

- u. A Resolution authorizing the Mayor to execute any and all documents necessary to award an amount not to exceed \$360,000.00 from the Affordable Rental Development Fund to Edgewood Apts., LLC for the development of 15 affordable multifamily housing units to be located at 2501 Edgewood Ave. as more specifically described herein.



CITY OF KNOXVILLE, TENNESSEE

City Council

AGENDA INFORMATION SHEET

AGENDA DATE: April 29, 2025

DEPARTMENT: Housing and Neighborhood Development Department

DIRECTOR or DESIGNEE: Kevin DuBose

AGENDA SUMMARY A Resolution authorizing the Mayor to execute any and all documents necessary to award an amount not to exceed \$360,000.00 from the Affordable Rental Development Fund to Edgewood Apts., LLC for the development of 15 affordable multifamily housing units to be located at 2501 Edgewood Ave. as more specifically described herein.

COUNCIL DISTRICT(S) AFFECTED 4th

BACKGROUND Through the Affordable Housing Fund ("AHF")'s Affordable Rental Development Program ("ARDP"), the City has allocated \$2,500,000, in this year's budget to support the creation of new affordable workforce rental housing. The \$360,000 will come from private donations to the ARDP in partnership with the United Way of Greater Knoxville. Applications are accepted on an on-going basis and evaluated by the Housing and Neighborhood Development department.

This application has been reviewed and meets all of the requirements including eligibility, cost feasibility, sustainability and affordability. Funds will be distributed to pay for construction and construction related costs. The funds will be provided as a twenty-year forgivable loan, secured with a Deed of Trust. The Restrictive Covenants will be recorded, ensuring compliance with the affordability restriction during the twenty-year term. The development will consist of 15 affordable multifamily housing units which will serve low-income households 80% Area Median Income levels. Resident rents will be held at Fair Market Rent requirements for the Knoxville area for an affordability period of twenty years. This project, considered Missing Middle, will be located at 2501 Edgewood Ave. (Parcel No. 070IJ001).

This project, Edgewood House Apartments, is being developed by Southeast Capital, LLC through Edgewood Apts., LLC, and will consist of 15 units of affordable multifamily housing. This development will contain 15 studio units.

ESTIMATED PROJECT SCHEDULE Construction of this development is anticipated to begin June 2025 and be complete by March 2026.

PRIOR ACTION/REVIEW City Council approved AHF's ARDP funding as part of the City's Operating Budget in May 2024.

FISCAL INFORMATION The total award amount is \$360,000.00 funded by funds from United Way Affordable Rental Development Program.

RESOLUTION

A RESOLUTION OF THE COUNCIL OF THE CITY OF KNOXVILLE AUTHORIZING THE MAYOR TO EXECUTE ANY AND ALL DOCUMENTS NECESSARY TO AWARD AN AMOUNT NOT TO EXCEED \$360,000.00 FROM THE AFFORDABLE RENTAL DEVELOPMENT FUND TO EDGEWOOD APTS, LLC, FOR THE DEVELOPMENT OF 15 AFFORDABLE RENTAL HOUSING UNITS TO BE LOCATED AT 2501 EDGEWOOD AVENUE (PARCEL ID NO. 070 IJ 001) AS MORE SPECIFICALLY DESCRIBED HEREIN.

RESOLUTION NO: _____

Department of Housing &

REQUESTED BY: Neighborhood Development

PREPARED BY: Law Department

APPROVED: _____

APPROVED AS AN EMERGENCY
MEASURE: _____

MINUTE BOOK: _____ PAGE _____

WHEREAS, the City desires to support the development of high-quality and affordable housing stock as critical infrastructure for a diverse, thriving community and a healthy economy; and

WHEREAS, the City has committed funding through the Knoxville Affordable Housing Fund to advance housing affordability through a number of programs; and

WHEREAS, the City established an Affordable Rental Development Fund (“ARDF”) for the creation of new affordable and workforce rental housing for low- and moderate-income families; and

WHEREAS, the City has allocated \$2,500,000.00 in the Fiscal Year 2024-2025 budget to the Program, and the Department of Housing and Neighborhood Development (“Department”) accepts and evaluates applications on an on-going basis; and

WHEREAS, Edgewood Apts, LLC, has applied for funding in the amount of \$360,000.00 to build 15 affordable rental units to be located at 2501 Edgewood Avenue (Parcel ID No. 070 IJ 001), Knoxville, Tennessee; and

WHEREAS, if approved, these 15 units will be subject to ARDF affordability restrictions, including serving households at not greater than 80 percent of the area median income and maximum allowable rent requirements, however up to 12 units may serve 60% AMI, for an affordability period of 20 years; and

WHEREAS, the Department recommends approval of this funding request.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KNOXVILLE:

SECTION 1: The Mayor be and hereby is authorized to execute any and all documents necessary, including agreements in substantially the form attached hereto as Exhibit 1, to award an amount not to exceed \$360,000.00 from the Affordable Rental Development Fund to Edgewood Apts, LLC, to build 15 affordable rental units at 2501 Edgewood Avenue (Parcel No. 070 IJ 001), Knoxville, Tennessee.

SECTION 2: This Resolution shall take effect from and after its passage, the welfare of the City requiring it.

Presiding Officer of the Council

Recorder

This instrument prepared by:
J. Anderson Gass, Attorney
City of Knoxville Law Department
400 Main Street, Suite 699
Knoxville, Tennessee 37902

DOCUMENT NO. C-25-0106

AFFORDABLE RENTAL DEVELOPMENT PROGRAM AGREEMENT DEVELOPER/OWNER

This Agreement is made between Edgewood Apts LLC, 800 S. Gay Street, Suite 2126, Knoxville, Tennessee 37929 (“Developer”), and the City of Knoxville, 400 Main Street, City County Building, Knoxville, Tennessee 37902 (“City”), and is executed for the purpose of providing funding in the form of a deferred payment loan to Developer through the City's Affordable Rental Development Program (“Program”) for the development of 15 units of affordable housing located at 2501 Edgewood Avenue, Knoxville, Tennessee, more specifically described in Exhibit A, attached hereto and incorporated herein by specific reference (“Property”).

IN CONSIDERATION OF DEVELOPER'S COMPLIANCE WITH THIS AGREEMENT, THE CITY AGREES TO PROVIDE DEVELOPER THE FOLLOWING FUNDING FOR DEVELOPMENT OF THE PROPERTY:

A conditional, deferred payment loan not to exceed \$360,000.00. The program funding will be provided in the form of a loan that will be forgiven over a 20-year period, provided that Developer complies with all terms, covenants, and obligations contained in this Agreement, in the Promissory Note (executed herewith), and the Restrictive Covenant. The source of the loan funds is the City's general funds designated for the Program. The City's performance and obligation to pay under this Agreement is contingent on an annual appropriation of the source of funds.

