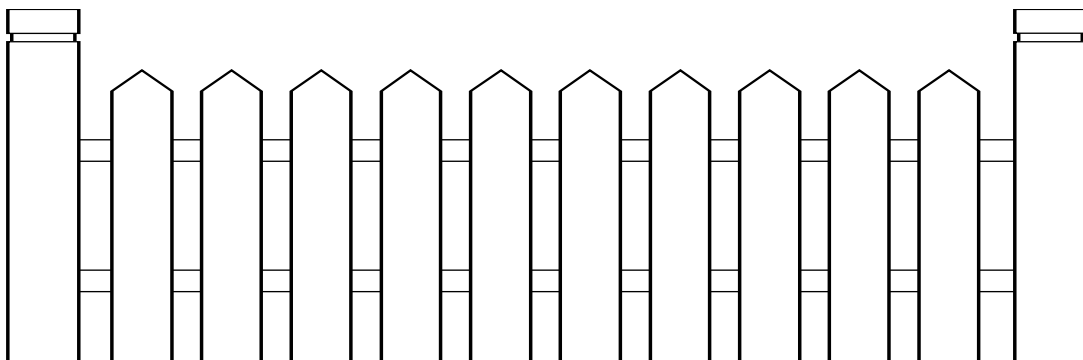




# City of Knoxville Community Development Rental Rehabilitation Program Description



**Funded by:**  
**The U.S. Department of Housing & Urban Development's Home Investment Partnership Program**  
**Community Development Block Grant**  
**Equal Housing Opportunity Affirmative Marketing Procedures Apply**  
**Community Development**  
**Rental Rehabilitation Program Description**

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EQUAL HOUSING OPPORTUNITY  
AFFIRMATIVE MARKETING PROCEDURES APPLY

## **I. INTRODUCTION**

The Rental Rehabilitation Program (RRP) was initiated by the City of Knoxville, Community Development Department, in response to the local need for standard rental housing that is affordable to low income tenants. RRP provides owners of substandard residential rental property assistance in the form of low cost financing for the rehabilitation of these properties. Technical assistance is also provided. Single-family, multi-family properties and supportive housing, such as group homes are eligible for the Program. Eligible owners of the rental housing may be private individuals, public agencies, or nonprofit organizations. New construction of multi-family rental housing may be eligible for developers who meet specific capacity requirements.

Funding for the RRP is provided primarily through the U.S. Department of Housing and Urban Development's HOME Investment Partnerships Program (HOME) and Community Development Block Grant Program (CDBG). The HOME Program provides federal funds to state and local governments to increase the availability of affordable housing nationwide.

The City's Rental Rehabilitation Program is designed to accomplish a twofold objective:

1. to increase the supply and long-term availability of affordable, standard rental housing for low-income families; and
2. to revitalize and strengthen Knoxville's inner-city neighborhoods by correcting substandard rental housing conditions within the community

Specific program provisions such as rent restrictions and occupancy restrictions have been instituted to ensure that this objective is met, as well as ensure compliance with federal HOME regulations. Required rent occupancy restrictions can range from five to twenty years, depending on the amount of HOME/CDBG financing provided and whether the project is a rehab or new construction. The number of units to which these restrictions apply will vary depending on the percent of total project cost provided by the RRP financing. Each program provision is detailed in the following sections.

## **II.**

**PROGRAM ACTIVITIES**

**-FINANCING METHOD-**

RRP provides a subsidy toward the cost of rehabilitation in the form of forgivable loans called Deferred Payment Loan. Each project is underwritten by the City and the total RRP funding is limited to:

- ❖ The minimum amount necessary to make a project economically feasible given the projected rents and expenses and a reasonable return on the owner's investment. Owners are expected to borrow the maximum amount feasible from private lending sources. RRP financing fills the gap between actual costs and the amount of private financing. Subsidy from other sources will be considered also.

