



MEDIA RELEASE

Sept. 17, 2019

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CITY, PARTNERS INVEST \$236.8 MILLION IN AFFORDABLE HOUSING

During Mayor Madeline Rogero's nearly eight years in office, the City of Knoxville and its housing partners have invested more than \$236 million in the construction and rehabilitation of affordable housing.

The City's investment of \$47.5 million has leveraged spending from other sources totaling more than \$189 million. These investments have resulted in the creation or rehabilitation of 4,502 units of affordable housing – 3,787 completed, with 715 additional units in the pipeline as of Sept. 1, 2019.

"Increasing the availability of affordable housing has been a priority of my administration," Mayor Rogero said. "Our Community Development staff works with public, private and nonprofit developers and maximizes the allocation of City funds by leveraging other public and private sector dollars."

The City's 2019-20 budget contains approximately \$10 million for affordable housing projects and programs, including: \$2.5 million dedicated to the Affordable Rental Development Fund; \$2.7 million from the U.S. Department of Housing and Urban Development (HUD); \$4.25 million for the redevelopment of KCDC's Austin Homes; and additional funding allocated for other sources including the East Tennessee Foundation's Affordable Housing Trust Fund, the low-barrier homeless shelter being built by Volunteer Ministry Center, and others.

Mayor Rogero's administration and the City's partners have addressed the availability, accessibility and affordability of housing for low- to moderate-income households by investing local, state, federal and private dollars through various ways:

- Income-based housing, built and managed in Knoxville by Knoxville's Community Development Corp. (KCDC);
- Development of affordable housing for seniors, people with disabilities, military veterans, single mothers and other residents in low- to moderate-income households;
- Income-based programs that help homeowners maintain the affordability of their homes through emergency repair and energy-efficiency rehabilitation that keep homes safe, comfortable and affordable in all seasons;
- Programs that help residents buy, rehabilitate and build homes and also receive the financial education that helps enable them to qualify for home loans; and

- Gap funding that makes it financially possible for developers to build affordable rental housing.

The City has consistently adapted its funding and programs to meet the needs of low- to moderate-income residents, traditionally focusing on homeownership. However, changes in the area housing market – influenced by the 2008 housing market crash and recession – led to a gradual reduction in the availability of affordable rental housing.

“Market forces have been the major contributor to Knoxville’s increasing need for affordable housing,” said Becky Wade, Director of the City of Knoxville Community Development Department. “Wages and incomes aren’t keeping pace with the rise in market-rate housing costs, meaning that residents making minimum wage or entry-level salaries can’t afford the same housing that they could in previous years, or are spending a larger percentage of their income on housing.”

The Community Development Department’s standard process of formulating a draft of its Annual Action Plan for Program Year 2017-18 helped reveal to staff the full picture of the lack of – and significant need for – affordable rental housing within the city limits. In response to community input, the annual plan outlines how the City proposes to spend its annual allocation of federal HOME and CDBG funds from HUD.

In late 2016, a variety of factors were affecting supply and demand of rental units:

- Owners of a number of long-established affordable apartment complexes reached the end of their affordability period (established 10-15 years ago per the agreement for the federal funding they received) and, rather than renewing for another period, remodeled and reopened with higher, market-rate rents.
- After the housing crisis, fewer people were able to or wanted to finance a mortgage on a home, so they sought to rent.
- Demand for rental units increased as Knoxville’s population is growing.
- Wages for minimum-wage workers have stagnated while other costs of living have increased.

These factors and their timing were major contributors to a critical lack of affordable rental housing in Knoxville. KCDC units were fully occupied, with some units unavailable to rent due to upgrades being made. For the first time in years, there was a waiting list.

The Knoxville-Knox County Community Action Committee’s Homeward Bound program, which places temporarily homeless people into apartments, found that several of its usual housing sources were unavailable to rent.

Community Development staff shifted its available federal funds to prioritize rental housing and began discussing additional approaches with housing partners and the Mayor’s administration.

In 2017, Mayor Rogero, with City Council support, created the Affordable Rental Development Fund in the City budget with \$2 million to jumpstart construction of new affordable rental housing. Another \$2.5 million was added to the fund in the 2018-19 budget, with an additional \$1 million added in the mid-year budget adjustment. Another \$2.5 million was budgeted for 2019-2020. These local funds are more flexible, with fewer stipulations and regulations than federal funds.

Allocations from the Affordable Rental Development Fund have contributed to the development of the following affordable housing units:

Completed in 2018

24 units: Restoration House, Village Place Way, supportive housing for single mothers and their children.

10 units: Helen Ross McNabb's Middlebrook Gardens, 3720 Middlebrook Pike, supportive housing for military veterans.

From the Affordable Rental Development Fund, the City contributed \$180,000 to Restoration House and \$300,000 to Middlebrook Gardens, both allocations approved by Council on Dec. 19, 2017. These projects received an additional \$3.5 million in state funds, bank financing and tax credits to fully fund construction.

Underway in 2019

172 units: Southside Flats, 2712 E. Martin Mill Pike, an affordable rental family housing apartment complex developed by Nashville-based Elmington Capital Group. The City contributed \$540,000 in federal HOME funds and \$360,000 from its Affordable Rental Development Fund, the latter to provide the developer with gap funding for the project, usually required to finance below-market-rate housing. The City's investment leveraged an additional \$29 million in low-income housing tax credits and private equity financing. Southside Flats is anticipated to begin accepting its first residents in November 2019.

53 units: Knoxville's Community Development Corp.'s 25 duplex units and three single-family homes, totaling 53 dwelling units for low-income seniors, located off Clifton Road. City Council voted to approve the City's contribution of \$1.2 million in Affordable Rental Development Funds on Nov. 20, 2018.