DEVELOPER AGREES TO THE FOLLOWING TERMS AND CONDITIONS.

1. Use of Loan Funds. Developer shall use the loan proceeds for customary and reasonable project-specific expenses necessary for the development of 15 units with an average of approximately 418 square feet each, located on the Property.
2. Budget. Developer agrees to adhere to the budget, which is attached hereto as Exhibit B and incorporated herein by specific reference, in carrying out the construction project described in this Agreement. Any line-item changes in the budget require submission of a written budget amendment request to the City. If approved, the City will respond with a written letter of approval to Developer and will keep a record of the budget amendment on file.
3. Performance Requirements. All work shall be performed by qualified contractors in accordance with industry standards, local codes, ordinances, permit and inspection requirements, and local, state, and federal requirements regarding accessibility for persons with disabilities. Without limiting the foregoing, all construction and other project work shall be performed in accordance with and conform to all applicable building, safety, construction, and housing codes (including without limitation, building, electrical, gas, mechanical, and plumbing codes) and zoning requirements. Contractors hired to undertake work on behalf of Developer must be licensed professionals as required by the State of Tennessee (see TENNESSEE CODE ANNOTATED § 62-2-100 *et seq.*) for any

services in this Agreement requiring such licensure. All work carried out under this Agreement shall be of first quality and performed in a workmanlike manner.

4. Affordability. For a period of 20 years beginning on the date construction of all units on the Property is completed (“Affordability Period”), all assisted rental unit(s) in the Property shall be occupied only by households that are eligible as low-income or extremely low-income families and will meet the requirements to qualify as affordable housing set forth in 24 C.F.R. § 92.252. Specifically, the assisted rental unit(s) must meet the following requirements to qualify as affordable housing:

- A. The rent charged for the assisted unit(s) must not exceed the current fair market rent for comparable units in the area, minus a monthly allowance for tenant paid utilities, which will be determined by the City for each project using the U.S. Department of Housing and Urban Development (“HUD”) Utility Schedule Model.
- B. After review and approval by the City, the following parameters have been established for this project:
 - i. The assisted units are identified as 15 studio units.
 - ii. The initial tenants and subsequent tenants will have a household income no higher than 80% of Area Median Income (“AMI”), however up to 12 units may service 60% AMI during the Affordability Period.
 - iii. The initial maximum rent that has been established for these 15 studio units is \$1,256.00 OR, if the unit receives a federal or state project-based rental subsidy, and the family pays as a contribution not more than 30% of the family’s adjusted income, then the maximum rent is the rent allowable under the federal or state project-based rental subsidy program; and
 - iv. The assisted units are floating.
- C. Developer agrees to reexamine the income of each tenant household at least annually and provide the City with annual recertifications of the incomes of all tenants residing in assisted units.
- D. Maximum rents will be calculated by the City annually upon receipt of updated Fair Market Rents for the Knoxville area. If the maximum allowable rent amount increases, Developer may 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 all other governing provision(s) of the lease agreement.
- E. Assisted units shall qualify as affordable despite a temporary noncompliance with this Section 4 if the noncompliance is caused by increases in the incomes of existing tenants and if actions satisfactory to the City are taken to ensure all vacancies are filled in accordance with this Section 4 until the noncompliance is corrected.
- F. Developer may not refuse to lease assisted units to a voucher holder.
- G. The assisted unit(s) must be occupied only by households that qualify as low-, very low-, or extremely low-income families except for temporary noncompliance caused by increases in the incomes of existing tenants if actions satisfactory to the City are

being taken to ensure that all vacancies are filled in accordance with this section until the noncompliance is corrected.

- H. The assisted unit(s) must meet the affordability requirements throughout the Affordability Period. The affordability requirements apply without regard to the term of any mortgage or transfer of ownership, except that, the affordability requirements may terminate upon foreclosure or transfer in lieu of foreclosure. The affordability restrictions shall be revived according to the original terms if, during the original Affordability Period, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the project or Property.
- I. Developer must repay the full amount of Affordable Rental Development funds invested in the project if the project fails to meet the affordability requirements for the full Affordability Period.

5. Procurement. Developer agrees to solicit competitive bids for the construction work and to provide evidence to the City of the bids received, the amount of each bid, and the method of selection. Developer may select a contractor who has successfully provided services to Developer in similar, previous multi-family projects, subject to City's review of the contractor's past performance related to work quality, timeliness, and pricing.

6. Property Standards. Upon completion of the work, and for the duration of the Affordability Period, all construction must meet the City's Neighborhood Housing Standards, which include the most current building, safety, construction, and property maintenance codes adopted by the City, existing housing codes related to health and safety, major system repair, lead-based paint, accessibility requirements, and cost-effective energy conservation measures, and all other requirements within 24 C.F.R. § 92.251. Developer agrees that the City, its agents, or representatives shall have the right to inspect the property from time to time at any reasonable hour of the day to determine Developer's compliance with this requirement. After construction completion, Developer must maintain the funded units as decent, safe, and sanitary housing in good repair. Developer must also meet the City's Ongoing Property Standards, which include compliance with the most current property maintenance code adopted by the City.

7. Scope of Work and Timetable. Developer agrees to comply with the following scope of work and timetable so that the City's responsibilities as delineated therein may be carried out in a timely manner.

Date	Developer and/or Leasehold Owner Task	City
5/1/2025	Sign City loan documents, Program Agreement and construction contract.	Issue Notice to Proceed
6/1/2025	Construction begins	

6/1/2025 – 3/31/2026	Request disbursements. Provide paid invoices/receipts and documentation that work has been satisfactorily completed with each disbursement request.	Monitor construction. Request funds from City Finance Department.
3/31/2026	Construction completion	Inspect project before release of final payment.
7/1/2026	Execute leases, provide initial tenant documentation to City.	Review tenant documentation for compliance.

8. Accomplishment of Work. Developer agrees to carry out the construction work specified in this Agreement with all practical dispatch in a sound, economical, and efficient manner. At its option, the City reserves the right to cancel and terminate the Agreement if Developer fails or refuses to cause commencement of physical work on the Property after a period of 90 days from the date of execution of this Agreement, or if Developer fails or refuses to complete such improvement work within a reasonable time.

The City's failure to exercise its right to terminate this Agreement due to the Developer's failure or refusal to cause commencement of or to complete the physical work on the Property will not be deemed a waiver thereof.