**AND**

- ❖ The lessor of 80% of the cost necessary to correct code violations and make other required repairs or \$20,000 per unit. Project costs in excess of the amount financed by the City would be paid with private financing or cash provided by the owner.

The terms of the City provided financing are as follows:

**Deferred Payment Loan (DPL)** – A Deferred Payment Loan is an interest free, forgivable loan that requires no monthly payments as long as all Program requirements are met. The maximum DPL is \$20,000 per unit. The balance will be forgiven in full at the end of the Affordability Period. (See Page 11 for minimum Affordability Period Chart)

**Lead Based Paint Grant** - these grants are available to cover additional costs for required lead hazard control measures. The maximum lead based paint grant is 25% of the total cost of the non-lead portion of the rehabilitation.

*The maximum DPL and Lead Based Paint grant available is as stated above or 80% of all eligible costs, whichever is less. Owners are expected to contribute a minimum of 20% of eligible costs.*

If the owner sells the property, converts it to a nonresidential use, does not comply with affordability and occupancy restrictions during the affordability period (*see **Rent Restrictions and Occupancy Requirements***), or otherwise defaults according to the terms of the DPL; the outstanding balance of the DPL becomes immediately due and payable.

An exception to the due on sale clause may be granted when:

- ❖ A subsequent investor-buyer is willing to assume the original terms of the loan according to the City’s Subordination/Assumption Policy, or
- ❖ The unit is sold for no more than the appraised value to an existing lower-income tenant for use as his/her principal residence. In such cases, the loan terms may be restructured and assumed by the tenant-buyer according to the provisions of the City’s Subordination/Assumption Policy.

*The financing structure for each RRP project is determined on a case-by-case basis, and is based on what is necessary to make each project financially feasible.*

**-ELIGIBLE PROPERTIES-**

- ❖ The property must be owned by the applicant or the applicant must have an option or contract to purchase the property.
- ❖ Single-family homes, multi-family properties and supportive housing units, such as group homes are all eligible for the Program.
- ❖ Property must be located in a neighborhood where current market conditions indicate a need for the proposed rental project. An analysis of market conditions will be performed by the City or by a 3<sup>rd</sup> party, depending on the number of units.
- ❖ All properties must be structurally and financially feasible for rehabilitation given Program construction standards and financial requirements. Properties must have a positive cash flow.
- ❖ All property taxes must be current.
- ❖ All properties must need a minimum of \$1,000/unit in repairs to be eligible for the Program.

**ELIGIBLE APPLICANTS**

- ❖ Applicants must demonstrate successful management and property maintenance of any owned rental properties.
- ❖ Applicants who own properties with a history of code violations during their ownership will not be eligible for the program.
- ❖ Applicants must be current on all property taxes for any additional owned properties.
- ❖ Applicants must show an acceptable credit history.

- ❖ Applicants must document fiscal soundness through current tax return and/or financial statement.
- ❖ Applicants must document proven development capacity for the type and size of project.
- ❖ Additional requirements will apply to developers of new rental housing.

<b>FUNDING PRIORITIES</b>
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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:

- ❖ Located in a current Community Development targeted area:
  - East Knoxville (census tracts 5, 6, 19, 20, 21, 32)
  - Mechanicsville, Lonsdale, and Beaumont (census tracts 12, 13, 14, 28)
  - Oakwood, Lincoln Park and Cecil (census tracts 15, 17, 29)
  - South Knoxville (census tracts 8, 24)
- ❖ Currently uninhabitable property, which is due to no fault of the current owner.
- ❖ Properties that have been purchased (or are under contract) through the City's Homemaker Program.
- ❖ Units that will be made readily accessible to and usable by individuals with disabilities; also units that will be made visitable by individuals with disabilities.
- ❖ Requires a minimal amount of public subsidy.

