



## **Façade Improvement Program Policies and Procedures City of Knoxville, Tennessee Revised May 5, 2017**

### **■ Purpose of the Program**

The City of Knoxville Community Development Department is providing an incentive program to improve the façades of buildings within priority redevelopment areas. By enhancing the appearance of building façades, the program serves to improve the economic viability of these areas. Better aesthetics increase property values, improve the marketability of space within the buildings and draw business and residents to the area.

### **■ Priority Redevelopment Areas**

The current façade improvement priority areas are the Broadway-Central Area, the Five Points Redevelopment Area, the Mechanicsville Redevelopment Area, the Burlington Business District, the Jackson Avenue Redevelopment Area, portions of the Magnolia Warehouse District, portions of Magnolia Avenue, the Vestal Redevelopment Area, South Waterfront Area and the Central Avenue portion of the Downtown North Redevelopment Area. If you have a question as to whether your property is within one of the priority areas, please contact the Community Development Department. In addition, we have the option to address individual blighted buildings outside the priority areas if funding is available.

### **■ Funding and 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 project 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 is forgiven over a five year period with no payments required, provided the property continues to be maintained in accordance with the program requirements, such as retention of ownership, occupancy by tenant, maintenance of the façade, insurance, and payment of all property taxes due.

## ■ Application Process

Applications for the Façade Improvement Program will be available as funding allows. To obtain an application or additional information about the program, call the Community Development Department at (865) 215-2120 or visit [www.cityofknoxville.org/development/facade.asp](http://www.cityofknoxville.org/development/facade.asp). Applicants will be required to complete the program application and provide a project timeline, architectural drawings, and specifications of the proposed façade improvement work to Community Development for approval. Proposals must pass a threshold review for eligibility, and will then be reviewed for quality and impact of the proposed improvements. **Below are the steps in the process:**

- Obtain application, either from the City web site or the Community Development Department.
- Forward completed application to the Community Development Department.
- Community Development staff will conduct a site visit to determine if the proposed project meets eligibility.
- Commercial Façade Application Committee will meet to evaluate and score applications. Applications will be primarily scored according to the economic development criteria in the application.
- Applications will then be processed. This will include credit history, mortgage verification, etc.
- Applicant will then be notified of status of application
- Environmental Review: City staff will conduct an environmental review to determine project eligibility.
- **Community Development staff may contact East Tennessee Community Design Center to provide design assistance if needed.** This service is provided at no cost to the owner. These drawings will also be provided to the architect who will produce a build set of drawings.
- The design will be evaluated and, if the proposed project meets the established eligibility, will be reviewed by the Façade Design Review Committee. Applicants are required to attend the Design Review Committee meetings. Buildings in historic overlay zones and Downtown redevelopment areas may be subject to additional review.
- Once the committee completes design recommendations, the owner will be notified and can then proceed to obtain an architect with the assistance of Community Development staff. The architect, Community 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. **Work will not proceed from this point until proof of financing is in place.**
- Community Development staff will assist the owner with securing a licensed contractor using a competitive bid process, following federal regulations and the City's procurement process.

## ■ Eligibility

All property owners willing to improve the exterior of properties located within the designated program areas may be eligible to receive assistance. A recipient may utilize the Façade Improvement Program in conjunction with other public and private financial resources. Owners may receive assistance 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. For the purposes of this program, blighted means designated for acquisition or otherwise identified as blighted under a redevelopment plan or as part of the redevelopment planning process.

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 facade program 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.

Applicants are not required to have insurance on their building in order to apply for the program. However, they must have insurance in place by loan closing. If the building is uninsurable, coverage must be obtained by final inspection. Coverage during construction can be obtained through the general contractor's builders risk policy.

## ■ Credit History

- While there is no minimum credit score, applicants are expected to have a credit history that shows a willingness to pay obligations. If an applicant's credit history demonstrates a disregard for meeting financial obligations, they will be referred to 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.
- Judgments and collections (*other than medical of any amount and service provider collections that are less than \$500.00*) that are reported on the applicant's credit report must be either paid in full or have written documentation of an ongoing re-payment plan. At least one payment must have been made.

- Judgments that have been recorded in the Register of Deed's office are a lien against the property and not allowed for the program. These liens must be paid in full before the application may 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.
- Alternative credit references may be required if the applicant has little or no credit on the credit report.

## ■ INELIGIBLE APPLICATIONS

An applicant may be ruled ineligible for the Façade Improvement Program if:

- The proposed project is not an eligible activity or does not meet a national objective of the Community Development Block Grant Program, HOME Program, or other federal funding in place for commercial façade improvement.
- 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.
- The applicant furnishes a false or fraudulent statement.
- The applicant or any member of the household has a history of illegal activity that impairs the physical or social environment of the neighborhood.
- The building owner, principal officer of an ownership corporation or members of their households have an ownership interest, direct or indirect, in tax delinquent real property.

