

Finance & Administration Committee Meeting
January 15, 2019
4:00 p.m.

1. Ritter Communication – Franchise Agreement
2. Canaan Missionary Baptist Church – Purchase Request Update
3. Anderson Field Property Discussion
4. Vendor Responsibility – Beer Ordinance Discussion
5. Surplus Property Policy Discussion

**STATE OF TENNESSEE
CITY COUNCIL FOR CITY OF COVINGTON**

ORDINANCE NO. _____

AN ORDINANCE GRANTING A NONEXCLUSIVE FRANCHISE RENEWAL TO E. RITTER COMMUNICATIONS, INC., D/B/A RITTER COMMUNICATIONS, ITS SUCCESSORS AND ASSIGNS, TO CONSTRUCT, OPERATE, AND MAINTAIN A CABLE SYSTEM IN; AND SETTING FORTH CONDITIONS ACCOMPANYING THE GRANT OF THE FRANCHISE; AND PROVIDING FOR REGULATION AND USE OF THE CABLE SYSTEM.

Section 1. Definitions. For the purpose of this Ordinance, the following words and phrases shall have the meanings set forth in this section.

- (a) "Cable Service" means:
 - (1) The transmission to subscribers of (i) video programming, or (ii) other programming service, and
 - (2) Subscriber interaction, if any, which is required for the selection or use of such video programming or other programming service.
- (b) "Cable System" means Grantee's facility located within the City, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is designed to provide Cable Service to multiple Subscribers within the City.
- (c) "Facilities" means any reception, processing, distribution or transmission component of the Cable System, including cables, conduits, converters, splice boxes, cabinets, manholes, vaults, poles, equipment, drains, surface location markers, appurtenances, fiber, and related facilities maintained by Grantee.
- (d) "FCC" means the Federal Communications Commission.
- (e) "Franchise" means the rights granted to Grantee under this Ordinance to construct and operate the Cable System and to provide Cable Services and other services as permitted under applicable law.
- (f) "Grantee" means E. Ritter Communications Inc., d/b/a Ritter Communications, and its permitted successors.
- (g) "Gross Revenues" means all revenue received by Grantee from subscribers for the provision of Cable Television Service in the City. The term Gross Revenues shall not include franchise fees, advertising revenues, fees for programming supplied on a per program or per channel charge basis, late fees, fees from other services, any fees itemized and passed through as a result of franchise imposed requirements, revenue received by Grantee for the delivery of other communications service over its cable system including without limitation, telephony, data transmission interactive services or other broadband information services, or any taxes or fees on services furnished by Grantee imposed by any municipality, state, or other governmental unit.
- (h) "Person" is any person, firm, partnership, association, corporation, company, or other legal entity.

- (i) "Street" means the surface of, and the space above and below, any public street, road, highway, freeway, lane, alley, path, court, sidewalk, parkway, or drive, or any easement or right-of-way now or later existing within the City.
- (j) "Subscriber" means any Person who lawfully receives Cable Service.
- (k) "City" means Covington TN.
- (l) "City Council" means the governing body of the City.

Section 2. Grant of authority.

- (a) Grant of nonexclusive authority. The City grants to Grantee the right and privilege to construct, erect, operate, and maintain, in, upon, along, across, above, over and under the Streets, all Facilities necessary or desirable for the construction, maintenance, and operation of the Cable System. This Franchise shall be nonexclusive, and the City may grant franchises to other Persons. Any additional franchises shall contain the same substantive terms and conditions as this Franchise and shall be competitively neutral and nondiscriminatory as compared to this or any other franchise granted by the City for the operation of a Cable System or other wireline multichannel video distribution system. Grantee may use the Cable System to deliver non-Cable Services as permitted by applicable law.
- (b) State or National Franchises. If another operator of a Cable System or other wireline multichannel video distribution system obtains the right to provide service in the City through a national or state franchise, Grantee may petition the City to replace this Ordinance with the applicable terms of such state or national franchise. The City shall act on the petition at a public meeting within 90 days of filing. The City shall not unreasonably deny the petition. Grantee may appeal any decision to a court of competent jurisdiction. Grantee's rights under this Section to petition for amendments to this Agreement shall be in addition to any rights to amend or terminate local franchises under State or Federal law.
- (c) Rules of Grantee. The Grantee may promulgate rules, regulations, terms and conditions governing its business and services as reasonably necessary to enable Grantee to exercise its rights and perform its obligation under this Ordinance.

Section 3. Franchise term. The Franchise granted under this Ordinance commences upon adoption by the City Council and shall continue for 15 years, unless renewed, revoked or terminated sooner. So long as Grantee remains in material compliance with the provisions of this Ordinance, Grantee, at its option, may extend the term for an additional 15 years by providing written notice to the City no more than 24 months, but not less than 12 months before expiration of the initial term.

Section 4. Conditions of street occupancy.

- (a) Location of Facilities. Grantee shall locate all Facilities so as to minimize interference with the use of the Streets and with the rights and reasonable convenience of adjacent property owners.
- (b) Construction codes and permits. Grantee shall obtain all necessary permits and shall comply with all ordinances of general applicability before commencing any construction, upgrade or extension of the Cable System, including the opening or disturbance of any Street.

- (c) Repair of Streets and property. Grantee, at its expense, shall promptly restore any Street or public property damaged by Grantee during the construction, repair, maintenance or reconstruction of the Cable System.
- (d) Public projects. After reasonable prior notice, Grantee, at its expense, shall relocate its Facilities as required by the City due to traffic conditions, public safety, street construction, or other public improvements by the City. In requiring Grantee to protect, support, temporarily disconnect, relocate or remove any portion of its property, the City shall treat Grantee the same as, and require no more of Grantee, than any other similarly situated utility. Grantee shall have the right to seek reimbursement from the City, including under any applicable insurance or government program for reimbursement.
- (e) Building movement. Upon request of any Person holding a moving permit issued by the City and after reasonable prior notice, Grantee shall temporarily move its Facilities to permit the moving of buildings. Grantee may require the requesting Person to pay all costs related to the temporary relocation of Facilities, and may require payment in advance.
- (f) Tree trimming. Grantee may trim any trees in or overhanging the Streets, alleys, sidewalks, or public easements of the City as necessary to protect Grantee's Facilities.