<b>-INELIGIBLE PROJECTS-</b>
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- ❖ The RRP may not be used for assistance to eligible low income housing under PART 248 (*Repayment of Low Income Housing Mortgages*) of Title II or assistance to a project previously assisted with HOME funds during the affordability period or for development of public housing financed under the 1937 Act (*Public Housing Capital and Operating Funds*).
- ❖ Properties will not be eligible if the rehabilitation will result in the physical or economic displacement of existing tenants.

- ❖ No project will be funded if the owner displaces tenants prior to submitting an application in order to meet program requirements or funding priorities.
- ❖ Property located in areas identified as having special flood hazards by the Federal Emergency Management Agency will not be eligible unless the owner obtains (*and maintains*) flood insurance under the National Flood Insurance Program.
- ❖ Properties that are in such poor condition that rehabilitation is not a feasible option.

<b>-ELIGIBLE COSTS-</b>
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Eligible project costs include:

- ❖ **Development Hard Costs** – The actual cost of rehabilitating housing to meet the City’s Community Development Neighborhood Housing Standards. Funds may also be used for improvements to the project site that are in keeping with improvements to surrounding, standard projects, and costs to make utility connections.
  
- ❖ **Related Soft Costs** – Other reasonable and necessary costs incurred by the owner and associated with the development or financing of the project including:
  1. Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;
  2. Financing costs such as origination fees, credit and title reports, recording fees, building permits, appraisals, private attorney’s fees, fees for an independent cost estimate.
  3. Costs to provide information services such as affirmative marketing and fair housing information to prospective tenants.
  
- ❖ **General Property Improvements** – The scope of work may also include general property improvements (*GPI’s*) in an amount up to 5% of the rehabilitation cost for required and incipient items if sufficient funds are available and all code violations and incipient violations have been properly addressed. *Examples of GPI’s are: dishwashers, utility or storage spaces, security systems and rearrangement of interior space to eliminate inefficient design. The scope of work **may not** include luxury items even if financed with private funds.*
  
- ❖ **Relocation Costs** – Costs of relocation payments and other relocation assistance for temporarily relocated persons. (Any projects that would require permanent displacement of tenants are not eligible.)

### III. PROGRAM REQUIREMENTS

#### REHABILITATION STANDARDS

At a minimum, all rehabilitation work must comply with the City's Neighborhood Housing Standards, which include the 2018 ICC Property Maintenance Codes, existing housing codes related to health and safety, work needed to comply with lead-based paint requirements, and cost effective energy conservation measures. In addition, property on, or eligible for, the National Register of Historic Places must comply with the Secretary of Interior's Standards for rehabilitation of Historic Properties. A City Rehabilitation Specialist will inspect the property and determine the work needed to meet these standards. Every unit in the project, even those not assisted with RRP funds, must be rehabilitated to these standards. If a new rental construction project is approved, the project must meet visitability standards required by the City, must qualify and receive Energy Star for New Homes designation and must meet Infill Housing Guidelines.

The Neighborhood Housing Standards also provide for, but do not require, correction of incipient violations (*items that are not yet actual code violations, but that are likely to become violations within the next two years if not properly addressed*) and measures that provide for the special needs of tenants, such as adaptations for tenants with disabilities. Incipient items do not apply to major systems because the City's Neighborhood Housing Standards already require all major systems to have at least a five year useful life left. Incipient items and GPI'S will be included only to the extent that the owner is putting in an amount equal to or more than the amount of those items, either with cash or through a private loan.

Per the requirements of **24 CFR Part 8**, Nondiscrimination Based on Handicap in Federally Assisted Programs and HUD Activities—when a project contains 15 or more units and the rehabilitation cost equals or exceeds 75% of the replacement cost of the completed facility, the project must comply with Sec. 8.22 requiring a minimum of 5% of the units or at least one unit be accessible for persons with mobility impairments. An additional 2% of the units (*but not less than one*) in such a project shall be accessible for persons with hearing or vision impairments. Projects containing five or more dwelling units must be made readily accessible to and usable by individuals with handicaps to the maximum extent feasible. *“Maximum extent feasible” means that compliance in rehabilitation shall be required unless doing so would impose an undue financial and administration burden.* It does not require that alterations be made solely in order to comply if those alterations cannot be undertaken without removing or altering a load-bearing structural member.