## ■ Eligible Activities

Façade renovation activities must involve the general upgrading of a building's external appearance in compliance with the Design Guidelines and Design Review process. Examples of eligible activities are:

- Masonry repairs and tuckpointing
- Repair/replace/preserve historically significant architectural details
- Storefront reconstruction
- Cornice repair
- Exterior painting and stucco
- Awnings and canopies
- Window and door repair or replacement
- Permanent exterior signage integrated into the storefront design
- Permanent exterior lighting
- Repair/replacement of gutters and down spouts
- Façade building code items
- Visible roof repairs relating to the building's façade and known by Community Development staff before an application is submitted to the appropriate design review committee.
- Utility/trash enclosures
- Decking and stairs

- Side and rear building façades where improvements will serve to cause the removal of a blight designation

■ **Examples of activities that are not generally eligible:**

- Landscaping and fencing
- Non-visible roofing repair, roofing repair unknown by Community Development staff when an application is submitted to the appropriate design review committee, or roofing repair unrelated to the building's façade (e.g., structural improvements)
- Attached, hanging or projecting signs unrelated to the architecture of the building
- Mechanical equipment enclosures (non-visible)
- Parking lots
- Billboards
- Interior renovation
- Temporary, portable or non-permanent improvements
- New construction
- Property acquisition
- Expansion of building area
- Conversion of use
- Working capital
- Refinance of existing debt
- Payment of delinquent taxes
- Improvements in progress or completed prior to loan/grant approval
- Interior rehabilitation including modernization of electrical, mechanical, or structural elements. However, façade improvement funds may be used for façade improvements in conjunction with a separately financed rehabilitation project.
- Do not follow the approved architectural plans and designs for the façade renovation.
- Cannot demonstrate the ability to bear the entire cost of relocation and related expenses of residential or nonresidential tenants displaced as a result of project activities.
- Activities specifically prohibited by the program's funding source.

■ **Community Development Priorities**

Approval of applications will be considered based on strength of proposals and readiness to begin work, funding availability, and Community Development priorities. Proposals will be scored and selected by the Community Development Façade Improvement Committee based on the following priorities:

1. Projects supporting the overall goals of the City's Consolidated Plan
2. Projects improving economically distressed areas by eliminating blight, improving property values, creating and retaining jobs, and enhancing commercial viability.
3. Severely deteriorated buildings with negative impact on the community
4. Properties identified blighted as defined in applicable area redevelopment plan
5. Projects advancing disadvantaged business entities, defined as a minority-owned business, a woman-owned business, or a small business.
6. Properties with significant Codes Enforcement history
7. Prominent highly visible locations such as major intersections or locations on major arterials
8. Businesses located in pedestrian oriented business districts such as Broadway & Central
9. Vacant buildings being returned to active use
10. Buildings located in areas where other public investment is taking place
11. Projects that leverage maximum private investment
12. Building without residential occupancy

## ■ 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, to provide for compatibility with the affected building's original appearance and with other area buildings. For buildings not within an H-I 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. The current guidelines may be viewed at [www.knoxmpc.org](http://www.knoxmpc.org) under Plans and Studies.

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.

## ■ Design Review Committees

Applications for properties not located in a designated historic zone will be considered by a Facade Design Review Committee. Applications for properties located in a designated historic zone will be considered by the Historic Zoning Commission and/or the Downtown Design Review Board. These committees will review applications to assure, through an equitable process, that an application meets all applicable design guidelines. Property owners are required to attend, or send a representative to attend, the committee meeting when their design is being reviewed.

## ■ Architectural Drawings and Specifications

Applicants will be required to include architectural drawings and specifications of the proposed façade improvements as part of their application. If assistance is needed with obtaining drawings, applicant may contact the Community Development Department. The City may reimburse the owner for architectural fees related to the creation of a detailed scope of work and stamped plans for façade-related improvements in an amount not to exceed \$3,000.00. **The architect will also assist the owner in establishing a reasonable budget for the proposed façade work.** This reimbursement may only be requested by approved applicants that have closed on the legal agreements with the City. Any architectural expense in excess of \$3,000.00 will be the sole responsibility of the applicant with consultation by the City.

## ■ Procurement

Once the design is approved, the owner agrees to solicit a minimum of five competitive bids to include Section 3 certified and disadvantaged business contractors for the rehabilitation work from general

contractors licensed by the State of Tennessee. Bids must be solicited separately for the Façade Improvement Program eligible work. In cases where non-façade work is to be completed simultaneously with façade funded work, the owner may include the façade work in the scope for the entire project providing that the façade portion is delineated separately. 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 contribution to 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. All contractors must be eligible to do work on federal contracts and must not be debarred or suspended.