Section 5. Cable System operations and safety.

- (a) Technical standards. Grantee shall operate the Cable System in compliance with all applicable technical standards promulgated by the FCC.
- (b) Safety requirements. Grantee shall employ ordinary care and shall maintain in use commonly accepted methods and devices to reduce failures and accidents.
- (c) System maps. Upon request by the City, Grantee shall make available to City representatives for review at Grantee's office up-to-date as-built maps showing locations of all Facilities in the Streets.
- (d) System maintenance. When feasible, Grantee shall schedule Cable System maintenance to minimize service interruptions.

Section 6. Customer service and rates.

- (a) Subscriber Inquiries. Grantee shall have a publicly listed toll-free telephone number and be operated so as to receive Subscriber complaints and requests during normal business hours. Grantee shall investigate and promptly resolve customer complaints regarding quality of service or service outages.
- (b) Rates. Grantee shall provide the City and Subscribers with 30 days written notice of changes to Cable Services or rates.

Section 7. Franchise fee.

Grantee shall pay to City an annual franchise fee in an amount equal to ____ percent (%) of Gross Revenues as defined in Section 1(g). Such payments shall be payable annually to the City within sixty (60) days of the last day of December each year. Following reasonable prior notice, the City may inspect Grantee's books, records, and reports to verify franchise fee calculations and payments.

Section 8. Insurance and Indemnification.

- (a) Insurance. During the term of the Franchise granted under this Ordinance, Grantee shall maintain a comprehensive general liability insurance policy with the following minimum coverage limits:

- (i) \$1,000,000 for personal injury or death;
- (ii) \$1,000,000 for property damage; and
- (iii) \$500,000 automobile insurance/combined bodily injury and property damage.

Each policy of insurance shall contain a statement that the insurer will not cancel the policy or fail to renew the policy for any reason without first giving 30 days' advance written notice to the City.

- (b) Indemnification. During the term of the Franchise granted under this Ordinance, Grantee shall indemnify and hold harmless the City, its officers, agents and employees ("Indemnitees") from and against any claims, liabilities, damages, losses, and expenses (including, without limitation, reasonable attorney fees) ("Losses"), which may arise out of or be in any way connected with Grantee's construction, installation, operation, maintenance of the Cable System, unless such Losses arise from the negligence or intentional misconduct of the City, its officers, agents or employees.

Section 9. Transfer of Franchise. Grantee shall not transfer or assign its rights granted under this Ordinance without the prior written approval of the City. Prior approval shall not be required for the following: (i) the assignment of, or the granting of a security interest in, the Franchise or the Cable System for the purpose of securing indebtedness; or (ii) the assignment or transfer of the Franchise or the Cable System to an affiliate under common ownership or control with Grantee.

Section 10. Franchise extension and renewal.

- (a) Extension. Beyond the term provided in Section 3, City and Grantee may extend by mutual agreement the term of the Franchise granted under this Ordinance, and the existing terms and conditions of this Ordinance shall govern the extended term.
- (b) Renewal. Any renewal of the Grantee's Franchise shall be done in accordance with Section 546 of the federal Cable Act, 47 USC § 546, and applicable FCC regulations.

Section 11. Franchise termination. The City may terminate the Franchise granted under this Ordinance in case of material noncompliance by Grantee. Material noncompliance shall include:

- (a) A material violation by Grantee of any term, condition, or provision of this Ordinance that remains uncured within the applicable cure period;
- (b) Failure of Grantee to comply with any reasonable provision of any applicable Ordinance;

- (c) Grantee becomes insolvent, unable or unwilling to pay its debts, or is adjudged bankrupt, or there is a notice of prospective foreclosure or other judicial sale of all or a substantial part of the Cable System;
- (d) Grantee abandons the Cable System;
- (e) Grantee fails to operate the Cable System for a period of 30 days; or
- (f) Grantee is found to practice any fraud upon the City.

Section 12. Termination procedures. If the City seeks to terminate the Franchise under Section 13, the City shall follow the procedures in this section.

- (a) Notice of complaint. The City shall provide Grantee with written notice describing with reasonable specificity the alleged noncompliance.
- (b) Opportunity to cure. Grantee shall have 60 days from receipt of written notice to cure the alleged noncompliance. If Grantee cures the alleged noncompliance within the 60-day period, the City shall provide Grantee with written notice withdrawing the complaint.
- (c) Public hearing. If Grantee fails to cure the alleged noncompliance within the 60-day cure period, or if Grantee provides the City with written notice disputing the complaint, and the parties fail to otherwise resolve the matter, the City shall schedule a public hearing on the alleged noncompliance. At the public hearing, Grantee may present testimony, cross-examine witnesses and deliver to the City Council all evidence relevant to Grantee's defense. At the conclusion of the public hearing, the City Council may dismiss the complaint, defer action, order appropriate sanctions, or terminate the Franchise in accordance with this section.
- (d) Termination. The City Council may, after a duly noticed public hearing, terminate the Franchise for material and willful continuing noncompliance by Grantee. If Grantee contests the termination in a court of competent jurisdiction, Grantee may operate the Cable System in accordance with this Ordinance while the case is pending.
- (e) Force Majeure. Grantee's failure to comply with any provision of this Ordinance shall not constitute noncompliance when the failure is due to circumstances beyond Grantee's control, including, without limitation, acts of nature, adverse weather, natural or man-made disaster, civil disturbance, war or insurrection, or shortage of supplies, material, or labor.
- (f) Removal of Facilities. Upon expiration or termination of the Franchise, Grantee shall be afforded a six-month period to sell or otherwise dispose of the Cable System. During the six-month period, Grantee shall operate the Cable System in accordance with this Ordinance. At the expiration of the six-month period, Grantee has the right to remove its Facilities within a reasonable time.

Section 13. Unauthorized reception of Cable Service; tampering with Facilities.

- (a) It shall be unlawful for any Person without Grantee's consent to willfully tamper with, remove or injure any of Grantee's Facilities.
- (b) It shall be unlawful for any Person to make or use any unauthorized connection to any part of Grantee's Cable System.
- (c) Any Person that violates this subsection regarding theft of service shall be guilty of a misdemeanor and punished by a fine not to exceed \$500.00 for each occurrence or imprisonment for a term not to exceed 90 days or both, such fine and imprisonment as may be imposed by a court of competent jurisdiction.