Generally, all rehabilitation work must be completed by a licensed contractor. Procedures for contacting for the rehabilitation work are described in the “*Application Process*” handout.



<b>RENT RESTRICTIONS</b>
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Once rehabilitation is complete, each RRP assisted unit is subject to the following rent restrictions:

- ❖ **Low (HOME) Rents** – For projects containing five or more assisted rental units, or in the case of an owner who has multiple projects which together contain a total of five or more assisted rental units, a minimum of 20% of all the assisted units must have rents, adjusted for utilities, that do not exceed 30% of the gross income for a household earning 50% of the median income for the area; and
- ❖ **High (HOME) Rents** – All other assisted units in each project must have rents, adjusted for utilities, that do not exceed the lessor of Section 8 Fair Market Rents or 30% of the adjusted income for a household earning 65% of the median income for the area.

*The Low and High HOME rents (including tenant paid utilities), as of June 28, 2019 for Knoxville by number of bedrooms per unit are:*

Number of Bedrooms	0	1	2	3	4
<b>Low HOME Rent</b>	624	693	832	961	1072
<b>High HOME Rent</b>	624	742	915	1198	1336

The City and the owner will determine the maximum allowable rents for each assisted unit on an individual basis. This is necessary in order to make adjustments to the rent levels to allow for tenant-paid utilities such as water, sewer, electric, heating, etc. The amount of the adjustment varies depending on the type of building (single-family, duplex, etc.), and the type of utilities provided (gas, electric, etc.). The amount of each deduction will be in accordance with Knoxville’s Community Development Corporation’s (KCDC) utility allowance schedule for the Section 8 Existing Housing Program (current schedule attached). The **Low** and **High HOME Rents** for each unit’s bedroom-size are computed annually by the U. S. Department of Housing and Urban Development.

*To protect existing tenants residing in RRP projects from economic displacement, no rehabilitation project will be undertaken that would result in rent increase such that the total of the after-rehabilitation contract rent plus applicable utility allowances would exceed 30% of the tenant’s gross monthly income for a non Section 8 tenant. This rule applies to all properties occupied prior to rehabilitation regardless of whether occupied (unit(s)) will be assisted with RRP funds.*

## OCCUPANCY REQUIREMENTS

The occupancy for all RRP assisted units must be restricted to low-income tenants as follows:

- ❖ For projects containing five or more HOME assisted rental units, or in the case of an owner who has multiple projects which together contain a total of five or more assisted rental units, a minimum of 20% of all the assisted units must be occupied by tenants with adjusted household incomes that do not exceed 50% of the median income for the area adjusted for family size paying no more than Low HOME Rents; and
- ❖ All other HOME assisted units must be occupied by tenants with adjusted household incomes that do not exceed 60% of the median income for the area adjusted for family size. <sup>(1)</sup>
- ❖ No exceptions to the occupancy rules noted above are made for existing tenants who reside in a project prior to rehabilitation. Therefore, occupied units are only eligible for assistance under the Program to the extent that existing tenants will not have to be physically displaced in meeting these occupancy requirements. However, where a project consists of more than one unit, a mixed-income project is allowable as long as private financing is used to rehabilitate the non-income/rent restricted units.

