



FACT SHEET
CDBG RENTAL REHABILITATION LOAN PROGRAM
Declared Disaster Relief Funding – 2021

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY (MDHA)

Community Development Department

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About the Program

MDHA received notification on September 22, 2020 that Metro Nashville was to receive Community Development Block Grant (CDBG) Declared Disaster Recovery funding (DDRF) from HUD to address emergency needs resulting from tornados, wind damage and flooding that impacted multiple communities in Nashville-Davidson County in March and May 2020. Based on input from the community, MDHA is making these funds available to nonprofit developers via an open-application process to be used to acquire and rehab storm damaged properties to preserve affordable housing. Additionally, the funds can be used for reconstruction (within the same footprint) of properties damaged by the storms that are determined to be non-feasible for rehabilitation and relocation expenses associated with the project, if any, as applicable.

The CDBG-DDRF Rental Rehabilitation Loan Program is designed to retain/preserve affordable housing that was damaged as a result of the spring 2020 storms by providing financial assistance to nonprofit developers to acquire and/or rehabilitate storm damaged properties for lease to tenants, a minimum of 51%, which have incomes at or below 80% Area Median Income (AMI) adjusted for family size.

The most recent income limits for the Nashville-Davidson-Murfreesboro-Franklin MSA are available at:

<https://www.huduser.gov/portal/datasets/il/il2020/2020summary.odn>

Every unit that receives assistance through this program is subject to affordability restrictions designed to make sure that rents are affordable to low income individuals for a minimum of 15 years. Rents will be determined based on the fair market rents per bedroom size as established by HUD and updated annually. For more information on Section 8 Fair Market Rents for Davidson County, please visit:

https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2021_code/2021summary.odn

General Eligibility Requirements

- Properties must be located in Nashville/Davidson County and received damage from the March and May 2020 storms.
- Funds cannot be used to acquire or rehabilitate housing units previously assisted with HOME, CDBG or NSP funds that still have an MDHA Deed of Trust or Deed Restriction in place.
- All developers, including principals, member(s), and contractors, must be current in all financial obligations to MDHA. MDHA will not award funds to an organization or agency that has failed to complete any previous MDHA-funded project or that has outstanding



monitoring findings or disallowed costs, defaulted loans, debarment actions, or any other legal encumbrances.

- Property must have sufficient cash flow to support maintenance, repay all debt including rehabilitation loans, and keep taxes and insurance current.
- Applicants will be responsible for the up-front cost of a lead-based paint inspection (required for all properties constructed prior to 1978 – the cost of this inspection can be reimbursed from loan proceeds if the loan is approved and closing takes place.) Applicants will also be responsible for title search, attorney fees for preparation of closing documents, and filing fees. The estimated cost for these fees will be disclosed prior to closing. **THESE COSTS CANNOT BE WITHHELD FROM LOAN PROCEEDS.**
- Loan Disbursements: Funds for acquisition will be disbursed at loan closing in conjunction with other funding sources. Funds for rehab will be provided through a 3-draw process: 1st draw at 50% completion; 2nd draw at 95% completion; and 3rd/final draw when unit is leased to income-eligible tenant and occupancy information has been provided to MDHA.

Tenant Assistance Policy

- Applicants are cautioned that any existing tenants must be given the opportunity to remain in the project. If units are occupied at the time of application submission, MDHA staff will interview tenants to see if they are eligible for Relocation Assistance. Upon availability, tenants will receive Section 8 Vouchers that can be used at the present location or another unit of the tenant's choice that meet Section 8 housing requirements. If Section 8 assistance is not available, tenants will receive relocation assistance under the terms of the Uniform Relocation Act. Also, tenants will receive a housing relocation payment to assist with moving expenses.
- **MDHA RESERVES THE RIGHT TO DENY FUNDING TO PROJECTS THAT REQUIRE PERMANENT RELOCATION OF EXISTING TENANTS.**
- If the extent of the rehabilitation requires temporary relocation of tenants, the applicant will be required to provide tenants with sufficient assistance to ensure that any temporary move is made at no cost to the tenants.

Davis-Bacon Requirements

- Any contract for rehabilitation of housing containing 8 or more units assisted with funds through this program must comply with the provisions of the Davis-Bacon Act.