9. Eligibility. Developer agrees that it is in compliance with the following statement of eligibility.

All housing developers who develop new or retrofitted multi-family housing containing all or some affordable units may be eligible to receive assistance. Developers must have successful experience in the type of project proposed and must have financial capacity to complete the project.

Developers must be current on all property taxes, have good maintenance and management history with existing rental properties and have no record of fair housing violations.

10. Federal Requirements. This Agreement shall be administered pursuant to the federal statutes and regulations as outlined below. Developer understands and agrees that these federal requirements reflect City policy and shall therefore be met in fulfilling this Agreement, regardless of whether they would otherwise apply to Developer. Developer and all contractors and subcontractors shall comply with these statutes and regulations, and ensure all contractors and subcontractors comply with these statutes and regulations. Developer shall incorporate this Section 10 requiring compliance with federal requirements into all contracts and subcontracts related to this Agreement.

A. Title VI of the Civil Rights Act of 1964 provides that no person in the United States shall be excluded from participation in the Program, denied the benefits of the Program, or subjected in any way to discrimination under the Program on the basis of race, color, or national origin. This requirement shall apply for the period during which the Property is improved and the rehabilitation loan is outstanding.

B. Title VIII of the Civil Rights Act of 1968, as amended, where applicable, requires that the Program be carried out in a manner that shall affirmatively further fair

housing, including all activities relating to sales, rentals, additional financing, and brokerage services.

C. Executive Order 11063 requires the provision of equal opportunity in housing and nondiscrimination in the sale and rental of housing improved under the Program.

D. The “Copeland Anti-Kickback Act”, as amended, prohibits the contractor and all subcontractors from inducing, in any manner, an employee to give up any part of the compensation to which they are entitled under the contract of employment.

E. The Age Discrimination Act of 1975 prohibits discrimination on the basis of age.

F. Section 504 of the Rehabilitation Act of 1973 states that “no otherwise qualified individual with handicaps in the United States . . . shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or subjected to discrimination under any program or activity receiving federal financial assistance” As detailed in 24 C.F.R. § 8.23, 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 24 C.F.R. § 8.22, requiring a minimum of 5% of the units, or at least one unit, to be accessible for persons with mobility impairments. Projects containing five or more dwelling units must comply with Section 504 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 administrative burden. It does not require that alterations be made solely to comply if those alterations cannot be undertaken without removing or altering a load-bearing structural member.

G. Executive Orders No. 11625, 12432, and 12138 require the contractor to take affirmative steps to encourage the use of minority and women's business enterprises when subcontracts are let. Such efforts should include the following elements or other appropriate actions:

- i. Include qualified minority and women's businesses on bid solicitation lists, and assure that minority and women's businesses are solicited whenever they are potential sources of materials or services;
- ii. When economically feasible, divide total contract requirements into small tasks or quantities, or extend delivery schedules, to permit maximum minority and women's business participation; and
- iii. Use the services and assistance of the Minority Business Development Agency of the U.S. Department of Commerce and the Interagency Committee on Women’s Business Enterprises, as needed.

H. Developer further agrees that the rehabilitation work financed in whole or in part with funds provided through City shall not be performed by any contractor if it, or its principals, are presently debarred, suspended, proposed for debarment, declared ineligible, or

voluntarily excluded from participation in the rehabilitation activity by any federal department or agency.

I. According to the Flood Disaster Protection Act of 1973, Developer agree that no funds provided by City shall be used to rehabilitate the Property if it is located in an area identified by the Federal Emergency Management Agency as having special flood hazards unless Developer obtains and maintains flood insurance under the National Flood Insurance Program.

11. Maintenance and Insurance; Inspections. Developer agrees to secure, maintain, and insure all new buildings in compliance with all local code requirements for the duration of this Agreement and for 20 years after construction completion. Developer agrees that the City, its agents, and/or its representatives shall have the right to inspect the Property at any reasonable hour of the day to determine Developer's compliance with this requirement and any other requirements of the Contract Documents.

12. Nondiscrimination. Developer hereby agrees that it:

- A. Will not discriminate against any employee or applicant for employment because of race, color, religion, or national origin;
- B. Will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to race, color, religion, or national origin;
- C. Will in all solicitations or advertisements for employees placed by or on behalf of the Developer state that all qualified applicants will receive consideration for employment without regard to race, color, religion, or national origin; and
- D. Will include these provisions in every subcontract or sublease let by or for them.

Developer additionally agrees not to discriminate against any employee, applicant for employment, tenant, or prospective tenant on the grounds of age, color, disability, familial status, national origin, race, religion or sex. Developer also agrees not to discriminate against prospective tenants due to their receipt of or eligibility for housing assistance under any federal, state, or local housing assistance program. In addition, Developer agrees to comply with Executive Order No. 11375, which prohibit discrimination in employment regarding race, color, religion, sex, or national origin, Title VI of the Civil Rights Act of 1964, the Copeland Anti-Kickback Act, the Contract Work Hours and Safety Standards Act, Section 402 of the Vietnam Veterans Adjustment Act of 1974, Section 503 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990, all of which are incorporated as conditions of funding by specific reference.

13. Ethical Standards. Developer and Leasehold Owner take notice of and warrant that they are not in violation of, or have not participated in, and shall not participate in the violation of any of the following ethical standards prescribed by the Knoxville City Code. For violation of the ethical standards prescribed by the Knoxville City Code, the City has the following remedies: oral or written warnings or reprimands; cancellation of transactions; and suspension or debarment from being a contractor or subcontractor under City or City-funded contracts. The value of anything transferred in

violation of these ethical standards shall be recoverable by the City from such person. All procedures under this article shall be in accord with due process requirements, including a right to notice and hearing prior to imposition of any cancellation, suspension, or debarment from being a contractor or subcontractor under a City contract.