*The income limits for all tenants residing in RRP assisted units will be computed annually by the U.S. Department of Housing and Urban Development. The current income limits as of June 28, 2019, by family size are:*

Family Size	1	2	3	4	5	6	7	8
<b>50% Limit</b>	25,900	29,600	33,300	36,950	39,950	42,900	45,850	48,800
<b>60% Limit</b>	31,080	35,520	39,960	44,340	47,940	51,480	55,020	58,560
<b>80% Limit</b>	41,400	47,300	53,200	59,100	63,850	68,600	73,300	78,050

*(1) An exception to this requirement is made for projects containing (10) ten or more assisted units. Ten percent of the assisted units in these larger projects may be occupied by households having adjusted incomes up to 80% of the median income for the area adjusted for family size.*

<b>MINIMUM AFFORDABILITY PERIOD</b>
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Full rent and occupancy restrictions remain in force for the minimum affordability period, which depends on the type of activity and the amount of HOME financing, as follows:

Activity Type	Average Per-Unit HOME Cost	Minimum Affordability Period
Rehabilitation of Existing Housing	< \$15,000/unit	5 years
	\$15,000 - \$40,000/unit	10 years
New Construction	Any \$\$ Amount	20 years

- ❖ In some cases, funding may be supplemented with CDBG funds thereby reducing the affordability period.

During this time, the owner must lease all HOME assisted units to income eligible tenants for no more than the maximum allowable rents. The maximum allowable rents and utility allowances must be recalculated annually subject to review and approval by the City. New rent information will be published annually by the U.S. Department of Housing and Urban Development to help all owners establish new maximum allowable rents for their projects. Should the maximum allowable rent decrease from the previous year’s calculation, the rents for assisted units must be decreased accordingly for all new renegotiated leases. If the maximum allowable rent amount increases, the owner must determine whether to implement a rent increase for any new or renegotiated leases. Before any annual rent increase may be implemented, tenants must be given at least 30 days written notice of the increase. Increases in rent are also subject to any other governing provision(s) of the lease agreement.

During the affordability period, the owner is also responsible for certifying the initial incomes of all tenants who lease an assisted unit. This income information must be submitted to the City for review and approval prior to leasing the unit. In addition, the owner must provide the City with an annual recertification of the incomes of **all** tenants residing in RRP assisted units.

Should an annual income recertification indicate that a tenant’s household income exceeds 80% of the median income for the area, he/she may not be asked to move. However, an over-income tenant’s rent must be adjusted such that he/she pays a minimum of the lesser of 30% of the household income for rent and utilities, or the amount payable by the tenant under State or local law. After the over-income tenant vacates the RRP assisted unit, restricted rent levels and occupancy restrictions must be reinstated.

## POLICIES FOR PROTECTION OF TENANTS/OCCUPANTS

The owner must adhere to all provisions of the City’s **“POLICIES FOR PROTECTION OF TENANT-OCCUPANTS” (PPT)** and must cooperate with the City in administering the provisions of the PPT including:

- ❖ Informing all existing tenants of the application for RRP assistance and that a City representative may be contacting them to discuss the program.
- ❖ Providing the City with initial information regarding existing tenants (such as names, phone numbers, family-size, income, etc., and arranging meetings as necessary) and notify the City of any changes in tenancy;
- ❖ Once the application for RRP assistance has been submitted, the owner must notify all prospective new tenants who apply to move into vacant units of any proposed rent increase that will be implemented following rehabilitation completion. The owner must also notify prospective new tenants that their occupancy may be subsequently terminated in order that the rehabilitation work be completed or due to the occupancy restrictions that will be imposed following rehabilitation completion.

*If the owner does not inform prospective new tenants as noted above, the rehabilitation project will be canceled if the rehabilitation would then result in physical or economic displacement of the new tenant.*

- ❖ If temporary relocation of an existing tenant is required in order to carry out the rehabilitation work, the owner must:
  1. Provide a suitable vacant unit to the tenant, if available, for the temporary relocation period at a rent equal to or less than the current rent charged to the tenant; or
  2. If the owner does not have a unit available, then he/she must help the tenant locate a suitable replacement unit. The City will reimburse the tenant for any increase in rent in connection with the move.