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 Community Development Department maintains a registry of qualified, licensed architects and contractors who are familiar with the Façade Improvement Program and have successfully worked on such projects in the past. 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 registry as a service to applicants. Applicants may only select architects and contractors from the corresponding registry unless they complete and submit an Architect/Contractor Preference Statement, available from the Community Development Department. The Architect/Contractor Preference Statement allows the applicant to use an architect or contractor of his or her own choosing, provided all program eligibility requirements are met. The applicant should submit this Architect/Contractor Preference Statement and all required accompanying documentation with the Façade Improvement Program Application.

#### ■ **Temporary Relocation**

If temporary tenant relocation will be required for this project, contact the City for further guidance prior to submitting this application. For federally funded projects, the Uniform Relocation Assistance and Real

Property Acquisition Policies Act of 1970 as amended will apply. Documentation of vacancy should be placed in the project file. In cases where the building is occupied by a tenant or owner, a notification letter should be addressed to the property owner and tenant stating that they will not be displaced from the building based on the scheduled rehabilitation. The letter should contain the following statement: “We urge you not to relocate your business. If you elect to relocate for reasons of your own choice, you will not be provided relocation assistance under this program.”

## ■ Financing Policies

- Reimbursements – Progress payments will typically be on a reimbursement basis. The total reimbursement for all forms of façade improvement assistance will not exceed \$50,000 per building. Projects must be completed within 6 months after the start of construction, unless the City approves a longer timeline, which is at the City's sole discretion.
- Security and Loan Forgiveness - The façade improvement project loan will be secured by deed of trust on the real estate for the requisite term, which amount will be forgiven proportionally each year providing the property continues to be maintained in accordance with the program requirements, such as retention of ownership, maintenance of the façade, payment of all property taxes due, and maintaining property insurance with the City listed as mortgagee. In addition, full occupancy of the completed structure is a required condition for loan forgiveness. Upon receiving a certificate of occupancy for the building, the owner has 90 days to install tenants within the structure. Any vacancy beyond this 90-day period will cease all forgiveness of the loan until the building is fully occupied. However, at the City's discretion, the loan may continue to forgive for a second 90-day period if the owner shows proof of active and aggressive efforts to obtain tenants for the property. This second 90-day period will be calculated cumulatively over the entire term of the loan. Proof of efforts to obtain tenants includes invoices for advertising, copies of ads run and any other proof of active marketing of the property. After the second 90-day period has expired, all loan forgiveness will cease until the building is fully occupied, regardless of proof of active marketing. “Occupancy” refers to having an active business open to the public, or tenant in the case of mixed use properties. Use of the building for storage does not qualify as occupancy, with the exception of buildings marketed and licensed as retail storage facilities.
- Repayments - No repayments will be required if all terms are met.
- Default - A recipient will 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; failure to properly maintain the façade after improvements are completed; failure to maintain property insurance; delinquency in property taxes; or failure to operate in compliance with all applicable local, state, and federal codes, laws, and regulations.
- 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



- All work must be done in accordance with the Design Guidelines; all applicable local, state and federal codes; and rules and regulations for the Community Development Block Grant program or any other applicable federal program. Any renovation work undertaken prior to the City's written authorization to begin construction is not eligible for assistance under the program. All renovation work undertaken in conjunction with the Façade Improvement Program that exceeds approved financial assistance will be borne by the applicant.
- All construction management will be the responsibility of the applicant. All work undertaken using CDBG and/or HOME funds are subject to the Davis-Bacon Act and Section 3 of the Fair Housing Act.
- Properties with residential components will be required to meet applicable lead-based paint abatement requirements.
- Each recipient will be responsible for all acquisition and relocation costs when displacement of residential or nonresidential tenants occurs as a result of the project, in accordance with the Federal Uniform Relocation Act. If temporary tenant relocation will be required for this project, contact the City for further guidance prior to submitting this application.
- All applicants will 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 1964 and Public Law 92-65. Applicants are encouraged to utilize minority and women-owned business enterprises under this program.
- The City, the Department of Housing and Urban Development, the Comptroller General of the United States, or any duly authorized representatives, will have access to any books, documents, papers and records that 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 will be maintained for a period not less than 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 exercises or has exercised any functions or responsibilities with respect to CDBG activities, or is 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.
- Please contact the City of Knoxville Community Development Department at (865) 215-2120 with any questions or to obtain additional information about the Façade Improvement Program.

#### ■ Other Complaint/Grievance

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 Community 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 & Community Development Project Manager. The Economic & Community Development 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 Community Development.

**Subordination**

Property owners who have a loan with the City of Knoxville’s Community 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 Community Development must be paid up-to-date 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 Policies and Procedures, for the City of Knoxville, revised July 20, 2016.

\_\_\_\_\_  
Signature of applicant and date

\_\_\_\_\_  
Printed name of applicant

\_\_\_\_\_  
Signature of witness and date

\_\_\_\_\_  
Printed name of witness