

CITY OF KNOXVILLE  
COMMUNITY DEVELOPMENT DEPARTMENT (CD)

RENTAL REHABILITATION PROGRAM

Application Process:

1. Property owner submits a preliminary application/proposal. The owner also submits tenant information for each existing tenant household.

As long as sufficient funds are available, eligible projects will be processed and funded on a first-come, first-serve, basis. Should the demand for program funds exceed the funds available, the City will process and fund those qualified projects which rank highest given the following selection criteria:

- a) Located in a current Community Development target area (identified in the Program Description)
  - b) Currently uninhabitable property, which is due to no fault of the current owner
  - c) Purchased (or is under contract) through the City's Homemaker Program
  - d) Will be made readily accessible to and usable by individuals with disabilities; also units that will be made visitable by individuals with disabilities
  - e) Requires a minimal amount of public subsidy
2. The Finance Specialist will perform a financial, credit and property analysis to determine if the application is eligible. If so, the Finance Specialist will request an inspection from the Construction Manager. If not, the FS will notify the applicant in writing of the reason for ineligibility.
  3. A CD Rehab Specialist will review the zoning for the project to ensure it is appropriate. If not, it is up to the property owner to resolve any zoning problems before the project can proceed. The Rehab Specialist will then inspect the property and prepare a deficiency report noting all rehabilitation items which must be included and which may be included in the project.
    - 3.a. In cases of large projects such as multi-family buildings, the Rehab Specialist may do an inspection of a sampling of the units in order to make a preliminary estimate of the extent and cost of the work that will be needed. This preliminary evaluation will include consultation with the Plans Review Chief to determine whether an architect/engineer will be required and what aspects of the job will require an architect/engineer.
  4. Finance staff will contact all tenants in writing and in person, if possible, to discuss the tenants' rights and available assistance.
  5. If the project appears feasible, the Rehab Specialist will prepare a work write-up and cost estimate based on the deficiency report. Depending on the requirements for architectural services and the owner's preference, this step may include the following:
    - a. If an architect/engineer is required to certify portions of the work, such as fire separation, egress and structural changes, the owner must engage the services of an architect or engineer to provide plans for these aspects of the job. The architect's or engineer's plans will be a supplement to the Rehab Specialist's work write-up. The Rehab Specialist will adjust the cost-estimate to include any additional required work based on the architect/engineer's analysis.
    - b. The applicant may provide the plans and specifications with assistance from an independent third party, such as an architectural, engineering or building inspection firm. If substantial redesign work is required, the plans must be provided by the owner. In these cases, the specifications and plans must address the deficiencies outlined in the Rehab Specialist's deficiency report. The reasonable cost of professional services required in the preparation of rehabilitation plans, drawings, or work write-ups are eligible rehabilitation costs. Where an architect/engineer will be providing plans for the full scope

of work, the Rehab Specialist may request the architect's drawings to facilitate preparation of the deficiency report.

6. Rehab Staff will provide the cost estimate to the Finance Specialist, who will review the entire package and determine the amount of subsidy available for the project based on the criteria outlined in the Program Description. The Finance Specialist will send a 30 day commitment letter to the property owner which outlines the cost estimate, proposed subsidy and amount of other funding needed.
7. The Rehab Specialist will review the work write-up with the owner. If the owner decides to proceed with the project, the Rehab Specialist will request a lead based paint inspection and will incorporate the results into the work write-up. Additional work to make the unit(s) lead safe will be funded with a grant up to 25% of the non-lead rehab costs. Costs for lead based paint work over 25% can be funded with DPL if available or paid for with private funds. Staff will have the owner sign a Contractor Preference Form, the plans will be submitted to Plans Review if required, and bids will be obtained. (If the owner will act as his/her own contractor (see 10C below), a cost proposal must be submitted before the subsidy is determined.)
8. Owner will obtain commitment for private financing and will provide City with written documentation of the funds. The City requires a title search and a post-rehab appraisal, which may be provided by the private lender. Otherwise, the owner will need to obtain and provide a copy to the City or the Finance Specialist may obtain both with funds collected from the owner.
9. The owner has the choice of the following procedures for obtaining a contractor to perform the rehabilitation work, subject to state and local licensing and permitting requirements. For jobs over \$100,000, a performance bond and formal competitive bids may be required, where the contractor is not also the owner.
  - A) The work write-up may be put out to bid to at least three contractors who meet CD qualifications. The owner may use contractors of his/her choosing and/or use the CD Contractors Registry. All contractors who are asked to bid must be approved by CD. CD policies will be used in evaluating bids, with the final selection from acceptable bids being up to the owner.

or

- B) The owner may negotiate a bid price with one or more contractors. Applicants are strongly encouraged to obtain bids from more than one contractor if this negotiation option is chosen. The contractor must provide itemized costs, subcontractor names and license numbers, and may add a maximum 25% overhead and profit. The owner and contractor may propose alternate methods to correct deficiencies as long as all CD general specifications are met and the proposed items are eligible expenses.

The Rehabilitation Specialist will review the proposal selected by the owner. If the Rehab Specialist does not approve the proposed work items or finds the cost excessive, the owner must renegotiate with the contractor or submit a proposal from another contractor.

or

- C) If the owner is a licensed contractor, he or she may complete the rehabilitation work under a self-help agreement. Any owner interested in completing the rehabilitation work must obtain City approval first. The owner must also have the necessary skills and licenses to perform the work and adequate cash reserves to finance the self-help portion. No self-help agreements will be considered unless necessary to relieve unusual hardship to the owner or where it is clearly beneficial to the City to use this approach.

NOTE: Should an owner/contractor be permitted to act as his/her own contractor for the rehabilitation work, the City's subsidy determination will be based on the total bid price **less profit and overhead**. Separate written agreements must be executed with each subcontractor. Details of the self-help policy are available from the Rehabilitation Specialist.

10. The owner obtains all required private financing, if any, within 30 days and provides the City with a written commitment from his/her lending institution or other verification that he/she has the required funds available.
11. Owner gives tenants written notice offering a lease for after the rehabilitation is complete.
12. Temporary relocation of all tenants is arranged if necessary.
13. Loan settlement.
14. Construction is started. The Rehab Specialist monitors all construction activity. Progress payments for completed rehabilitation work are disbursed periodically as outlined in the construction agreement.
15. Construction completion.
16. Initial lease-up period. All units are expected to be leased within a 60 days from project completion. Full repayment of the City financing is required for any units not leased within 18 months of project completion. The owner must verify the incomes of all prospective tenants and submit this information to the City for approval prior to leasing all assisted units.
17. Affordability period. The owner must annually recalculate maximum allowable rents and utility allowances for assisted units subject to review and approval by the City. In addition, the owner must continue to verify the initial incomes of all tenants who lease assisted units. The owner must also provide the City with an annual recertification of the incomes of all tenants residing in assisted units and must provide notice concerning the possibility of lead-based paint to all new tenants. Ongoing maintenance regulations for lead based paint will apply during the affordability period also.