- A. Knoxville City Code Section 2-1048(a) - Conflict of Interest. It shall be unlawful for any employee of the City to participate, directly or indirectly, through decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing, or otherwise, in any proceeding or application, request for ruling or other determination, claim or controversy, or other matter pertaining to any contract or subcontract and any solicitation or proposal therefor, where to the employee's knowledge there is a financial interest possessed by: (i) the employee or the employee's immediate family; (ii) a business other than a public agency in which the employee or a member of the employee's immediate family serves as an officer, director, trustee, partner, or employee; or (iii) any other person or business with whom the employee or a member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment.
- B. Knoxville City Code Section 2-1049(a) - Receipt of Benefits from City Contracts by Councilmembers, Employees, and Officers of the City. It shall be unlawful for any member of the City Council, officer, or employee of the City to have or hold any interest in the profits or emoluments of any contract, job, work or service, either by himself or by another, directly or indirectly. Any such contract for a job, work, or service for the City in which any member of the City Council, officer, or employee of the City has or holds any such interest is void.
- C. Knoxville City Code Section 2-1050(a)-(b) - Gratuities and Kickbacks Prohibited. It is unlawful for any person to offer, give, or agree to give to any person, while an employee of the City, or for any person, while an employee of the City, to solicit, demand, accept, or agree to accept from another person anything of a pecuniary value for or because of: (i) an official action taken, or to be taken, or which could be taken; (ii) a legal duty performed, or to be performed, or which could be performed; or (iii) a legal duty violated, or to be violated, or which could be violated by such person while an employee of the City. Anything of nominal value shall be presumed not to constitute a gratuity under this section. It is unlawful for any payment, gratuity, or benefit to be made by or on behalf of a subcontractor or any person associated therewith as an inducement for the award of a subcontract or order.
- D. Knoxville City Code Section 2-1051(a)-(b) - Covenant Relating to Contingent Fees. Every person, before being awarded a contract in excess of \$10,000.00 with the City, shall represent that no other person has been retained to solicit or secure the contract with the City upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except for bona fide employees or bona fide established commercial, selling agencies maintained by the person so representing for the purpose

of securing business. The intentional violation of the representation specified in this section is unlawful.

- E. Knoxville City Code Section 2-1052(a) - Contemporaneous Employment Prohibited. It shall be unlawful for any employee of the City to become or be, while such employee, an employee of any party contracting with the particular department or agency of the City in which the person is employed by the City.

14. Requests for Disbursement of Funds. Developer may request disbursement of funds for reasonable expenses incurred during the construction work. The City solely and exclusively shall determine what constitutes a "reasonable expense." Requests may not be submitted more frequently than every 14 calendar days unless approved in advance by the City's Department of Housing and Neighborhood Development. The City reserves the right to retain up to 20% of funds available until work is inspected and certified complete. Disbursement of funds shall be contingent upon Developer's and contractors' compliance with this Agreement, the Promissory Note, the Leasehold Deed of Trust, and any other agreements related to this project, including any agreements between Developer and contractors.

15. Records. For a period of five years following completion of the improvements specified in this Agreement, Developer agrees to keep the following records: all loan documents; contracts; invoices; materials; personnel and payroll records; conditions of employment; books of account; tenant leases; tenant income verifications; and any other documentation pertinent to the improvement of the Property, the occupancy and rental of the Property, and the disposition of the loan proceeds. Developer shall permit City and its designees to have full and free access to these records for the purpose of making audits, examinations, excerpts, and transcriptions.

16. Security and Loan Termination. This loan shall be evidenced by a Promissory Note and secured by a Leasehold Deed of Trust on the Property, of the same date, and duly recorded in the Register's Office for Knox County, Tennessee. Developer and the City shall also enter into an agreement creating restrictive covenants encumbering the Property that shall restrict the occupancy and the rents of the Property for the duration of the Affordability Period, as more specifically described in Section 4 of this Agreement.

The City may, by written notice of default to Developer, terminate the whole or any part of the loan and this Agreement and may foreclose on its Leasehold Deed of Trust if Developer fails to perform any provisions of this Agreement, the Promissory Note, the Leasehold Deed of Trust, or the Restrictive Covenant executed by Developer and does not cure such failure within a period of 10 days (or such longer period as the City in its sole and absolute discretion may authorize in writing) after receipt of said notice from the City specifying such failure. If the loan and this Agreement are terminated due to Developer's default, the full amount of any monies included in the loan that have been advanced to the Developer by the City shall be due and payable by the Developer to the City on demand. Developer shall be in default if any of the following occur, without limitation:

- A. The construction is not carried out with reasonable diligence, or is discontinued at any time for any reason other than strikes; lockouts; acts of God; fires, floods, or other similar catastrophes; riots; war; or insurrection;

- B. Developer makes material changes in the project plans and specifications or enters into another contract or subcontract for work on the Property without the prior written approval of City;
- C. All Developer's principals die, become legally incapacitated, or otherwise become legally unable to act before the completion of the construction;
- D. Developer abandons the Property, fails to keep insurance and taxes current, fails to obtain permits, violates building code, or otherwise fails to maintain the Property;
- E. The sale, lease, or other transfer of any kind or nature of the Property before the completion of the construction funded by this Agreement without the prior written consent of City, excluding (i) the creation of a purchase-money security interest for household appliances, (ii) a transfer by devise, descent, or operation of law upon the death of a joint tenant; or (iii) the leasehold deed of trust in favor of Borrower's senior lender;
- F. Developer defaults on any covenant, agreement, term, or condition of this Agreement, the Promissory Note, the Restrictive Covenant, or any other agreement made between Developer and City; or
- G. The construction required by this Agreement fails to meet the affordability requirements of Section 4 of this Agreement for the full Affordability Period.

Termination shall be accomplished by mailing by certified mail or by personally delivering written notice of termination to Developer at Developer's business address, or to any other address that Developer has made known to City either personally or by mail. Termination shall be effective on the date the notice is mailed or personally delivered to Developer's address, regardless of whether the notice is actually received by Developer.

17. Insurance. Developer must provide evidence of property insurance of at least 90% of the property value and homeowners' or rental property liability coverage of at least \$100,000.00 and must maintain this insurance until the later of the completion of the project for which funding is provided or repayment of any loaned funds. Developer agrees to only use contractors who are licensed and bonded for the work performed and to require that such contractors maintain automobile insurance and general liability insurance that includes completed products liability with limits for both automobile and general liability of at least \$500,000.00 per occurrence.

18. Term.

A. This Agreement shall be effective until Developer has well and truly performed all the terms and conditions of this Agreement, the Promissory Note, the Leasehold Deed of Trust, the Restrictive Covenant, or any other agreement made between Developer and the City.

B. All construction required by this Agreement shall begin upon execution of this Agreement and shall be completed within 10 months of the date of written Notice to Proceed.

19. Contract Documents. The executed Contract Documents shall consist of the following:

- A. This Agreement;
- B. The Promissory Note, the Leasehold Deed of Trust, and the Restrictive Covenant as described in this Agreement;
- C. Description of Property, attached as Exhibit A
- D. Developer's Budget, attached as Exhibit B; and
- E. Developer's project plans and specifications, attached as Exhibit C.

All Contract Documents and exhibits attached to this Agreement are incorporated herein by specific reference and made a part of this Agreement as if they were fully set out verbatim. To the extent that there is a conflict between the terms of any of the documents that constitute this Agreement, the terms that provide the greater benefit to the City and/or impose the greater obligation on Developer will control.