156 units: Young High Flats, 121 E. Young High Pike, an affordable rental family housing complex developed by Elmington Capital Group. Council approved the City's funding proposal of \$1.3 million.

102 units: The Flats at Pond Gap, 903 Hollywood Road, an affordable rental family housing complex developed by Elmington Capital Group. Council approved \$555,000 in funding, and a ground-breaking ceremony was held Sept. 13.

50 units: With support from the City, Helen Ross McNabb purchased the Associated Therapeutics building, 2704 Mineral Springs Ave., to remodel for low-income senior housing.

Six units: Restoration House received \$150,000 in funding from the City to build the final six units of its supportive housing complex for single mothers and their children.

These projects received an additional \$58.4 million in state funds, bank financing and tax credits to fully fund construction.

Ongoing projects

30 units: The Village at Holston Court, which broke ground in 2017, is a supportive housing project led by HomeSource east tennessee with some funding provided by TennCare. Construction is underway on a 24-unit apartment complex for seniors and people with special needs. The City's contribution has been \$525,000 in HOME funds and \$380,000 from the ARDF, with the development receiving \$3.7 million from additional sources.

80 units: Phase 3 of the Five Points Redevelopment Project broke ground in 2018 and will celebrate its opening with a ribbon-cutting ceremony on Sept. 26. In addition to the 84 units, it has park, playground and open green space. Phase 4 of the project, set to open in 2020, will add another 82 affordable rental units.

Funding for all phases of the Five Points redevelopment (including 37 infill housing units completed in 2013 to house some residents displaced by demolition of old units) includes \$13 million from the City of Knoxville, plus \$62 million in funds leveraged in the form of private bank financing and Low-Income Housing Tax Credits (LIHTC) from the Tennessee Housing Development Agency (THDA).

Knoxville's housing customer

As defined by the government (and recommended by personal finance advisors), "affordable" housing means that a family's housing costs, including utilities and insurance, will ideally be 30 percent or less of a household's income. Households paying more than 30 percent of their income on housing costs are considered "cost-burdened." More than a third of Knoxville households (35 percent) are cost-burdened.

Renter households pay a much higher proportion of their incomes for housing costs; more than 25 percent (approximately 10,770 local households) are severely cost-burdened and pay more than half of their household income on housing costs. Those residents are most at risk for losing housing altogether. Citywide, 53 percent of all occupied housing units are rental.

The availability of affordable housing, particularly rental housing, affects a broad array of Knoxville residents, including minimum-wage and entry-level salary earners; small families; seniors; single mothers; and people with disabilities. The minimum wage in Tennessee has been \$7.25 per hour – the same as the federal minimum wage – since 2009.

More than half of Knoxville households (56.5 percent) fall under the low-income designation, meaning their household earnings are less than 80 percent of the area median income (AMI). The Knoxville Metro Area's 2018 AMI is \$66,600.

Efforts to keep housing affordable, livable

As the Affordable Rental Development Fund has responded to the immediate community need and stimulated development of affordable rental housing, the City and its community development partners continue running and funding long-established programs that help property owners keep housing costs manageable through repairs and energy-efficiency updates. All of these programs are part of the City's anti-displacement strategy.

"The City's opportunities to support large-scale affordable housing developments depend on the right partners," Wade said. "Our consistent support of construction by housing partners and smaller-scale work with homeowners is the foundation for supporting housing for Knoxville's low- to moderate-income residents."

Since Program Year 2011, the City has received \$24.9 million in funds from the U.S. Department of Housing and Urban Development (HUD) in the form of HOME Investment Partnerships funds and Community Development Block Grants (CDBG).

This funding has been allocated to affordable housing efforts through housing partner programs and the following City-run programs for qualified applicants:

- **Owner-Occupied Home Rehabilitation:** Income-based program that assists homeowners in rehabilitating or rebuilding homes in order to meet codes and safety requirements
- **Rental Rehabilitation Program:** Assists owners of rental property to finance and rehabilitate rental properties and keep rental rates affordable for between five and 20 years
- **Down Payment Assistance Program:** Available to qualifying buyers of homes built by East Tennessee Housing Development Corp., HomeSource east tennessee and Neighborhood Housing Inc.

One of the City's key partners in maintaining housing affordability is the Knoxville-Knox County Community Action Committee (CAC), which provides emergency home repairs and weatherization assistance to numerous Knox County residents annually. These programs provided (or are in the pipeline to provide) 433 households with emergency repairs, weatherization or accessibility improvements and rehabilitation.

"Keeping residents' homes safe and energy efficient is part and parcel to keeping their overall housing costs affordable," said Jason Estes, Director of CAC Housing and Energy Services.

In 2016 and part of 2017, CAC, the City of Knoxville Office of Sustainability and multiple community agency groups collaborated on the Knoxville Extreme Energy Makeover (KEEM) program. Fueled by a \$15 million grant from the Tennessee Valley Authority, KEEM provided

free, whole-home, direct-install energy-efficiency upgrades to nearly 1,300 lower-income families and educated more than 1,700 residents on how to manage their utility bills through energy-saving habits.

The KEEM partnerships continue to benefit residents through KUB's Round It Up program, which funds CAC's Housing and Energy Services program, as well as TVA's Home Uplift program, which provides energy-efficiency upgrades to homeowners with limited incomes.

CAC also manages the Lead-Based Paint Hazard Reduction and Healthy Homes programs, for which the City Community Development Department received \$3.6 million in grant funding in late 2018.

More information on the Community Development Department, its programs and partnerships, is available at www.KnoxvilleTN.gov/Development.

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