Section 14. Notices. Notices under this Ordinance shall be in writing and shall be deemed given delivery by hand delivery, certified mail return receipt requested, or overnight courier to the following addresses:

To City: City of Covington
200 W. Washington, Ave.
Covington, TN 38019
Attn: _____
Phone: (901) 476-9613
Fax: (901) _____
Email: _____

To Grantee: Ritter Communications, Inc.
P. O. Box 17040
Jonesboro, AR 72403
Attn: Bob Mouser VP Business Development
Phone: (870) 429-1116
Fax: (870) 429-8014
Email: Bob.Mouser@rittercommunications.com

A party may designate other addresses for providing notice by providing notice in writing of such addresses.

Section 15. Miscellaneous.

- (a) Severability. If any provision of this Ordinance is for any reason held illegal, invalid, or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining provisions of this Ordinance. The invalidity of any portions of this Ordinance shall not abate, reduce, or otherwise affect any consideration or other obligation required by Grantee under the remaining provisions of this Ordinance.
- (b) Complete Agreement. All ordinances and parts of ordinances in conflict with this Ordinance are repealed as of the effective date of this Ordinance, excluding all public utility franchises granted to public utilities, including utilities regulated by the Arkansas Public Service Commission.

Section 16. Emergency clause. This Ordinance being necessary to the comfort, convenience and welfare of the City, and its inhabitants thereof, an emergency is declared to exist and this ordinance shall take effect and be in force upon passage by the City Council.

Passed and adopted this _____ day of _____, 20__

City of Covington

By: _____

Attest: _____

City Clerk

Name: _____

Title: Mayor

INVOICE

Date: 01/11/2019

File No. 19010016
Case No.

Prepared for:

Victor Johnson
Canaan Baptist Church
211 N Main Street
Covington, TN 38019

Property Appraised:

Canaan Baptist Church
Valley Avenue
Covington, TN 38019-2354

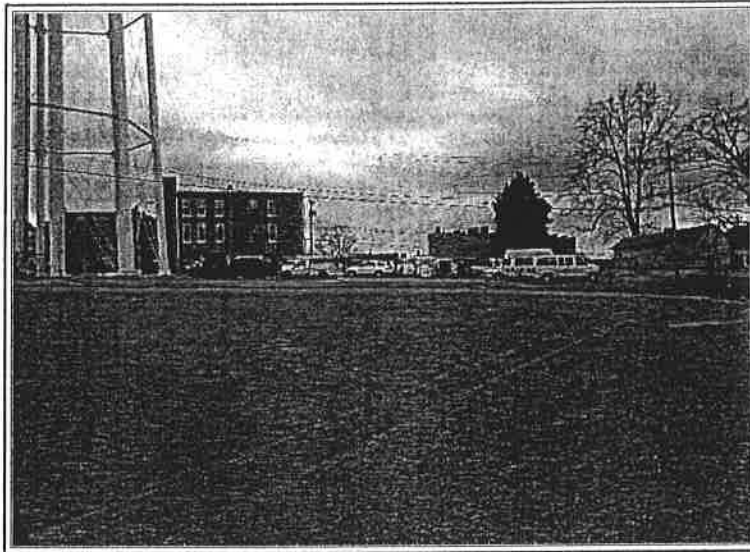
Work Performed:

Land Appraisal	\$	400.00
Paid by check	\$	-400.00
	\$	
	\$	
	\$	
	\$	
Total Amount Due:		\$ 0.00

Please make checks payable to:

AppraiseTennessee Corporation
335 Joyce Ave
Atoka, TN 38004

**APPRAISAL REPORT
OF**



Valley Avenue
Covington, TN 38019-2354

PREPARED FOR

Victor Johnson
Canaan Baptist Church
211 N Main Street
Covington, TN 38019

AS OF

01/11/2019

PREPARED BY

AppraiseTennessee Corporation
335 Joyce Ave
Atoka, TN 38004

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LAND APPRAISAL REPORT

File No. 19010016

Case No.

Appraisal Report

Borrower Canaan Baptist Church Census Tract 0407.00 Map Reference 025N-B -016.00
 Property Address Valley Avenue
 City Covington County Tipton State TN Zip Code 38019-2354
 Legal Description See attached survey
 Sale Price \$ Unknown Date of Sale 02/2019 Loan Term N/A yrs. Property Rights Appraised ☒ Fee ☐ Leasehold ☐ De Minimis PUD
 Actual Real Estate Taxes \$ 0 (yr) Loan Charges to be paid by seller \$ None Other Sales Concessions None
 Lender/Client Canaan Baptist Church Address 211 N Main Street, Covington, TN 38019
 Occupant Vacant Appraiser Scott C. Taylor, Sr., MAI, SRA Instructions to Appraiser Appraise as is.

				Good	Avg.	Fair	Poor
Location	<input checked="" type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural		<input checked="" type="checkbox"/>		
Built Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%		<input checked="" type="checkbox"/>		
Growth Rate	<input type="checkbox"/> Fully Dev.	<input checked="" type="checkbox"/> Rapid	<input type="checkbox"/> Steady		<input checked="" type="checkbox"/>		
Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining		<input checked="" type="checkbox"/>		
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply		<input checked="" type="checkbox"/>		
Marketing Time	<input type="checkbox"/> Under 3 Mos.	<input checked="" type="checkbox"/> 3-6 Mos.	<input type="checkbox"/> Over 6 Mos.		<input checked="" type="checkbox"/>		
Present Land Use	<u>30</u> %1 Family	<u>0</u> %2-4 Family	<u>0</u> % Apts	<u>70</u> % Condo	<u>0</u> % Commercial		
Change In Present Land Use	<input checked="" type="checkbox"/> Not Likely	<input type="checkbox"/> Likely(*)	<input type="checkbox"/> Taking Place (*)				
Predominate Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<u><5</u> % Vacant				
Single Family Price Range	\$ <u>N/A</u> to \$ <u>N/A</u>	Predominant Value \$ <u>N/A</u>					
Single Family Age	<u>N/A</u> yrs to <u>N/A</u> yrs.	Predominant Age <u>N/A</u> yrs					
Employment Stability					<input checked="" type="checkbox"/>		
Convenience to Employment					<input checked="" type="checkbox"/>		
Convenience to Shopping					<input checked="" type="checkbox"/>		
Convenience to Schools					<input checked="" type="checkbox"/>		
Adequacy of Public Transportation					<input checked="" type="checkbox"/>		
Recreational Facilities					<input checked="" type="checkbox"/>		
Adequacy of Utilities					<input checked="" type="checkbox"/>		
Property of Compatibility					<input checked="" type="checkbox"/>		
Protection from Detrimental Conditions					<input checked="" type="checkbox"/>		
Police and Fire Protection					<input checked="" type="checkbox"/>		
General Appearance of Properties					<input checked="" type="checkbox"/>		
Appeal to Market					<input checked="" type="checkbox"/>		

