



## **Façade Improvement Program (FIP) Policies and Procedures City of Knoxville, Tennessee**

Revised December 1, 2021

### **Purpose of the Program**

The City of Knoxville's Department of Housing and Neighborhood Development is providing an incentive program to improve the façades of commercial buildings within low-moderate income communities. By enhancing the appearance of building façades, the program serves to improve the economic viability of these areas.

### **Program Priority Areas**

Broadway, Central Street, Magnolia Avenue, Martin Luther King Avenue Jr. Avenue, Sevier Avenue, and Sutherland Avenue. Redevelopment areas including the Mechanicsville, Downtown Burlington, Magnolia Warehouse District, Downtown Vestal Redevelopment Area, and the South Waterfront Area.

Any question regarding eligibility should be directed towards the Department of Housing and Neighborhood Development.

### **Funding & Match Requirements**

Funding is based on the square footage of the eligible façade. Buildings (within the program areas) can receive \$20 per square foot, with a maximum of \$50,000 per building, based on total façade construction cost. Applicants must provide a match equal to or greater than 20% of the amount awarded through this program. The match must be spent on the façade improvement project. Program funding is provided in the form of a loan that may be forgiven over a five year period, at a rate of 20% per year, provided the property continues to be maintained in accordance with the program requirements, such as retention of a ownership, occupancy by tenant, maintenance of the building façade, property insurance, and payment of all applicable City and County property taxes due.

### **Application Process**

Applications for the FIP will be available as funding allows. To obtain an application or additional information about the program, call the Department of Housing and Neighborhood Development at (865) 215-2854 or access our Department's website at [https://knoxvilletn.gov/government/city\\_departments\\_offices/housing\\_and\\_neighborhood\\_development/facade\\_improvement\\_program](https://knoxvilletn.gov/government/city_departments_offices/housing_and_neighborhood_development/facade_improvement_program). Complete the fillable PDF FIP application and email it to Ken McMahan at [KMcmahan@knoxvilletn.gov](mailto:KMcmahan@knoxvilletn.gov).

Applicants are required to complete the program application and provide a project timeline, architectural drawings, and specifications of the proposed façade improvement work to Housing and Neighborhood Development for approval. Proposals must pass a threshold review for eligibility, and will then be reviewed for quality and impact of the proposed

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improvements. **Steps in the process are:**

- A. Fillable PDF applications are available from the Department of Housing and Neighborhood Development website. Email completed application to Ken McMahon at [KMcMahon@knoxvilletn.gov](mailto:KMcMahon@knoxvilletn.gov).
- B. Department staff will arrange a site visit to meet with owner/developer to discuss the project.
- C. Façade Application Review Committee will meet to evaluate and score applications. Applications will be primarily scored according to the economic development criteria in the application.
- D. Application information will then be verified, including, without limitation, credit history, mortgage verification, property tax status, outstanding code violations, and liens.
- E. Department staff may contact the East Tennessee Community Design Center to provide design assistance if needed. This service is provided at no cost to the owner for conceptual design drawings.
- F. The design will be evaluated and, if the proposed project meets the established eligibility criteria, the Façade Design Review Committee will then review it. Applicants are required to attend the Design Review Committee meetings. Buildings in Historic Overlay zone and Downtown Overlay District zone are subject to additional review by the Historic Zoning Commission and the Downtown Design Review Board.
- G. Once the design is finalized, the owner will be notified and may obtain a licensed architect to finalize signed construction drawings. The architect, Housing and Neighborhood Development staff, and the owner will work to develop drawings, the scope of work and a line-item budget, based on recommendations from the Façade Design Review Committee. Please note any work completed before signed agreements are in place will not be eligible for funding.
- H. Housing and Neighborhood Development staff will assist the owner with securing a licensed contractor using a competitive bid process, following federal or City of Knoxville regulations as required by funding source and the program procurement process.

### **Eligibility**

All property owners willing to improve the exterior of commercial properties located within targeted program areas are eligible to apply for assistance. A recipient may utilize the FIP in conjunction with other public and private financial resources. Owners may receive funding for more than one building based on funding availability.