*In either case, the tenant will be reimbursed by the City for all reasonable out-of-pocket moving expense, or the City will directly pay for the move.*

## TENANT SELECTION POLICY

An owner of rental housing assisted with RRP (HOME) funds must adopt written tenant selection policies that:

- ❖ Are consistent with the purpose of providing housing for very low-income and low-income families;

- ❖ Are reasonably related to Program eligibility and the applicant’s ability to perform the obligations of the lease;
- ❖ Provide for the selection of tenants from a waiting list in the chronological order of their application insofar as is practicable; and
- ❖ Provide for the prompt written notification to any rejected applicant of the grounds for rejection.

*In marketing vacant units, the owner must carry out affirmative marketing efforts as described in the HOME Program Agreement*

**PROHIBITED LEASE PROVISIONS**

A lease must be executed between the property owner and the tenant for all RRP assisted units. The lease must be for a period of not less than one year, unless a lesser period is mutually agreed upon in writing by the property owner and the tenant. Specific provisions that may not be included in the lease are:

- ❖ **Agreement to be sued** – Agreement by the tenant to be sued, to admit guilt, or to a judgement in favor of the owner in a lawsuit brought in connection with the lease;
- ❖ **Treatment of property** – Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with state law;
- ❖ **Excusing owner from responsibility** – Agreement by the tenant not to hold the owner or the owner’s agents legally responsible for any action or failure to act, whether intentional or negligent;
- ❖ **Wavier of legal proceedings** – Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
- ❖ **Waiver of notice** – Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant.
- ❖ **Waiver of a jury trial** – Agreement by the tenant to waive any right to a trial by jury;
- ❖ **Waiver of right to appeal court decision** – Agreement by the tenant to waive the tenant’s right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

- ❖ **Tenant chargeable with cost of legal actions regardless of outcome** – Agreement by the tenant to pay attorney’s fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant may, however, be obligated to pay costs if the tenant loses.

*An owner may not terminate the tenancy, or refuse to renew the lease, of a tenant of rental housing assisted with RRP funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable federal, state, or local law; or for other good cause. Written notice must be provided at least 30 days in advance of any termination or refusal to renew which specifies the grounds for the action*

**AFFIRMATIVE MARKETING PROVISIONS**

The owner must affirmatively market vacant units and assisted units which become vacated during the required affordability period. In order to comply with the affirmative marketing requirements and procedures established by the City, the owner of projects containing five or more dwelling units must comply with the following:

**During the affordability period** –

- ❖ The owner shall inform and solicit applications from persons not likely to apply for the housing without special outreach by notifying the Knoxville Area Urban League immediately when it is known that a vacancy will occur and/or provide the unit as a referral for tenants on KCDC’s Existing Housing waiting list, and

**Keep Data on** –

- ❖ The racial, ethnic, and gender characteristics of:
  1. Tenants occupying assisted units before rehab.
  2. Tenants moving from and into assisted units in the project initially after project completion.
  3. Applicants for tenancy/purchase of assisted units.
- ❖ How the applicants heard about the housing opportunity.

*Information regarding applicants for initial occupancy of assisted units must be provided to the City within 120 days following rehabilitation completion.*

- ❖ The owner shall also keep during the required period of affordability, information on all vacancies of assisted units, and copies of all newspaper advertisements to fill vacancies of assisted units. Copies of these advertisements may be submitted directly to the City.
- ❖ The owner will use the Equal Housing Opportunity logo type or slogan in advertising vacant assisted units during the required affordability period.
- ❖ The owner will advertise assisted unit vacancies in the Knoxville News Sentinel if more than four such vacancies exist in a project and there is not a sufficient waiting list to fill these vacancies, or to list the property with KCDC's list of properties available for Rental Assistance Certificate holders during the required affordability period.