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): The subject is located just to the north of the City of Covington court square. The surrounding uses are a mixture uses including religious facility, funeral home, car wash, farmers market, local government offices, and older single-family dwellings.

Dimensions See attached survey = 16,822-square feet net useable area. ☐ Corner Lot
 Zoning Classification B-3 City/Central Business District Present Improvements ☒ do ☐ do not conform to zoning regulations
 Highest and best use ☒ Present use ☐ Other (specify) _____
 Public ☒ Other (Describe) _____
 Elec. ☒ _____
 Gas ☒ _____
 Water ☒ _____
 San. Sewer ☒ _____
 OFF SITE IMPROVEMENTS
 Street Access ☒ Public ☐ Private
 Surface ☒ Asphalt ☐ Concrete
 Maintenance ☒ Public ☐ Private
 Storm Sewer ☒ Curb/Gutter ☐ Street Lights
 Sidewalk ☒ _____
 Topo Sloping
 Size Typical
 Shape Irregular
 View Commercial
 Drainage Adequate
 Is the property located in a HUD identified Special Flood Hazard Area? ☒ No ☐ Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments or other adverse conditions): See comment addendum for site description.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

	SUBJECT PROPERTY	COMPARABLE NO.1	COMPARABLE NO.2	COMPARABLE NO.3
Address	Valley Avenue Covington, TN 38019-2354	104 Maley Cir & Spring St E Covington, TN 38019	McFadden Avenue Covington, TN 38019	E Street Covington, TN 38019
Proximity to Subject		0.08 miles E	0.95 miles S	0.81 miles SE
Sales Price	\$ <u>Unknown</u>	\$ <u>4,000</u>	\$ <u>10,000</u>	\$ <u>7,500</u>
Price / SF	\$ <u>0</u>	\$ <u>0.25</u>	\$ <u>0.50</u>	\$ <u>0.06</u>
Data Source	Inspection/Survey	Record Book 1770 Page 513	Record Book 1749 Page 416	Record Book 1776 Page 844
Date of Sale and Time Adjustment	DESCRIPTION 02/2019	DESCRIPTION 08/09/2018	DESCRIPTION 02/07/2018	DESCRIPTION 10/12/2018
Location	Average	Similar	Similar	Similar
Site/View	16,822-SF net useable	16,248-SF	20,035-SF	130,680-SF
Zoning	B-3	B-3	R-3	B-2
Road Frontage	Average	Average	Average	None
Flood Zone	X	X	X	AE
APN	025N-B -016.00	041C-C-011.01&001	041K-G-007.00	041 - -043.03
Sales or Financing Concessions	None known	None known	None known	None known
Net Adj. (Total)		<input checked="" type="checkbox"/> Plus <input type="checkbox"/> Minus \$ <u>0.00</u>	<input type="checkbox"/> Plus <input checked="" type="checkbox"/> Minus \$ <u>-0.25</u>	<input checked="" type="checkbox"/> Plus <input type="checkbox"/> Minus \$ <u>0.20</u>
Indicated Value of Subject		Net=0% Gross=0% \$ <u>0.25</u>	Net=-50% Gross=50% \$ <u>0.25</u>	Net=333% Gross=333% \$ <u>0.26</u>

Comments on Market Data Sale 1 is the closest in proximity, has the most similar site size, and the same zoning as the subject. Due to these strong similarities, this sale was given the most weight in the determining the value of the subject site.

16,822-SF x \$0.25/SF = \$4,205.50 Rounded to \$4,000.

Comments and Conditions of Appraisal: See comments addendum.

Final Reconciliation: See comments addendum.

ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF 01/11/2019 to be \$ 4,000

Appraiser(s) Scott C. Taylor, Sr., MAI, SRA Review Appraiser (if applicable) ☐ Did ☐ Did Not Physically Inspect Property

Date Report Signed 01/11/2019

State Certification # C.G. 722 State TN

Or State License # _____ State _____

Expiration Date of License or Certification 04/30/2020

Date Report Signed _____

State Certification # _____

Or State License # _____

Expiration Date of License or Certification _____

Borrower Canaan Baptist Church					
Property Address Valley Avenue					
City Covington	County	Tipton	State	TN	Zip Code 38019-2354
Lender/Client Canaan Baptist Church		Address 211 N Main Street, Covington, TN 38019			

SCOPE OF APPRAISAL: The appraiser has searched the subject market area for sales of comparable properties for a period of time covering the past 24 months. Sources of information include the county assessor's office, the county registrar's office, the Memphis area Association of Realtor's MLS, and company data banks. The appraiser performed an on-site inspection of the subject.

CONDITIONS OF THE APPRAISAL: The Intended Users of this appraisal report are Canaan Baptist Church and the City of Covington. No additional Intended Users are identified by the appraiser. This real property appraisal report was prepared using the Appraisal Report option complying with USPAP 2-2 (a). The Intended Use is to evaluate the subject of this appraisal for purchase decisions.

HISTORY: The subject has not transferred in the past three years. The subject has not been offered for sale on the open market during the past 12 months. At the present, Canaan Baptist Church is in negotiations with the City of Covington to purchase the subject.

TAXES: The subject is currently tax exempt since it's government property. After the proposed sale, it's assumed the parcel would remain tax exempt since it will be owned by a religious non-profit entity.

