximum Awards

There is no established minimum funding request. Maximum funding, per application, is determined on a project by project basis, based on demonstrated need.

Eligible Projects

The City's objective is to increase the supply of truly affordable housing, ensuring equitable access, through an approach that is practical and tailored to each neighborhood. Whether the right approach calls for zoning changes, incentives with community benefits, utilizing existing resources, or establishing partnerships with local stakeholders, the City is open to common sense practices and a variety of tools to remove existing barriers and create affordable options, while promoting the health and wellbeing of our community. Following are among the types of activities that are eligible for funding consideration:

- Newly-constructed single-family homes for rent or for sale
- Renovated single-family homes for rent or for sale
- Newly-constructed small and large-scale apartment developments for rent, i.e. LIHTC projects
- Renovated small and large-scale apartment developments for rent, projects
- Newly-constructed or renovated mixed-use developments
- Acquisition/renovation/construction of duplexes for owner-occupied rental
- Pre and post development tools to achieve desired outcomes in support of affordable housing, such as feasibility studies, housing plans, and other initiatives identifying resources relative to producing and preserving affordable housing
- Programs that assist vulnerable citizens in accessing and or retaining housing i.e. rent, mortgage, and utility assistance for low-moderated income households impacted by COVID or other emergencies identified by the City

Assistance through the Chattanooga Affordable Housing Fund is available as supplemental funding for a wide range of projects, programs, and activities addressing and aligning with the City's affordable housing priorities. The funding must be essential to the project/program/activity. Along with demonstrating need for the funding, applicants must demonstrate capacity for undertaking and completing proposed the request. **All projects must be located within the City limits of Chattanooga** and demonstrate:

- Alignment with the City's affordable housing goals and objectives
- Public purpose
- Community need for proposed project/program/activity
- Need for level of funding being requested
- Financial feasibility - cost vs benefits, including timeline for completing the project
- Applicant's capability and experience
- Impact
 - Number of citizens assisted/lives improved
 - Number of total affordable housing units being added community's inventory
 - Number of total affordable housing units being retained/maintained in the community

- Catalyzing the social and economic growth of vulnerable and marginalized populations
- Resulting in transformation in lives and communities
- Improved/increased access to housing and housing services
- Providing access to resources to assist with wealth building and retention
- Reducing, eliminating barriers to producing/preserving/ or accessing affordable housing
- Longevity of impact
 - Period of affordability
 - Sustainability
- Project/program/activity timeline
- Community involvement and approval
- Income level of beneficiaries to be assisted,
- Leverage ratio of the project
- Number beneficiaries (persons/households) being served
- CAHF available balance of funds
- Other criteria deemed necessary to ensure prudent and impactful use of public resources

Target Beneficiaries

1. Applicants seeking funds to develop or renovate rental housing must that the units are affordable to households with annual incomes at, or below, 80% of the area median income (AMI), as defined by HUD, adjusted for family size.
2. Projects or programs assisting families in accessing and or retaining housing (rental assistance, homeowner rehab programs, i.e.) must be designed to serve households with incomes at or below 80% AMI.
3. Newly-constructed or renovated units developed for homeownership must be sold at prices that are affordable to purchasers with incomes at, or below, 120% of the area median income.
4. Programs assisting households in becoming homeowners, such as down payment assistance and housing counseling programs must be available to serve households with incomes at or below 120% AMI.
5. Funding requests for research, studies, reports, plans or other innovative tools addressing affordable housing must be for:
 - The benefit of households with incomes below 120% AMI, or
 - Improving communities predominately populated by households with incomes below 120% AMI, or
 - Improving access to affordable housing for households with incomes below 120% AMI.

Long-term Affordability Requirements for Housing Projects

Based on the amount of funding provided, PER UNIT, assisted projects must comply with affordability and habitability requirements, at minimum, for the following terms:

Funding Award (Per Unit)	Years of Affordability
< \$25,000	7 Years
\$25,000 - \$40,000	10 Years
Over \$40,000	20 Years

Application Process

Because the required details and support information varies greatly with the type of project, program or activity being proposed, three different applications are available to accommodate these differences. Applications and accompanying guidelines are available for the following types of proposals:

1. **CAHF Application for Development**- For applicants proposing new construction and rehab of rental and housing for homebuyers
2. **CAHF Application for Programs** - For applicants providing resources to assist vulnerable households in accessing and or retaining housing, including rent and utility assistance, homeowner rehab, housing assistance for homeless, special needs populations, etc.
3. **CAHF Application for Planning & Discovery** – For pre and post development tools to achieve desired outcomes in support of affordable housing, such as feasibility studies, housing plans, and other initiatives identifying resources relative to producing and preserving affordable housing, eliminating barriers to producing/preserving/ or accessing affordable housing, and possible policy changes to address wealth building and retention.

