

Taking the Challenge

Tennessee Housing Development Agency
Special Achievement

HFA Staff Contact

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NCSHA 2019 Annual Awards Entry

HFA Name: Tennessee Housing Development Agency
Entry Title: Taking the Challenge
Category/SubCategory: Special Achievement

Background

As the State of Tennessee's leading housing resource, the Tennessee Housing Development Agency, THDA, aspires to meaningfully expand safe, sound, affordable housing opportunities for low- and moderate-income Tennesseans. To that end, THDA offers a robust portfolio of grant opportunities to nonprofits, developers, local governments and public housing authorities to develop, reconstruct and revitalize homes all across the state. While we are proud that these programs are making a huge difference to the families of Tennessee, our non-profit grantees regularly come to us with innovative ideas to improve housing that, unfortunately, do not qualify for funding based upon strict program guidelines. The THDA Challenge Grant Program was designed to address and meet these needs.

Born out of a desire to continue the unique, cooperative experience THDA had with the Jimmy & Rosalyn Carter Work Project that took place in Memphis in 2016, THDA developed the Challenge Grant Program to formalize a process for the solicitation, review, selection and funding of similar "out-of-the-box" opportunities.

What the Program Does

The THDA Challenge Grant Program provides initial seed funding to support the private fundraising efforts of non-profit organizations across Tennessee to implement housing activities that:

- represent unique milestones,
- are part of a broad community initiative or
- are part of a significant expansion of work outside the normal day-to-day activities of the organization.

The housing activity proposed must be outside the scope of the normal business of the applicant and not part of an ongoing or existing project. The activity must represent a unique milestone or opportunity for the applicant and for Tennessee. The scope of the housing activity must demonstrate broad community support and result in a significant community or regional impact.

Not only does the program provide the initial funding source for the project, the Challenge Grant provides a commitment from a strong organizational partner that can be used as a backbone for later fundraising efforts. THDA requires that each recipient generate a 300% cash commitment from private resources to its Challenge Grant within the nine months following our award. Traditional housing resources are excluded from eligibility as a leveraged resource, such as federal, state, or local public funds—including the Federal Home Loan Bank, funds of the applicant, private equity from the sale of any tax credits, and donated materials, land, or services.

Additionally, the program established a structured application process for entities to seek the support of THDA, providing the opportunity for THDA to compare and contrast the merits of each request at a single point in time against THDA's established goals rather than randomly reviewing one-off requests throughout the year.

Example Challenge Grant Project

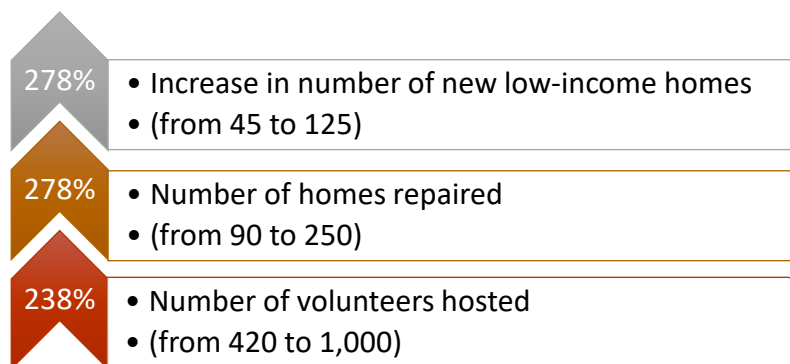
In 2018, one of our Challenge Grant Award recipients, Appalachia Service Project, was granted \$500,000 to construct a new facility in East Tennessee that will provide dormitory space and a commercial kitchen to accommodate 200 volunteers working on home rehabilitation and rebuild projects year-round, offer separate living space for families who are displaced during home re-builds, and provide a multi-use space for construction training.

The benefits of building this facility will be enormous for the people of the seven counties served by this non-profit:

- 1) They will be able to increase the number of housing units built annually in their service area from 9 to 25.
- 2) The number of repair projects will increase from 18 to 50.
- 3) The dormitory space will allow them to increase the number of volunteers at any given time from 84 to 200 and to expand the number of months that volunteers can be hosted from 3 to 12.
- 4) They will gain operational efficiency from being able to train within their 7-county service area instead of training in another state as they currently do.
- 5) The living space for displaced families will allow expansion of their service delivery to include families who do not have alternative housing options during the home rebuild process.
- 6) The training space will allow them to develop partnerships to implement workforce development/apprenticeship opportunities in the construction field.

As a result of THDA's \$500,000 investment, ASP will be able to reinvest over \$10,000,000 in direct housing programs within a five year period after construction of the proposed facility. Of course, the proposed project has a life well beyond five years and the impact will only continue to grow.

5-Year Impact of ASP's Challenge Grant



“ This is a win-win situation, elevating our own service level for homeowners in need of safe housing while helping our neighbors learn trade skills. Workforce development has a ripple effect beyond individual employment opportunities. It expands job markets, spurs economic development, and on a larger scale improves the economic health of a region. Staff at our headquarters at Johnson City have such a deep knowledge base and breadth of skills; it only makes sense to share this knowledge to the benefit of so many. ”

—Appalachia Service Project

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Program Eligibility Criteria

To be eligible for the Challenge Grant, an organization must meet all of the following:

- Be organized and existing under the laws of the State of Tennessee or organized and existing under the laws of another state, but authorized to do business in Tennessee;
- Must demonstrate at least two years of experience providing affordable housing or affordable housing related services in the state of Tennessee
- Have a 501(c)(3) designation from the Internal Revenue Service; and
- Be in good program standing with THDA.

How the Program is Financed

THDA established the Tennessee Housing Trust Fund (THTF) in 2006 with \$4 million in state appropriations and \$12 million in THDA funds. Through sound financial management and investment of the proceeds from THDA's mortgage loan products, the THTF is now fully self-funded with no additional monies required from the state or outside sources.

The Challenge Grant is funded by allocations from the THTF. Although the annual program allocation may change based on funding availability, THDA will set aside at least \$500,000 every year. For FY 2019, \$1,500,000 was made available to Challenge Grant applicants, allowing for awards between \$50,000 and \$1,000,000. However, THDA also reserves the right to not make any awards if the proposals do not meet minimum threshold criteria.

Success to Date

THDA has awarded three grants during the two funding rounds held during the 2018 and 2019 program years, awarding a total of \$2,000,000 in Challenge Grant funding commitments. With the initial \$500,000 commitment, the Greater Memphis Habitat for Humanity leveraged \$2.7 million in added private resources. Additionally, this process has allowed us to consider 14 proposals against established criteria so that we could choose the best special opportunities to support.

In Conclusion

We are very excited about the new Challenge Grant Program. In addition to supporting wonderful housing outcomes for the state, from a housing finance agency standpoint, one of true values of the Challenge Grant is that there is now a single, structured mechanism for the acceptance and review of these unique requests. This allows us to compare and contrast to determine which opportunities will best utilize our investment. Before this program, our Executive Director would receive these type of requests all throughout the year with no process for consideration. Now he can simply say, "We have a Challenge Grant application that will come out in late spring; you can submit a request at that time for us to consider." Early results have shown that the funds will be put to good use by our creative and innovative non-profits to vastly improve housing—and the housing industry as a whole—for low- and moderate-income Tennesseans. As awareness of the program grows, this effect will only grow exponentially with time.