Eligible buildings are commercial and mixed commercial/residential with façades visible from the street. New construction will not be considered for this program. Building elevations not facing the street may be considered, depending on visibility.

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Applicants should be aware that buildings containing or that will contain residential units may require lead hazard abatement. The cost of lead hazard abatement is not an eligible expense under the FIP and will be the total responsibility of the owner.

Applicants will be required to demonstrate financial capacity to meet the program matching requirements, and must be current on all property taxes, mortgages, and insurance. Existing mortgage(s) on the property must be current and in good standing for a minimum of 12 consecutive months immediately prior to the submission of an application. Both City and County property taxes on all real property owned by the applicant must be up to date. The delinquent date for a tax year is February 28 of the following year. All other property liens must be resolved prior to application review.

Applicants are not required to have insurance on their building in order to apply for the program. However, they must have insurance in place at completion of façade project. It is the owner's responsibility to obtain property insurance once the project is completed. Coverage during construction can be obtained through the general contractor's builders risk policy.

### **Credit Requirements**

While there is no minimum credit score, applicants are expected to have a credit score that shows a history of paying obligations. If an applicant's credit score demonstrates a disregard for meeting financial obligations, they may be required to obtain credit counseling. Upon verification of credit counseling completion, a written re-payment plan with creditors and 6 consecutive months of an established payment history, the application may be re-considered. An applicant who has had payment delinquencies in the past must have re-established credit with payments made as agreed for at least 6 consecutive months. Medical collections are not considered in the credit evaluation. Alternative credit references may be required if the applicant has little or no credit on the credit report.

Any bankruptcy by the applicant must have been discharged a minimum of 12 months prior to application, and the applicant must have re-established credit.

### **Ineligible Applications**

An applicant may be ruled ineligible for the FIP if:

- A. The applicant furnishes false or fraudulent information on the FIP application.
- B. Even if the needed repairs were made, the building would still be substandard due to the owner's inability to complete repairs that render the building safe, secure and stable.

### **Eligible Repairs**

Façade renovations must involve the general upgrading of a building's external appearance in compliance with the Design Guidelines and Design Review process.

### **Examples of eligible repairs are:**

- A. Exterior building repairs, including repairs to masonry, stucco, cornice, gutters and downspouts, painting or other building code items

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- B. Repair/replace/preserve historically significant architectural details
- C. Storefront replacement or reconstruction, and awnings and canopies
- D. Window and door repair or replacement
- E. Permanent exterior signage and lighting integrated into the design and attached to the building
- F. Decking, stairs/ADA ramp, utility/trash enclosures

**Examples of repairs that are generally not eligible:**

- A. Non-visible roofing
- B. Attached, hanging or projecting signs unrelated to the architecture of the building
- C. Mechanical equipment enclosures (non-visible)
- D. Parking lots, landscaping and other site development
- E. Interior renovation
- F. Temporary, portable or non-permanent improvements
- G. New construction, expansion of building area
- H. Property acquisition, payment of delinquent taxes, refinance of existing debt, working capital
- I. Improvements in progress or completed prior to loan/grant approval

**Design Guidelines**

Eligible proposals will be required to follow design guidelines provided for this program. These guidelines are provided to assure appropriateness of the proposed work, and to provide for compatibility with the affected building's original appearance and with other area buildings. For buildings not within an H-1 overlay and not otherwise designated as historic, the design guidelines are provided to essentially do no harm to the possibility of a future historic designation. In the case of buildings within an H-1 overlay or otherwise designated as historic, the façade improvements must meet all applicable historic preservation requirements in addition to the program's façade improvement design guidelines and program requirements.

**Credit History**

Applicants are expected to have a credit history that demonstrates their ability to pay obligations in a timely manner. Medical collections are not considered in the credit evaluation. Alternative credit references may be required if the applicant has little or no credit on the credit report.

Any Judgments that have been recorded in the Register of Deed's office as a lien against the property must be resolved and paid in full before an application will be considered.

Any bankruptcy by the applicant must have been discharged a minimum of 12 months prior to application and the applicant must have re-established credit.