Applications may be submitted at any time. The applications and guidelines can be found at: <https://chattanooga.gov/economic-development/home-application>. HCI staff will consult with applicants prior to submission to provide guidance on the application. The typical process is as follows:

1. Potential applicant completes an **Intent to Apply** form and schedules a meeting with the HCI staff by calling Sandra Gober at: (423)643-7332. The form is available on the website noted above. The completed form is submitted to HCI prior to the meeting.
2. The potential applicant meets with HCI to discuss the proposed project. The purpose of this meeting is to obtain and provide preliminary information and guidance to assist the potential applicant in determining if it is feasible to proceed with the application process. Depending on the type, location, and size of the proposed project, the applicant may be instructed to inform the community and the councilperson representative to gauge community and support from the councilperson representative before submitting the application.
3. The applicant completes the application and submits it, along with the application fee to City of Chattanooga.
4. Applications are reviewed by the HCI staff. **Completed** applications are reviewed within 30 business days of being received. The proposed project will be reviewed based on criteria applicable to the proposal, including benefit to the community, project delivery, income levels served, number of affordable and total housing units provided, need for subsidy, length of affordability term, and other pertinent factors to ensure that the request is for the benefit of the community. Each project will be reviewed on its own merits but must meet all the minimum project requirements outlined above.
5. If the review deems the project to be feasible HCI assists the applicant, to the greatest extent possible, in the process of getting the proposal presented to the HEB for approval.
6. The steps for approval, although they can vary for many reasons, are as follows:
 - a. The Mayor and/or the City Council's ED Committee Chairman are briefed on the project.
 - b. Final approval comes from the HEB. The HEB meets on the 3rd Monday of each month.

7. If the project is approved by the HEB, the HCI Office prepares a contract for signatures.
8. To ensure applicants adhere to the required period of affordability for housing development, the City will record restrictive covenants on properties involved in the project.
9. Applicants must complete and submit the following items:
 - a. Application:
 - A separate application must be submitted for **EACH** proposed project/program/activity
 - b. Application Fee
 - An application fee is due along with **EACH** application submitted. The fee is based on the total amount of funds being requested, as follows:

< \$100,000	\$100.00
\$100,001 - \$300,000	\$500.00
\$300,001 - \$400,000	\$1,000.00
> \$400,000	\$1,500.00

Submittal Process

Applicants must provide the City with 1 printed copy and an electronic version of each project application which can be emailed to: HCI@Chattanooga.gov. The hard copy of the application, along with the application fee, made payable to the City of Chattanooga, should be mailed or hand delivered to the following address:

City of Chattanooga
 Department of Economic Development
Attn: Sandra Gober
 101 E. 11th Street, Suite 200
 Chattanooga, TN 37402

Completing Application

Applicants should review the overall guidelines and the guidelines relative to the type of project/program/activity for which funding is being sought. Based on proposed project, applicants may be able to skip certain sections of the application. If particular questions are not applicable please indicate with N/A.

Review Process

Applications are vetted by the HCI staff for completeness, overall feasibility, and alignment with the City's housing goals and objectives and are presented to the Health, Educational and Housing Facilities Board (HEB) for consideration. The HEB is scheduled to meet monthly on the third Monday of each month.