20. Hold Harmless and Indemnification. Developer shall defend, indemnify, and hold harmless the City, its officers, employees, and agents from any and all liabilities which may accrue against the City, its officers, employees, and agents or any third party for any and all lawsuits, claims, demands, losses, or damages alleged to have arisen from an act or omission of Developer in performance of this Agreement or from Developer's failure to perform this Agreement using ordinary care and skill, except where such injury, damage, or loss was caused by the sole negligence of the City, its agents or employees.

Developer shall save, indemnify and hold the City harmless from the cost of the defense of any claim, demand, suit, or cause of action made or brought against the City alleging liability referenced above, including, but not limited to, costs, fees, attorney fees, and other expenses of any kind whatsoever arising in connection with the defense of the City, and Developer shall assume and take over the defense of the City in any such claim, demand, suit, or cause of action upon written notice and demand for same by the City. Developer will have the right to defend the City with counsel of their choice that is satisfactory to the City, and the City will provide reasonable cooperation in the defense as Developer may request. Developer shall not consent to the entry of any judgment or enter into any settlement with respect to an indemnified claim without the prior written consent of the City, such consent not to be unreasonably withheld or delayed. The City shall have the right to participate in the defense against the indemnified claims with counsel of its choice at its own expense.

Developer shall save, indemnify, and hold City harmless and pay judgments that shall be rendered in any such actions, suits, claims, or demands against City alleging liability referenced above.

The indemnification and hold harmless provisions of this Agreement shall survive termination of the Agreement.

21. Miscellaneous Provisions

A. The Developer shall perform all obligations under this Agreement as an independent contractor; neither it nor its employees shall be considered employees, partners or agents of the City, nor shall it or its employees be entitled to any benefits, insurance, pension, or workers' compensation as an employee of the City.

B. The Developer shall not assign or transfer any interest in this Agreement without obtaining the prior written approval of the City.

C. Developer may not enter into a subcontract for any of the services performed under this Agreement without obtaining the prior written approval of the City.

D. This Agreement may be modified only by a written amendment or addendum that has been executed and approved by the appropriate officials shown on the signature page of this Agreement.

E. No party to this Agreement is bound by this Agreement until it is approved by the appropriate officials shown on the signature page of this Agreement.

F. The captions appearing in this Agreement are for convenience only and are not a part of this Agreement; they do not in any way limit or amplify the provisions of this Agreement.

G. If any provision of this Agreement is determined to be unenforceable or invalid, such determination shall not affect the validity of the other provisions contained in this Agreement. Failure to enforce any provision of this Agreement does not affect the rights of the parties to enforce such provision in another circumstance, nor does it affect the rights of the parties to enforce any other provision of this Agreement at any time.

H. Developer is responsible for full compliance with all applicable federal, state, and local laws, rules and regulations.

I. Developer and Leasehold Owner certify that they are not engaged in and will not for the duration of the Agreement engage in a boycott of Israel.

J. The services to be performed by the Developer pursuant to this Agreement are intended solely for the benefit of the City, and no benefit is conferred hereby, nor is any contractual relationship established herewith, upon or with any person or entity not a party to this Agreement. No such person or entity shall be entitled to rely on the Developer's performance of their services hereunder, and no right to assert a claim against the City or the Developer, or their officers, employees, agents, or contractors shall accrue to the Developer, or to any subcontractors, independently retained professional consultants, suppliers, fabricators, manufacturers, lenders tenants, insurers, sureties, or any other third party as a result of this Agreement or the performance or non-performance of the Developer's services hereunder.

K. Parties explicitly agree that they have **not** relied upon any earlier or outside representations other than what has been included in this Agreement. Furthermore, no party has been induced to enter into this Agreement by anything other than the specific written terms set forth herein.

L. No party shall be liable to another for any delay or failure to perform any of the services or obligations set forth in this Agreement due to causes beyond their reasonable control, and performance times shall be considered extended for a period of time equivalent to the time lost because of such delay plus a reasonable period of time to allow the parties to recommence performance of their respective obligations hereunder. Should a circumstance of force majeure last more than 90 days, a party may by written notice to the other terminate this Agreement. The term "force majeure" as used herein shall mean the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections, riots, landslides, earthquakes, fires, storms, tornadoes, droughts, floods, explosions, breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of any party.

M. The City is an EEO/AA/Title VI/Section 504/ ADA/ADEA employer.

N. This Agreement shall be governed and construed in accordance with the laws of the State of Tennessee. Any action for breach of this Agreement or to enforce or nullify any provision of this agreement shall be instituted only in a court of appropriate jurisdiction in Knox County, Tennessee.

O. This Agreement forms the entire Agreement between the City and the Developer. Any prior representations, promises, agreements, oral or otherwise, between the parties, which are not embodied in this writing, shall be of no force or effect.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered and is effective on the latest of the dates set forth below.

DEVELOPER:

EDGEWOOD APTS, LLC

BY: _____
DAVID VARNER, President

APPROVED AS TO FORM:

CITY OF KNOXVILLE

CHARLES W. SWANSON
DIRECTOR OF LAW

BY: _____
INDYA KINCANNON
MAYOR

STATE OF TENNESSEE)

COUNTY OF KNOX)

Before me, a Notary Public in and for the County and State aforesaid, personally appeared **Indya Kincannon**, with whom I am personally acquainted, and who, upon oath, acknowledged herself to be the Mayor of the City of Knoxville, a municipal corporation, and being so authorized, executed the foregoing instrument for the purposes contained therein.

WITNESS my hand and official seal this ____ day of _____, 2025.

My Commission Expires: _____

NOTARY PUBLIC

STATE OF TENNESSEE)

COUNTY OF KNOX)

Before me, a Notary Public in and for Knox County, Tennessee, personally appeared **David Varner**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that as the President of **Edgewood Apts, LLC**, is authorized to do so, executed the within instrument for the purposes therein contained.

WITNESS my hand and seal this ____ day of _____, 2025.

NOTARY PUBLIC

My commission expires: _____

REQUIRED EXHIBITS:

Exhibit A - Description of Property

Exhibit B - Developer's Budget

Exhibit C - Developer's project plans and specifications, attached as

EXHIBIT A
(Property Description)

SITUATED in District No. Two (2) of Knox County, Tennessee, and within the 16th Ward of the City of Knoxville, Tennessee, and being more particularly described as follows:

TRACT NO. 1: BEGINNING at the point of intersection of the east line of Whittle Springs Road and the north line of Edgewood Avenue; thence with the east line of Whittle Springs Road North 6 deg. 20 min. East, 175.39 feet, more or less, to an iron pin marking the southwest corner of line of said Lot 1; thence North 75 deg. 56 min. East, 148 feet, more or less, to an iron pin marking the common corner with Lot 1 Forestedge Addition to the City of Knoxville; thence South 4 deg. 15 min. West, 100.44 feet, more or less, to an iron pin in the north line of Edgewood Avenue; thence with the north line of Edgewood Avenue, South 54 deg. 50 min. East, 190.57 feet, more or less, to the point of BEGINNING.