<b>OTHER PROGRAM REQUIREMENTS</b>
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- ❖ **100% Combined Loan to value** – The total of all debt against the property, including the City DPL, cannot exceed 100% of the after rehab value of the property. The owner must be willing and able to pay all rehabilitation costs exceeding 100% of the value with funds not secured by the property. The City will subordinate its Deed of Trust securing the DPL to debt of a private lender only according the provisions of its Subordination/Assumption Policy.
- ❖ **Rental Rehab Compliance Training** – all property owners who participate in the City's Rental Rehab Program will be required to participate in a two hour compliance training.
- ❖ **Insurance** – The owner must insure the rehabilitation property against loss by fire and other hazards during the term of the City provided financing, in an amount not less than necessary to cover all outstanding debts on the rehabilitated property. The City of Knoxville, Community Development Department (P.O. Box 1631, Knoxville, Tennessee 37901) shall be listed as a lien holder and supplied with a copy of the policy.
- ❖ **Housing Quality Standards** – Owners must maintain the housing in compliance with the 2082 ICC Property Maintenance Code for the duration of the affordability period. Should the City adopt a different code during the affordability period, the new code will then apply.
- ❖ **Religious Organizations** - HOME funds may be provided to primarily religious organizations, such as churches, for rehabilitation activities. The completed housing project must be used exclusively for secular purposes with no religious or membership criteria for tenants of the property.
- ❖ **HOME Agreement** – All assisted property owners must execute an agreement with the City ensuring compliance with all requirements of the HOME Program; such as Fair Housing and Equal Opportunity, Nondiscrimination, Conflict of Interest, Affirmative Marketing; Displacement, Relocation and Acquisition; Labor; Lead-Based Paint; Conflict of Interest; Debarment and Suspension; and Flood Insurance.
- ❖ **Other Federal Requirements** – The owner must comply with all federal laws and regulations described in *Sub Part H* of the HOME regulations, except for environmental and intergovernmental review responsibilities. These requirements include: Equal Opportunity and Fair Housing Affirmative Marketing; Displacement, Relocation and Acquisition; Labor; Lead-Based Paint; Conflict of Interest; Debarment and Suspension; Flood Insurance and Violence Against Women Reauthorization Act (VAWA) of 2013.

- ❖ **Lead Based Paint** – The owner will comply with the U. S. Department of Housing and Urban Development (HUD) regulations covering lead-based paint in federally associated housing, which appear within title 24 of the Federal Regulations as Part 35 (24 CFR). The regulations, “Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance,” include requirements for disclosure and notifications, paint testing, risk assessments, hazard reduction, safe work practices prohibited methods of paint removal, occupant protection, and ongoing maintenance.
  
- ❖ **Restrictive Covenant** – In addition to a Promissory Note and Deed of Trust securing the RRP financing, the Borrower and the City will enter into an agreement creating a Restrictive Covenant restricting the occupancy and rents on assisted units for the minimum affordability period.

<b>IV. PROGRAM MONITORING</b>
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At least annually, the City will monitor each RRP assisted project for compliance with program requirements. On site inspections for compliance with the 2018 ICC Property Maintenance Code will be made once during the first year and at least once every third year thereafter during the period of affordability. Projects with more than 10 units will be required to document continued financial viability through submission of annual financial statements. In addition, the City will annually review the owner’s compliance with all written agreements. Noncompliance with program requirements will result in default of all RRP financing, and the balances(s) of any City provided financing will become immediately due and payable. The owner remains responsible for submitting all rent and utility allowances, all initial tenant income information, and annual tenant income recertifications to the City for review (*see Rent Restrictions, and Occupancy Recertifications*). Failure to comply with this requirement will also result in default.