Environmental Clearance

- No work can begin on the project (including property acquisition), even if paid for from other non-federal sources, until the property has received Environmental Clearance and a loan closing has taken place.

Fair Housing and Equal Opportunity

- Any applicant receiving funds to rehabilitate properties through this program will be required to abide by the following laws and regulations pertaining to Fair Housing and Equal Opportunity.
 - Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C. 2000d *et seq.*)
 - The Fair Housing Act (42 U.S.C. 3601-3620)



- Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12259)
- Age Discrimination Act of 1975, as amended (42 U.S.C. 6101)
- American with Disabilities Act (42 U.S.C. 12131; 47 U.S.C. 155, 201, 218, and 225)
- Section 504 of the Rehabilitation Act of 1973
- Violence Against Women Act (VAWA) of 2013

Loan Options

- The CDBG-DDRF Rental Rehabilitation Loan Program consists of the following types of loans: Applicants can select either option.
 - **Option 1:** Forgivable over 15 years if applicant commits to make the property available exclusively for lease to holders of Housing Choice (Section 8), Veterans Affairs Supportive Housing (VASH), or Shelter Plus Care vouchers. Please contact Norman Deep at ndeep@nashville-mdha.org for more information about these programs. The forgivable loan option is also available to nonprofit partners that commit to serving extremely low-income households with incomes \leq 30% AMI or special needs populations with incomes at or below 80% AMI.
 - **Option 2:** Repaid over 15 years at 3% interest if applicant commits to make the property available to all tenants with incomes at or below 80% AMI.
- With either loan option, the property must remain on the affordable rental market for fifteen (15) years after rehabilitation is complete and be leased at no more than the Section 8 Fair Market Rents to income-eligible tenants. All loans will be secured by Deeds of Trust on the property and Deed Restrictions to ensure that properties are used as affordable housing for the 15 year affordability period. ***Early repayment of the loan does not negate the responsibility of the property owner to use the property for affordable, income-restricted housing for the full fifteen (15) years.***

Loan Limits

- **PACKAGE #1: Single Family or duplex**
Maximum Loan: \$250,000
Maximum Forgivable Loan for lead remediation: \$10,000
- **PACKAGE #2: 3 & 4 Units**
Maximum Loan: \$500,000
Maximum Forgivable Loan for lead remediation: \$15,000
- **PACKAGE #3: 5 Units or more**
Maximum Loan: \$1,000,000
Maximum Forgivable Loan for lead remediation: \$20,000

Property Standards

- At completion of rehab, the property must comply with all local building codes, ordinances, zoning requirements, lead based paint and accessibility requirements as applicable. Additionally, the property must meet the MDHA Section 8 Housing Quality Standards initially and throughout the affordability period. Properties are subject to annual inspections by MDHA or its designee.



Requirements during the 15 Year Affordability Period

- *The property must be leased in accordance with the Affirmative Marketing Policies set-forth by MDHA.
- *Rent guidelines must be met annually and verified through the submission of lease(s) to MDHA.
- *Total tenant household income guidelines must be met annually and verified through the submission of a copy of tenants check stub; letter from employer regarding tenants income or current year income tax return.
- Property Taxes must remain current and replacement cost insurance must be in force for the full 15 year period showing MDHA as additional insured.

****For Option 1: Compliance for these items will be handled through MDHA's Section 8 office. For Option 2: Applicants are required to maintain all records to document compliance, and MDHA reserves the right to inspect these records during the affordability period.***

Loan Servicing

- For applicants choosing option 2, payments must be received by the 10th of each month or a late fee will be added.

ALL PAYMENTS WILL BE SENT TO THE FOLLOWING:

The Housing Fund
50 Vantage Way, Suite 201
Nashville, Tennessee 37228

- If any of the above stipulations are not met, MDHA will request full payment of outstanding loan balance plus interest with payment due within 30 days of request. If payment is not received within 30 days, MDHA will begin foreclosure proceedings.
- The loan may be assumed and subordinated upon written request from the applicant. All subordination and assumption requests must be reviewed by the Loan Review Committee based on rules and regulations set-forth to govern those requests.

Additional Information

- Call (615) 252-8422 or email aharrell@nashville-mdha.org

The Metropolitan Development and Housing Agency does not discriminate against any person in program or client services regardless of race, color, age, national origin, marital status, sex, disability, religion, or any other legally protected status.