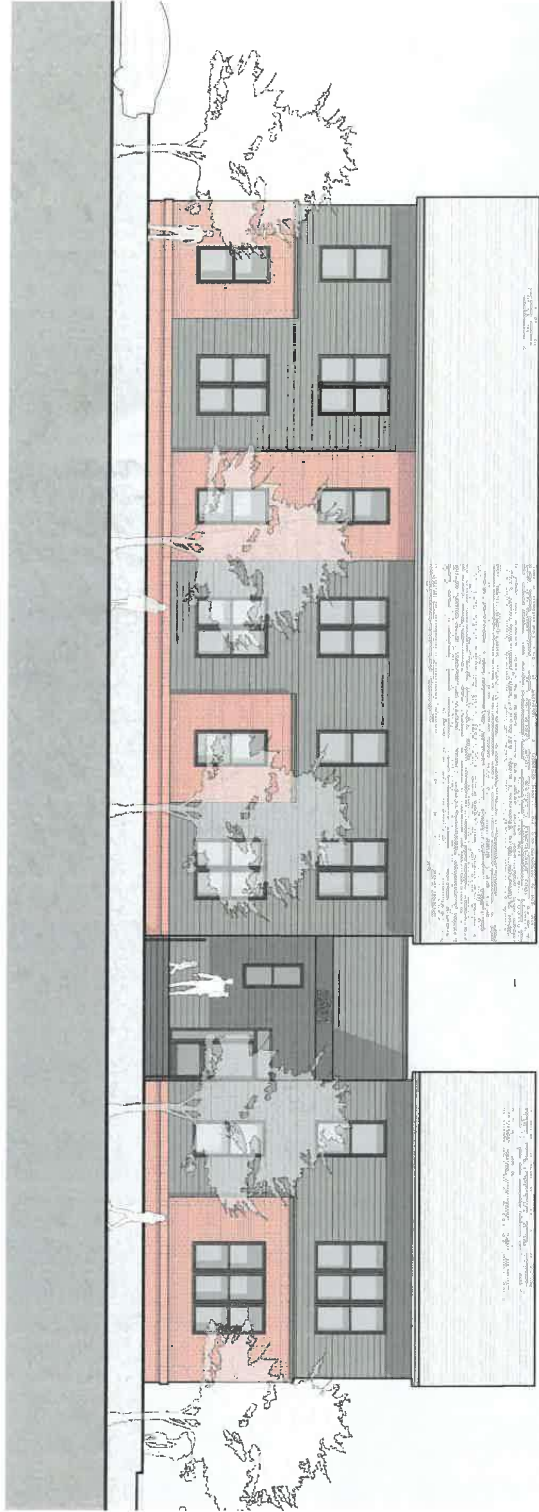
TRACT NO. 2: BEGINNING at an iron pin in the north line of Edgewood Avenue, which point is 190.57 feet in an easterly direction from the point of intersection of the north line of Edgewood Avenue and the east line of Whittle Springs Road; thence with the eastern line of the above described tract, North 4 deg. 15 min. East 100.44 feet, more or less, to an iron pin in the western line of Lot 1, Forestedge Addition; thence with the western line of Lot 1, Forestedge Addition, South 1 deg. 8 min. West, 95.9 feet to an old pipe in the north line of Edgewood Avenue, thence with the north line of Edgewood Avenue, 7 feet, more or less, to the point of BEGINNING.

BEING the same property conveyed to Edgewood APTS LLC by Warranty Deed from Rebecca Saldivar dated as of April 17, 2024, and recorded as Instrument No. 202404170051276, in the Knox County Register's Office.