SUBJECT DESCRIPTION: The subject is a 0.51-acre tract of land owned by the City of Covington, Tennessee. The subject was part of the original land set aside for the city when it was established in 1824. The site has sloping topography from the higher elevation at West Spring Street down to the north boundary on Valley Avenue. Approximately 3/4 of the site is paved with asphalt. The asphalt paving is functional and in average condition, estimated to be approximately 20 years old. For more than 20 years the subject has been utilized as public parking. Although in close proximity to the farmers market, the adjacent land owner, Canaan Baptist Church, is the biggest beneficiary of the parking area. From the included survey and conversation with representatives of the client and owner, it's understood there is a 15' utility easement along the entire length of the west property line, a 50' easement beginning at West Spring along the west property line extending approximately 1/2 of the distance toward Valley Avenue (providing access to the Thomas Tipton property), and that the parking area will remain accessible to the general public. The intentions of the client/purchaser is to secure the parking area and to provide additional site area to expand the existing church at 211 N Main. After deducting the easement areas and the narrow irregular strip between the 50' easement and the eastern property line, the subject has a net useable area of approximately 16,822-square feet (0.386-acre). This net useable area was used in the valuation of the subject.

HIGHEST AND BEST USE: The subject is vacant land. In determining Highest and Best Use, four tests were applied: legally permissible, physically possible, financially feasible, and resulting in maximum productivity. The subject's current use, parking area, was determined to represent the highest and best use of the property.

FINAL RECONCILIATION: The appraiser considered all three approaches to value. The sales comparison approach to value is the only approach developed in this appraisal. There are sufficient sales in the subject market from which to derive an estimate of market value. The cost and income approaches are not applicable to the appraisal problem and were not developed.

MARKETING TIME: A reasonable marketing time for the subject is 90-180 days utilizing market conditions pertinent to the appraisal assignment.

EXPOSURE TIME: A reasonable exposure time for the subject is 90-180 days.

This appraisal report is subject to the scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment.

SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

INTENDED USER: The intended user of this appraisal report is the lender/client.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.
2. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
3. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.
4. The appraiser has noted in this appraisal report any adverse conditions (such as the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent deficiencies or adverse conditions of the property (such as, but not limited to, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.
5. If the appraiser has based his or her appraisal report and valuation conclusion for an appraisal subject to certain conditions, it is assumed that the conditions will be met in a satisfactory manner.

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.
2. I performed a complete visual inspection of the subject property. I reported the site characteristics in factual, specific terms.
3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment.
5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.
6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.
7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.
8. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.
9. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.
10. I have knowledge and experience in appraising this type of property in this market area.
11. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.
12. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.
13. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.
14. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.
15. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.
16. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
17. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).
18. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.
19. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.
20. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

21. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

22. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.
4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

APPRAISER

Signature Scott C. Taylor
 Name Scott C. Taylor, Sr., MAI, SRA
 Company Name AppraiseTennessee Corporation
 Company Address 335 Joyce Ave
Atoka, TN 38004
 Telephone Number 9018376800
 Email Address staylor@appraisetennessee.com
 Date of Signature and Report 01/11/2019
 Effective Date of Appraisal 01/11/2019
 State Certification # C.G. 722
 or State License # _____
 or Other (describe) _____ State # _____
 State TN
 Expiration Date of Certification or License 04/30/2020

ADDRESS OF PROPERTY APPRAISED

Valley Avenue
Covington, TN 38019-2354

APPRAISED VALUE OF SUBJECT PROPERTY \$ 4,000

LENDER/CLIENT

Name Victor Johnson
 Company Name Canaan Baptist Church
 Company Address 211 N Main Street
Covington, TN 38019
 Email Address victorallenjohnson@hotmail.com

SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature _____
 Name _____
 Company Name _____
 Company Address _____
 Telephone Number _____
 Email Address _____
 Date of Signature _____
 State Certification # _____
 or State License # _____
 State _____
 Expiration Date of Certification or License _____

SUBJECT PROPERTY

- ☐ Did not inspect subject property
☐ Did inspect exterior of subject property from street
 Date of Inspection _____
☐ Did inspect interior and exterior of subject property
 Date of Inspection _____

COMPARABLE SALES

- ☐ Did not inspect exterior of comparable sales from street
☐ Did inspect exterior of comparable sales from street
 Date of Inspection _____

AppraiseTennessee Corporation
Appraiser's Certification

File No. 19010016
Case No.

Borrower Canaan Baptist Church

Property Address Valley Avenue

City Covington

County

Tipton

State

TN

Zip Code 38019-2354

Lender/Client Canaan Baptist Church

Address 211 N Main Street, Covington, TN 38019

I certify that, to the best of my knowledge and belief:

- * The statements of fact contained in this report are true and correct.
- * The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- * I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- * I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- * I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- * My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- * My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- * My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- * I have made a personal inspection of the property that is the subject of this report.
- * No one provided significant real property appraisal assistance to the person signing this certification.
- * The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- * The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- * As of the date of this report, I have completed the continuing education requirements for Members of the Appraisal Institute.
- * The Appraiser has established sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.

APPRAISER:

Signature: Scott C. Taylor
Name: Scott C. Taylor, Sr., MAI, SRA
Date Signed: 01/11/2019
State Certification #: C.G. 722
or State License #: _____
State: TN
Expiration Date of Certification or License: 04/30/2020

SUPERVISORY:

Signature: _____
Name: _____
Date Signed: _____
State Certification #: _____
or State License #: _____
State: _____
Expiration Date of Certification or License: _____

AppraiseTennessee Corporation
SUBJECT PHOTO ADDENDUM

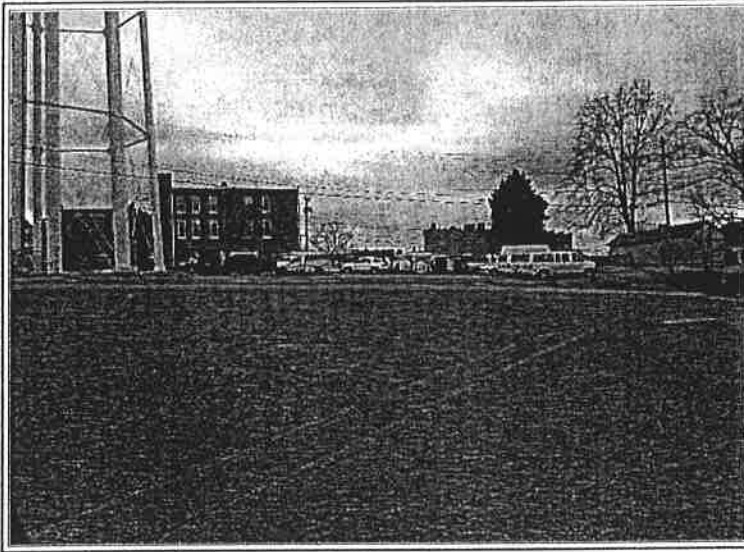
File No. 19010016
Case No.