The initial review of the application and the supporting documents will occur within 30 business days of receipt. The timeline from receipt of application to funding approval is determined by the completeness of the application, when it is received, and the speed by which any discrepancies identified by the project team during the review are addressed by the applicant. **INCOMPLETE APPLICATIONS WILL NOT BE CONSIDERED FOR FUNDING.**

Award of any funds will be based on an evaluation of the merits of the proposal and its furtherance of the City's goal of providing access to affordable housing. The following are considered when evaluating requests for funds:

- Alignment with the City's affordable housing goals and objectives
- Public purpose
- Demonstrated community need for proposed project/program/activity
- Demonstrated need for level of funding being requested
- Financial feasibility, including timeline for completing the project
- Applicant's capability and experience
- Impact
 - Number of citizens assisted/lives improved
 - Number of total affordable housing units being added community's inventory
 - Number of total affordable housing units being retained/maintained in the community
 - Catalyzing the social and economic growth of vulnerable and marginalized populations
 - Resulting in transformation in lives and communities
 - Improved/increased access to housing and housing services
 - Providing access to resources to assist with wealth building and retention
 - Reducing, eliminating barriers to producing/preserving/ or accessing affordable housing
- Longevity of impact
 - Period of affordability
 - Sustainability
- Project/program/activity timeline
- Community involvement and approval
- Income level of beneficiaries to be assisted,
- Leverage ratio of the project
- Number beneficiaries (persons/households) being served
- CAHF available balance of funds
- Other criteria deemed necessary to ensure prudent use of public resources

Underwriting Policy for Housing Development

In considering approving a request under the CAHF, the City must evaluate the proposal to determine that the award is necessary to provide quality affordable housing that is financially viable for the community. This evaluation will include, at a minimum:

- An assessment of the current market demand in the neighborhood in which the project will be located,
- The experience of the applicant/developer in carrying out similar projects/programs,
- The financial capacity of the applicant/developer,
- The timeline of the proposal from start to finish
- An examination of the sources and uses of funds for the project and a determination that the costs are reasonable; and
- Firm, written financial commitments for the project.

The City may rely upon the guidelines developed and/or evaluations conducted by other agencies, such as when Low Income Housing Tax Credits (LIHTC) or other HUD program funding, are used. Extensive details are outlined for the CAHF Application for Development and accompanying guidelines.

Evaluation and Scoring

The following scoring criteria/points are used in evaluating each proposal. Construction/renovation projects must have a minimum score of 80 to be considered for a funding recommendation. Housing assistance programs and housing plans/reports must have a minimum score of 55.

Criteria	Max. Points
Project Information: Sufficient information to accurately evaluate the proposal	40
Experience & Capacity: Organizational/developer experience and capacity to take on and complete project. (including track record with undertaking, managing, and completing similar projects)	20
Project Feasibility - Costs, Financing, Impact, & Sustainability	40
Readiness (time until project completion)	10
Bonus Points: 10 points for projects proposing to create housing to serve special needs populations (physical/mental illness, veterans, homeless, etc).	10
Total Possible Points	120

FAQs

Is the Chattanooga Affordable Housing Fund a grant or a loan?

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.

Are the funds recaptured?

In some cases. However, full compliance results in the loans being forgiven. The funds are subject to recapture and repayment at the time of sale if the property is sold to a new owner unable or unwilling to assume the low-to-moderate income restrictions and other conditions of the loan agreement during the affordability period. The funds are subject to recapture and repayment to the Fund if the owner is found to be non-compliant with the terms of the Fund agreement.

Are there minimum and maximum grant amounts?

There are no minimum or maximum grant amounts.

How long is the loan term?

The loan term varies from 7-20 years, depending on the amount of the funding amount, per unit.

< \$25,000	7 Years
\$25,000 - \$40,000	10 Years
Over \$40,000	20 Years

What types of activities are eligible uses?

Acknowledging changing lifestyles are requiring changes in housing types, the Fund is available to the following types of projects:

- Newly-constructed single-family homes for rent or for sale
- Renovated single-family homes for rent or for sale
- Newly-constructed small and large-scale apartment developments for rent, i.e. LIHTC projects
- Renovated small and large-scale apartment developments for rent, projects
- Newly-constructed or renovated mixed-use developments
- Acquisition/renovation/construction of duplexes for owner-occupied rental
- Pre and post development tools to achieve desired outcomes in support of affordable housing, such as feasibility studies, housing plans, and other initiatives identifying resources relative to producing and preserving affordable housing
- Programs that assist vulnerable citizens in accessing and or retaining housing i.e. rent, mortgage, and utility assistance for low-moderated income households impacted by COVID or other emergencies identified by the City

Who will manage the Fund?

Overall management of the Fund falls under the Department of Economic Development (ED). ED manages the application submission process and provides technical support to the Health, Educational and Housing Board (HEB)

in reviewing requests and making recommendations for approval.