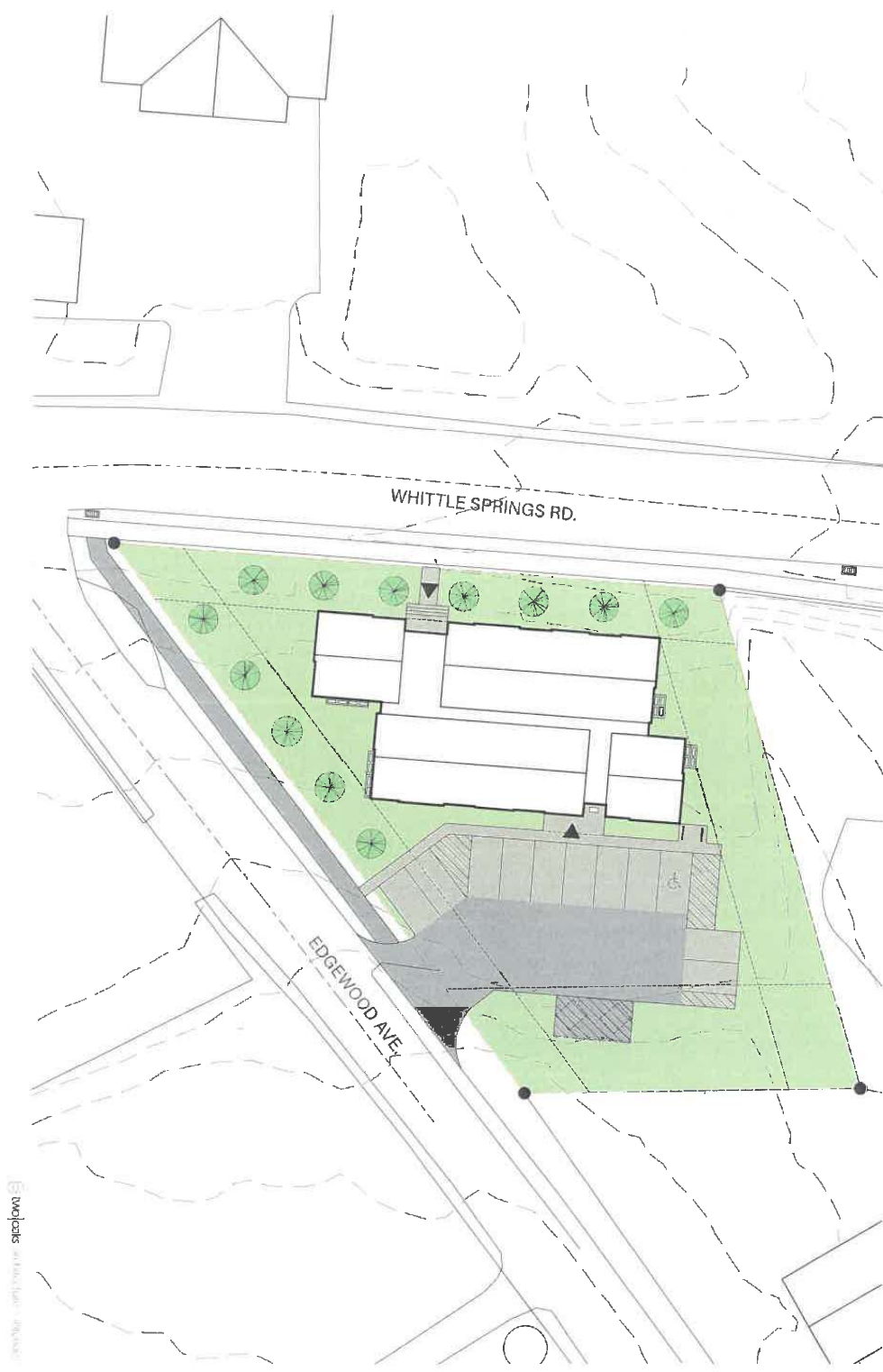
EDGEWOOD AVE ELEVATION



WHITTLE SPRINGS RD ELEVATION



SITE PLAN



2521 Edgewood Ave
Knoxville, TN 37917

Southwest Capital, LLC, ISACA
Box 3 Cary, NC 27513
My email: TW@SWC.NET

© two oaks architecture + interiors

Architects:
Two Oaks Architecture, LLC
5555 N. 148th Street

Worlds, TN 37017
CNS Engineers
Richard Holmes, Principal & P.E.

4324 Puyallup Drive
Kennesaw, TN 37860

For Design & Engineering, P.O.
5862 Court Lane
Kennesaw, TN 37220

Macmillan Publishing Co. Production Dept.
Kelley-Flagg Associates Inc., Inc.
261 State St. New York, NY 10014

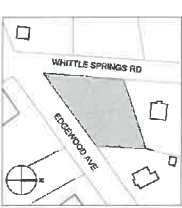
Received 10/2/2022

5214 Woodford Road
Knoxville, TN 37912

TBD
Address
City, State Zip


3	DD Coordination 2	01/21/75
2	DD Coordination 1	01/24/75
1	GD Coordination 1	01/02/75

SCHEMATIC DESIGN



Floor Plans

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Project No.	ZK09-B
Date	01.02.2024
Scale	$1/\text{cm} = 1.0''$
The Plan Sheet	
Drawn By:	

A-101

KNOX CO 15 Units				
Affordable Housing Knox Co				
COST ANALYSIS				
				15
			Amount	Per Unit
HARD COSTS				(Rounded)
1. Purchase Land & Buildings				
Land			\$ 95,000	\$ 6,300
Existing Structures			-	-
Demolition			-	-
Purchase Price			95,000	6,300
2. Site Work				
Site Work			50,000	3,300
3. Rehabilitation and New Construction				
New Building Hard Costs			858,480	57,232
New Construction Hard Costs			-	-
Accessory Building			-	-
General Requirements			64,080	4,300
Building Permits			10,000	700
Tap Fees			-	-
Contractor Overhead			21,360	1,400
Contractor Fee			64,080	4,300
Project Management			-	-
Impact Fees			-	-
New/Rehab Costs			1,068,000	71,200
4. Contingency				
Construction Contingency			53,400	3,600
Hard Costs			1,216,400	81,100
SOFT COSTS				
Professional Fees			108,300	7,200
Interim Costs			21,819	1,500
Financing Fees & Expenses			42,000	2,800
Soft Costs			5,100	300
Syndication Costs			6,000	400
Developer's Costs			279,924	18,700
Project Reserves			110,749	7,400
			573,892	38,300
TOTAL DEVELOPMENT COSTS			1,790,292	119,400

This instrument prepared by:
J. Anderson Gass, Attorney
City of Knoxville Law Department
400 Main Street, Suite 699
Knoxville, Tennessee 37902

RE: DOCUMENT NO. C-25-0106

RESTRICTIVE COVENANT

This Agreement, dated the ____ day of _____, 2025, is made between Edgewood Apts LLC (“Borrower”), 800 S. Gay Street, Suite 2126, Knoxville, Tennessee 37929 and the City of Knoxville, 400 Main Street, City County Building, Knoxville, Tennessee 37902 (“City”).

RECITALS

- A. The City has allocated funds to Borrower to support the development and rehabilitation of affordable rental housing.
- B. The Affordable Rental Development Program (“ARD”) has been established to provide such funds to eligible projects.
- C. Borrower is the holder of a leasehold interest to certain property situated at 2501 Edgewood Avenue, Knoxville, Tennessee 37917, as more fully described in Exhibit A attached hereto and incorporated herein by specific reference (“Property”).
- D. Borrower has applied for a Deferred Payment Loan through the City’s ARD Program to obtain City funding to develop the Property.
- E. As a participant in the City’s ARD Program, Borrower will receive loan funds to cover all or part of the cost of constructing a multi-family development on the Property, and, in consideration, Borrower consents to be regulated and restricted by the provisions of the City’s ARD Program.

In consideration of the Property and the mutual covenants contained herein, Borrower and the City agree as follows.

TERMS

Borrower and the City hereby create a restrictive covenant encumbering the Property that will meet the conditions for qualification as affordable housing as described in the Affordable Rental Development Program Agreement dated _____ (“Agreement”). More specifically, this restrictive covenant limits the use of the 15 assisted rental unit(s) in the Property to affordable rental units for low- income families for a period of 20 years commencing on the date that construction of all units in the Property is completed. In summary, the assisted units qualify as affordable housing only if they comply with all of the conditions described in the Agreement, including, without limitation, the following requirements:

- A. They bear rents not greater than the LOW HOME rents for existing housing for comparable units in the area as established by the U.S. Department of Housing and Urban Development (“HUD”), less an allowance for tenant-paid utilities or, if the unit receives a federal or state project-based rental subsidy and the tenant pays as a contribution not more than 30% of the family’s adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the federal or state project-based rental subsidy program.
- B. With the exception of a housing manager’s unit (if applicable), they are occupied only by households that qualify as low-income families, except for temporary noncompliance, as described in the Program Agreement. Where applicable, the housing manager’s unit will be occupied by a person/family qualifying under 100% of area median income as determined by HUD.
- C. They will remain affordable without regard to the term of any loan, mortgage, or transfer of ownership for not less than 20 years beginning after project completion, except that, upon foreclosure by a lender or other conveyance in lieu of foreclosure, the affordability period shall be terminated if the foreclosure or conveyance in lieu of foreclosure recognizes any contractual or legal rights of public agencies, nonprofit sponsors, or others to take actions that would avoid the termination of low-income affordability. However, the affordability restrictions will be revived according to the original terms if, during the original affordability period, the owner of record before foreclosure or conveyance in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the project or Property.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date above written.