Borrower Canaan Baptist Church

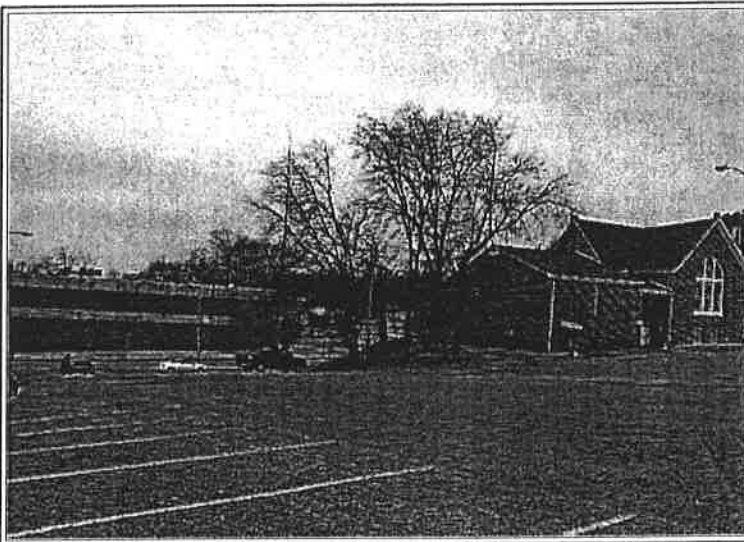
Property Address Valley Avenue

City Covington County Tipton State TN Zip Code 38019-2354

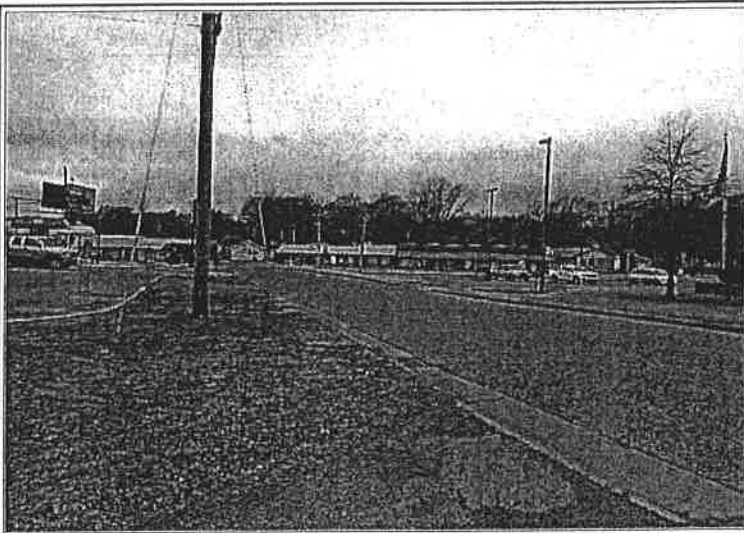
Lender/Client Canaan Baptist Church Address 211 N Main Street, Covington, TN 38019