### **Ineligible projects**

A project may be ruled ineligible for the FIP if:

- A. Even if the needed repairs were made, the building would still be substandard due to the owner's inability to complete repairs that render the building safe, secure and in compliance with current City of Knoxville building codes.
- B. The applicant furnishes a false or fraudulent statement within the application and supporting documents.
- C. The applicant or any member of the household has a history of illegal activity that impairs the physical or social environment of the neighborhood.
- D. The building owner and/or principal members of the ownership group should not have real property that is delinquent on City and County property taxes.

### **Design Review Committee**

The Design Review Committee consists of City staff and local design professionals. Applications will be considered by the committee in order to assure that the proposed design fits with the building architecture and surrounding area. Some elements that may be reviewed include building lighting, window and door openings, accessibility, and signage attached to the building.

### **Architectural Drawings and Specifications**

Applicants will be required to obtain the services of a licensed architect to provide conceptual renderings, construction drawings, and a related scope of work. These documents will be used for project review and as bid documents. The City may reimburse the owner for architectural fees related to the creation of detailed scope of work and stamped architectural drawings for façade-related improvements in the amount not to exceed \$4,000. The architect will also assist the owner in establishing a reasonable budget for the proposed façade work. The reimbursement may only be requested by approved applicants that have closed on the legal agreements with the City. Any architectural expenses in excess of \$4,000 will be the sole responsibility of the applicant.

### **Procurement**

Once the design is approved, City staff will put the project out to bid on behalf of the owner. The owner will request bids from a minimum of three commercial contractors that have confirmed interest in bidding on the project. At least one of these contractors must be either minority owned or woman owned enterprises. All contractors must be licensed to perform commercial work in the State of Tennessee.

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In cases where work not related to the façade scope of work is to be completed simultaneously with façade related work, the owner may combine these, provided that the façade work is delineated separately.

The bid process includes the invitation to bid followed by an onsite pre-bid meeting. Any questions from contractors regarding construction details will be answered by the architect/owner and sent out to all as an addendum. Next, a bid opening in City offices will be scheduled. The lowest reasonable bid sets the budget for façade related construction. The City portion of façade funding will be based on the lowest bid for the façade portion. While the low bid is the standard for defining the City's budget for the façade financing, the owner does have the option of choosing one of the other contractors that submitted bids, provided that the contractor can and will perform the defined scope of work at the low bid price. City staff will assist with the bidding process and the evaluation of bids. Contractors selected are required to take affirmative steps to encourage the use of minority and women owned business enterprises when subcontracts are let.

In the rare instance where the building owner(s) are also licensed commercial contractors and qualified to bid on projects through the Façade Improvement Program, upon request, City staff may consider the possibility of the building owner(s) acting as the contractor for their own façade work. If approved by City staff, such a façade project may not be subject to the bid process. The building owner(s)/contractor(s) will be responsible for submitting a budget for approval by City staff. Profit/overhead will not be accepted as a valid budgetary line item. The building owner(s) will need to produce certification of being a licensed commercial contractor in the State of Tennessee, and will need to show proof of insurance for the work being proposed.

### **Architect and Contractor Registries**

The Housing and Neighborhood Development Department maintains a reference list of qualified, licensed architects and contractors who are familiar with the FIP and are eligible to work on façade projects. These architects and contractors do not work for and are not employed by the City of Knoxville. The City does not recommend or suggest that these contractors or architects are better or more capable than other contractors or architects, but merely maintains the reference list as a service to applicants. Applicants may choose any licensed architect to perform the design functions related to this program. Applicant may also choose any licensed contractor that they wish to bid this work.

### **Financing Policies**

- A. Reimbursements** - all funding is on a reimbursement basis only. Payments are issued after progress invoices are received and approved. The total reimbursement for all forms of façade improvement assistance shall not exceed \$50,000 per approved building. Projects must be completed within an agreed timeline, per contract. Any extension of this timeline is at the sole discretion of the City of Knoxville, as approved in writing.
  