APPROVED AS TO FORM:

CITY OF KNOXVILLE

CHARLES W. SWANSON
DIRECTOR OF LAW

INDYA KINCANNON
MAYOR

EDGEWOOD APTS, LLC

BY: _____
DAVID VARNER, PRESIDENT

STATE OF TENNESSEE)
COUNTY OF KNOX)

Before me, a Notary Public in and for the County and State aforesaid, personally appeared **Indya Kincannon**, with whom I am personally acquainted and who upon oath acknowledged herself to be **Mayor of the City of Knoxville**, a municipal corporation organized and existing under the laws of the State of Tennessee, and that she is authorized to do so, executed the foregoing instrument for the purposes therein contained.

WITNESS my hand and official seal this _____ day of _____, 2025.

NOTARY PUBLIC

My Commission Expires: _____

STATE OF TENNESSEE)
COUNTY OF KNOX)

Before me, a Notary Public in and for Knox County, Tennessee, personally appeared **David Varner**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that as the President of **Edgewood Apts, LLC**, is authorized to do so, executed the within instrument for the purposes therein contained.

WITNESS my hand and seal this ____ day of _____, 2025.

NOTARY PUBLIC

My Commission Expires: _____

R:\AGass\Housing & Neighborhood Dev\Affordable Rental Development (ARD)\Edgewood\Restrictive Covenant.docx

EXHIBIT A
(Property Description)

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**Southeast Capital, LLC: Edgewood Apts., LLC and Parkview Apts., LLC
Edgewood House and Parkview House Apts.**

Project Address:

**2501 Edgewood Ave. CLT#: 069IA02701
2226 Parkview Ave. CLT#: 082OM013**

Recommended amount: \$570,000 (25 Affordable Rental Development units)

Contact: David Varner President Southeast Capital, LLC – Developer

City Council: District 4 (Edgewood Ave.) and District 6 (Parkview Ave.)

Project Description/Affordability: Edgewood Apts., LLC and Parkview Apts., LLC, are developing 25 multifamily units, through Southeast Capital, LLC, for low-income households on two currently unused parcels. The first parcel, 197.57M x 175.39M at 2501 Edgewood Ave. zoned C-N, is the site of an abandoned car wash where 15 units are planned (studio units averaging 418 sqft). The second, 65M x 170M at 2226 Parkview Ave, zoned RN-4, is an unused tract in a neighborhood where 10 units are planned (8 studio units at 400 sqft and 2 1-bedroom units at 500 sqft). The 25 studio and 1-bedroom flats are using the Missing Middle Design Standards, keeping the buildings under two- and one-half stories. Though only one handicap accessible unit per building is required, all ground floor units will be designed as adaptable to convert to a fully ADA compliant unit as needed. The Energy Star certified units, which will be framed with a combination of Hardie plank and brick, will offer these amenities: washer/dryer hook ups with washer/dryer provided, stove, refrigerator, microwave, dishwasher, ceiling fans, blinds, LED lighting, low flow plumbing fixtures, and luxury vinyl plank flooring. Property amenities include a computer and community room offering a space for residents to meet with management, seating area, bike rack, enclosed dumpsters, high tech security features such as camera systems to monitor the parking lots and hallways, and electronic access into the buildings and to each unit. Both properties are serviced by Knoxville Area Transit, ensuring access to shopping, parks, churches, grocery, and convenience markets: Route 15 in front of Edgewood and Routes 31 and 35 within 2 blocks of Parkview. The developer is working closely with KUB to get resident internet provided at a very reasonable rate. Unit utilities are all electric, and water/sewer is provided by the owner. The project addresses a need in the community for affordable housing for low-income families and families who receive a Housing Choice Voucher. Even though there is no other financial layering requiring this development to serve low-income households, the owner is opting to restrict all units for persons earning less than or equal to 80% AMI. The affordability period is 20 years.

Energy Efficiency/Accessibility: Construction Management Supervisor Doug Sherrod has reviewed the plans and determined that they meet our standards for accessibility, fair housing and energy efficiency. This developer plans to utilize Two Oaks Architecture to assist with energy star certification, meeting or exceeding the 2018 International Building Code and the 2018 International Energy Conservation Code.

Contractor/Bid Process: The LLCs have chosen Varner Homes and Development, a local company, as the contractor. Varner Homes and Development has successfully completed other

beautiful apartment development projects with the LLCs' parent company, Southeast Capital, LLC.

Construction Costs: \$1,780,000 (\$71,200/unit). Total hard costs with 5% contingency come to \$2,049,000 (\$81,960/unit).

The total estimated development costs for the 25 units are \$3,009,820, which is an average of \$120,392.80 per unit. This entails hard costs and contingency, acquisition (\$180,000), and soft costs (\$960,820).

Financial: The project will take on an \$1,800,000 mortgage loan at 6.55% interest for a 30-year amortization. City Affordable Rental Development Program funds in the amount of \$570,000 have been requested; \$360,000 is planned for the Edgewood units and \$210,000 is planned for the Parkview units. An equity contribution of \$168,947 by Southeast Capital, LLC and a deferred developer fee of \$470,873 will round out the sources to \$3,009,820. The proforma for 25 units shows a positive cash flow every year, beginning with a 1.33 DCR; a 1.20 minimum is required by the permanent loan. A 10-year Payment In Lieu of Taxes has been requested to allow the properties to cash flow at an acceptable level. The Net Operating Income for year 11 has been adjusted to allow for the increase in taxes.

Neighborhood Input: The LLC's reached out to the two affected neighborhood groups: Edgewood Park Neighborhood Association and Morningside Heights HOA. A meeting with Edgewood neighborhood group proved positive, and they are willing to speak to City Council on behalf of the project. The Morningside Heights HOA are very excited about the Parkview building plans, and close neighbors are happy that this development will put an end to frequent illegal dumping on the lot.

As required by the Infill Housing Overlay (IH), the Edgewood Park parcel received Design Review Board approval on November 20, 2024. The design for Parkview Missing Middle was approved January 16, 2025.

Timeline: Anticipated completion is first quarter 2026.