<i>For monitoring purposes, the owner shall maintain all records needed to document compliance with the HOME Program Agreement for at least five years after completion of the minimum affordability period.</i>
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**EXHIBIT "A"**

**LOW RISE APARTMENTS (2-4 UNITS)**  
**Utility Allowance Schedule**  
**U.S. Department of Housing & Urban Development**  
**Office of Public and Indian Housing**  
**Allowances for Tenant-Furnished Utilities and Other Services**  
**Knoxville, Tennessee**  
**-October 1, 2019-**

Utility or Services	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR
<b>AIR CONDITIONING:</b>	5	6	9	11	14	17
<b>HEATING:</b>						
a. Natural Gas	25	29	30	31	33	34
b. Bottled Gas	109	128	137	146	155	164
c. Electric	17	20	25	30	35	41
d. Electric-Heat Pump	13	15	18	20	23	25
<b>OTHER ELECTRIC:</b>	30	33	41	49	57	65
<b>WATER HEATING:</b>						
a. Natural Gas	7	8	12	16	19	23
b. Bottled Gas	29	34	49	64	80	95
c. Electric	11	13	17	21	25	28
<b>WATER:</b>	28	30	40	54	69	84
<b>SEWER:</b>	60	65	94	139	183	228
<b>REFRIGERATOR:</b>	12	12	12	12	12	12
<b>RANGE:</b>	8	8	8	8	8	8
<b>COOKING:</b>						
a. Natural Gas	10	11	12	13	14	16
b. Bottled Gas	10	12	17	23	28	33
c. Electric	4	4	6	8	10	12

**EXHIBIT "A"**

**LARGER APARTMENT BLDGS. (5+ UNITS)**  
**Utility Allowance Schedule**  
**U.S. Department of Housing & Urban Development**  
**Office of Public and Indian Housing**  
**Allowances for Tenant-Furnished Utilities and Appliances**  
**Knoxville, Tennessee**  
**-October 1, 2019-**

Utility or Services	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR
<b>AIR CONDITIONING:</b>	5	6	8	10	12	15
<b>HEATING:</b>						
a. Natural Gas	16	19	21	22	24	26
b. Bottled Gas	67	79	90	102	113	124
c. Electric	11	14	18	22	26	31
d. Electric Heat Pump	10	12	14	16	18	19
<b>OTHER ELECTRIC:</b>	27	30	36	43	49	56
<b>WATER HEATING:</b>						
a. Natural Gas	6	7	10	13	16	18
b. Bottled Gas	23	27	39	51	64	76
c. Electric	9	11	14	17	20	23
<b>WATER:</b>	28	30	40	54	69	84
<b>SEWER:</b>	60	65	94	139	183	228
<b>REFRIGERATOR:</b>	12	12	12	12	12	12
<b>RANGE:</b>	8	8	8	8	8	8
<b>COOKING:</b>						
a. Natural Gas	10	11	12	13	14	16
b. Bottled Gas	10	12	17	23	28	33
c. Electric	4	4	6	8	10	12

**EXHIBIT "A"**

**SINGLE FAMILY  
Utility Allowance Schedule  
U.S. Department of Housing & Urban Development  
Office of Public and Indian Housing  
Allowances for Tenant-Furnished Utilities and Other Services  
Knoxville, Tennessee  
-October 1, 2019-**

Utility or Services	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR
<b>AIR CONDITIONING:</b>	4	4	10	16	21	27
<b>HEATING:</b>						
a. Natural Gas	22	26	28	31	34	37
b. Bottled Gas	96	113	129	145	161	178
c. Electric	26	30	35	40	45	49
d. Electric-Heat Pump	14	17	20	23	25	28
<b>OTHER ELECTRIC:</b>	34	37	47	57	66	76
<b>WATER HEATING:</b>						
a. Natural Gas	7	8	12	16	19	23
b. Bottled Gas	29	34	49	64	80	95
c. Electric	11	13	17	21	25	28
<b>WATER:</b>	28	30	40	54	69	84
<b>SEWER:</b>	60	65	94	139	183	228
<b>REFRIGERATOR:</b>	12	12	12	12	12	12
<b>RANGE:</b>	8	8	8	8	8	8
<b>COOKING:</b>						
a. Natural Gas	10	11	12	13	14	16
b. Bottled Gas	10	12	17	23	28	33
c. Electric	4	4	6	8	10	12