**FRONT OF
SUBJECT PROPERTY**
Valley Avenue
Covington, TN 38019-2354

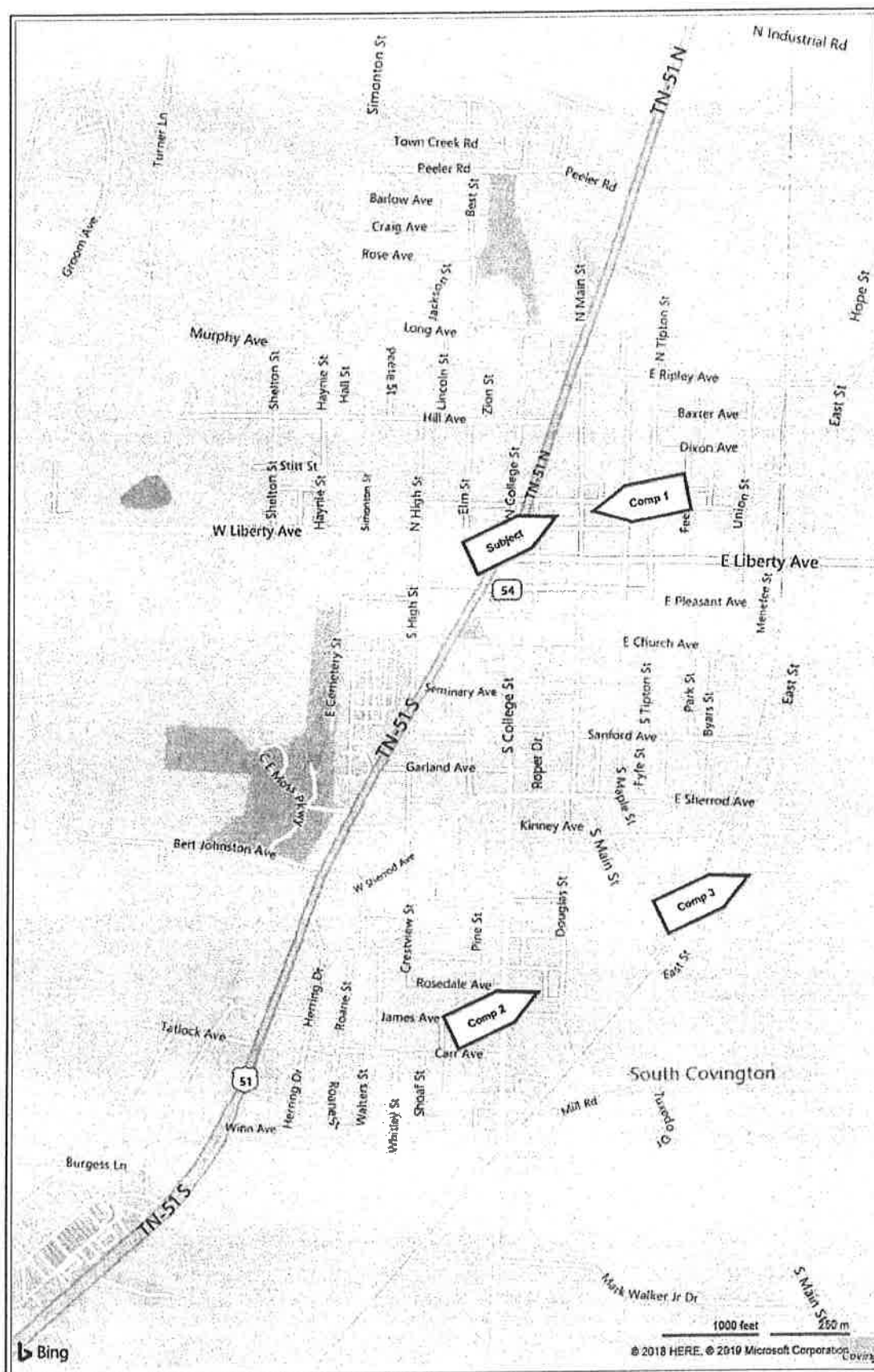


**REAR OF
SUBJECT PROPERTY**
View from West Spring Street

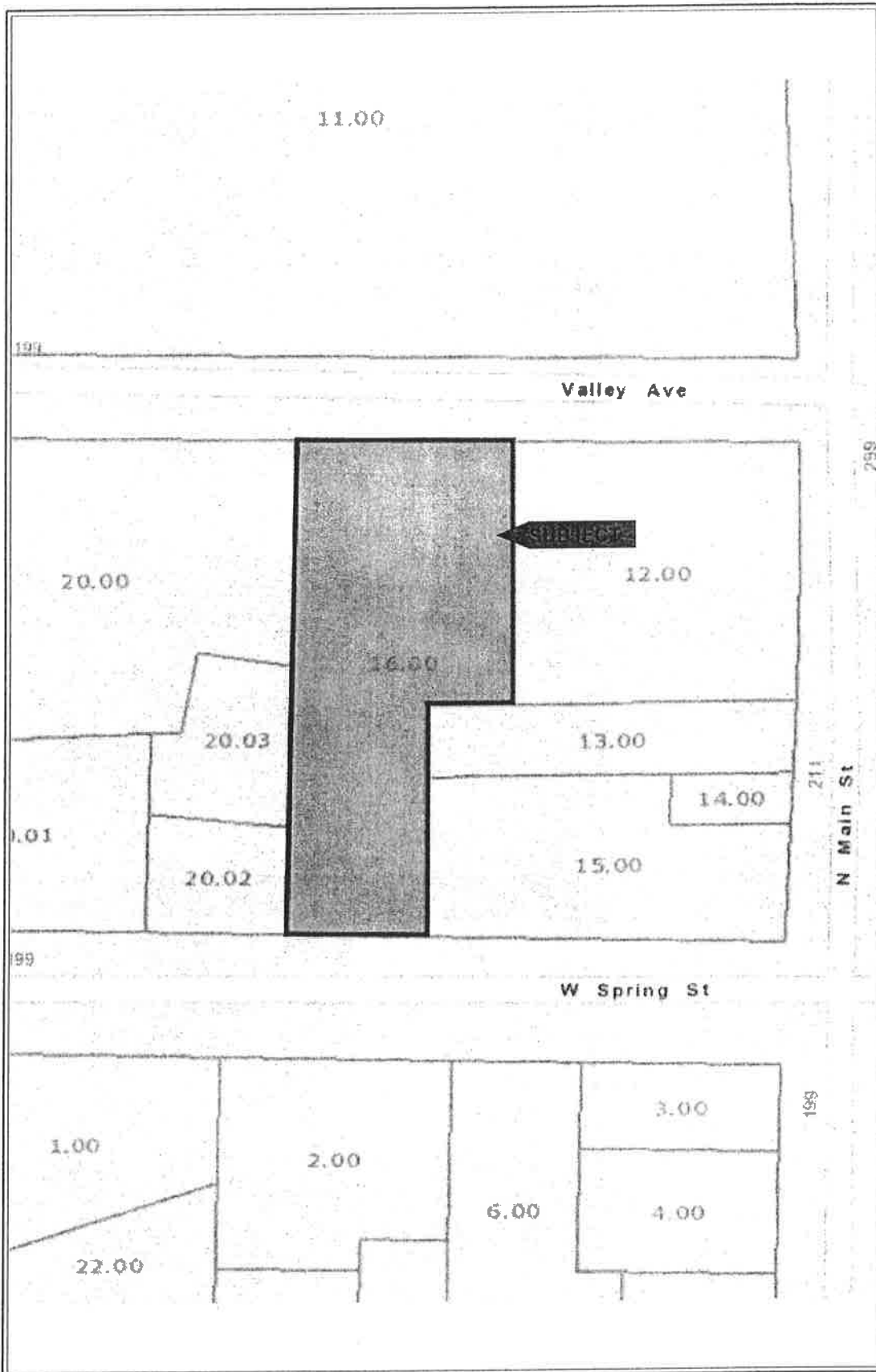


STREET SCENE
West on Valley Avenue

Borrower	Canaan Baptist Church						
Property Address	Valley Avenue						
City	Covington	County	Tipton	State	TN	Zip Code	38019-2354
Lender/Client	Canaan Baptist Church		Address 211 N Main Street, Covington, TN 38019				

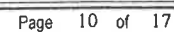


Borrower	Canaan Baptist Church						
Property Address	Valley Avenue						
City	Covington	County	Tipton	State	TN	Zip Code	38019-2354
Lender/Client	Canaan Baptist Church			Address 211 N Main Street, Covington, TN 38019			



File No. 19010016
Case No.