- B. Security** - the façade improvement project funding will be secured by a deed of trust on the real real estate for the requisite term which will self-amortize proportionally each year; provided the property continues to be maintained in accordance with the program requirements, such as retention of ownership, maintenance of the façade, occupancy by commercial tenant, and payment of all property taxes due.

- C. **Repayments** - No repayments will be required if all terms are met.
- D. **Default** - A recipient shall be considered in default and the balance of financial assistance immediately due and payable upon failure of the borrower: to retain ownership of the property for the duration of the forgivable loan, to properly maintain the façade after improvements are completed, to remain current on all City and County property taxes; to maintain property insurance listing City of Knoxville as lien holder; or to operate in compliance with all applicable local, state, and federal codes, laws, and regulations.
- E. **Remedies of Default** - In the event of default, the City may exercise any combination of the remedies available to it with respect to the security agreement(s). The City may take whatever action at law, or in equity, as may appear necessary or desirable to collect any outstanding balance or to enforce the performance and observation of any other obligation or agreement of the recipient.

**General Requirements**

- A. All work must be done in accordance with all adopted local building codes. Any renovation work undertaken prior to the City's final written authorization to begin construction is not eligible for assistance under the program. All renovation work undertaken in conjunction with the FIP that exceeds approved financial assistance shall be borne by the applicant.
- B. All construction management shall be the responsibility of the applicant.
- C. All applicants shall be required to demonstrate compliance with nondiscriminatory employment practices and Affirmative Action Programs under Title VI and Section 112 of the Civil Rights Act of 1969 and Public Law 92-65. Applicants are encouraged, to utilize minority and women-owned business enterprises under this program.
- D. The City, the Department of Housing and Urban Development, the Comptroller General of the United States, or any duly authorized representatives, shall have access to any books, documents, papers and records which are directly related to the program assistance for the purposes of monitoring, making audits, examination, excerpts, and transcripts. All records supporting the costs and components of program assisted improvements shall be maintained for a period not less than five (5) years following completion of the program agreement period, agreement termination, or default, whichever shall first occur. No person who is an employee, agent, consultant, officer, appointed official, or elected official of the City of Knoxville who exercise or have exercised any functions or responsibilities with respect to CDBG activities, or are in a position to participate in a decision-making process, or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit, or have interest in any program assistance, either for themselves or those with whom they have family or business ties, during their tenure or for one (1) year thereafter.

**Other Complaint/Grievance**

- A. If a Property owner has a complaint or grievance other than one that is related to the contractor and the work of the contractor, he or she must first contact the Housing and Neighborhood Development staff person with whom they have been working. If the

staff person cannot or does not resolve the issue, the property owner should submit their complaint or grievance in writing to the Economic Development Project Manager. The Economic Development Project Manager will respond in writing to the complaint within 5 business days with specific answers. If the property owner remains dissatisfied, he or she may contact the Director of Housing and Neighborhood Development.

**Subordination**

Property owners who have a loan with the City of Knoxville’s Housing and Neighborhood Development Department may apply for a subordination agreement. Applications will be reviewed carefully and, approved or disapproved, on a case-by-case basis. Approval is not automatic. Generally, the City will subordinate only once over the life of the loan. The criteria listed below will be considered in arriving at a decision.

1. Subordination agreements will only be approved for the purpose of refinancing of an existing mortgage with better rates and/or terms. Cash out exceptions will be for loans needed to make improvements to the property.
  
2. Basic requirements for approval:
  - a. The property owner’s loan(s) with Housing and Neighborhood Development must be compliant with policies or otherwise not in default.
  
  - b. Property taxes must be current and in compliance with the policy stated above.
  
  - c. Property owner must provide insurance coverage on the property with the City of Knoxville listed as additional insured.
  
  - d. The new loan must not affect the client’s ability to retain eligibility for their loan(s) to the City of Knoxville.

I have read and understand the Façade Improvement Program Policies and Procedures, for the City of Knoxville, revised December 1, 2021.

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Signature of applicant and date

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Printed name of applicant

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Signature of witness and date

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Printed name of witness

*The City reserves the right to modify these regulations as necessary to improve the effectiveness of the Façade Improvement Program.*