Address 211 N Main Street, Covington, TN 38019



Borrower	Canaan Baptist Church				
Property Address	Valley Avenue				
City	Covington	County	Tipton	State	TN
				Zip Code	38019-2354
Lender/Client	Canaan Baptist Church		Address 211 N Main Street, Covington, TN 38019		



Erwin Surveys

erwinsurveys@bellsouth.net

P.O. Box 572 Covington, TN 38019 901.476.4769 (phone & fax)

PROPERTY DESCRIPTION

January 10, 2019

Description of a 0.51-Acre tract standing in the name of City Of Covington, Tennessee. Said property being located along the North side of West Spring Street and the South side of Valley Avenue in Covington being situated in the First Civil District of Tipton County, Tennessee.

BEGINNING at a found railroad spike in the North right-of-way of West Spring Street (80-foot total width) being the Southwest corner of the City Of Covington property, said spike also being the Southeast corner of the Cromwell & Scott LLC property (1087/836);

THENCE in a Northeastward direction along the West line of the City Of Covington, also being the East line of Cromwell & Scott, Thomas Tipton (734/614) and Joe C. Damron et ux (1319/828-Tract 1), N 02°-03'-09" E passing a found railroad spike at 246.37 feet but continuing a total distance of 246.87 feet to the Northwest corner of the City Of Covington property being located in the South right-of-way of Valley Avenue, also being the Northeast corner of the Damron property;

THENCE in a Southeastward direction along the North line of the City Of Covington, also being the South line of Valley Avenue (30-foot total right-of-way), S 87°-20'-43" E 116.99 feet to the Northeast corner of the City Of Covington property, also being the Northwest corner of the Deacons and Trustees of Canaan Colored Baptist Church of Covington property (37/31);

THENCE in a Southwestward direction along an East line of the City Of Covington, also being the West line of Canaan Baptist Church, S 03°-34'-40" W 124.33 feet to an exterior corner of the City Of Covington property and the Southwest corner of Canaan Baptist Church property, also being located in the North line of the Board of Trustees an Board of Deacons of the Canaan Baptist Church property (396/365);

THENCE in a Northwestward direction along a South line of the City Of Covington, also being the North line of Canaan Baptist Church, N 87°-20'-43" W 36.37 feet to an interior corner of the City Of Covington property and the Northwest corner of the Canaan Baptist Church property;

THENCE in a Southwestward direction along an East line of the City Of Covington, also being the West line of Canaan Baptist Church, S 03°-34'-40" W 25.00 feet to an exterior corner of the City Of Covington property and the Southwest corner of the Canaan Baptist Church property being located in the North line of the Barlow North Main Development, LLC property (1706/992);

THENCE in a Northwestward direction along a South line of the City Of Covington, also being the North line of Barlow, N 87°-20'-43" W 14.00 feet to a found cotton picker spindle & Identification washer (TN1658) being an interior corner of the City Of Covington property and the Northwest corner of the Barlow property;

THENCE in a Southwestward direction along an East line of the City Of Covington, also being the West line of Barlow and The Board of Mayor & Aldermen of Covington, Tennessee (247/590), S 03°-34'-40" W 98.86 feet to a found cotton picker spindle & Identification washer (TN1658) in the North right-of-way of West Spring Street being the Southeast corner of the City Of Covington property;

THENCE in a Northwestward direction along a South line of the City Of Covington, also being the North line of West Spring Street, N 86°-17'-28" W 60.04 feet to the Point Of Beginning and containing **0.51-Acre** by computation.

Borrower	Canaan Baptist Church						
Property Address	Valley Avenue						
City	Covington	County	Tipton	State	TN	Zip Code	38019-2354
Lender/Client	Canaan Baptist Church		Address 211 N Main Street, Covington, TN 38019				

2 of 2

However, the above described property is to be subject to a 15-foot Utility Easement benefiting the City Of Covington Public Works Department being described as follows:

BEGINNING at a found railroad spike in the North right-of-way of West Spring Street (60-foot total width) being the Southwest corner of the City Of Covington property and the Southwest corner of this herein described easement, said spike also being the Southeast corner of the Cromwell & Scott LLC property (1087/836);

THENCE in a Northeastward direction along the West line of the City Of Covington and this easement, also being the East line of Cromwell & Scott, Thomas Tipton (734/614) and Joe C. Damron et ux (1319/828-Tract 1), N 02°-03'-09" E passing a found railroad spike at 246.37 feet but continuing a total distance of 246.87 feet to the Northwest corner of the City Of Covington property and the Northwest corner of this herein described easement being located in the South right-of-way of Valley Avenue, also being the Northeast corner of the Damron property;

THENCE in a Southeastward direction along the North line of the City Of Covington property and the North line of this easement, also being the South line of Valley Avenue (30-foot total right-of-way), S 87°-20'-43" E 15.00 feet to the Northeast corner of this herein described easement;

THENCE in a Southwestward direction along the East line of this easement, S 02°-03'-09" W 247.14 feet to the South line of the City Of Covington property and the Southeast corner of this herein described easement, also being located in the North line of West Spring Street;

THENCE in a Northwestward direction along a South line of the City Of Covington and the South line of this easement, also being the North line of West Spring Street, N 86°-17'-28" W 15.01 feet to the Point Of Beginning.

However, the above described property is to be subject to a 50-foot Ingress & Egress Easement benefiting Thomas Tipton being described as follows:

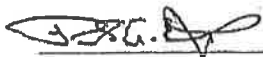
BEGINNING at a found railroad spike in the North right-of-way of West Spring Street (60-foot total width) being the Southwest corner of the City Of Covington property and the Southwest corner of this herein described easement, said spike also being the Southeast corner of the Cromwell & Scott LLC property (1087/836);

THENCE in a Northeastward direction along the West line of the City Of Covington and this easement, also being the East line of Cromwell & Scott and Thomas Tipton (734/614), N 02°-03'-09" E 136.13 feet to the Northwest corner of this herein described easement, also being the Northeast corner of the Tipton property and an exterior corner of the Joe C. Damron et ux property (1319/828-Tract 1);

THENCE in a Southeastward direction along the North line of this easement, S 87°-56'-51" E 50.00 feet to the Northeast corner of this herein described easement;

THENCE in a Southwestward direction along the East line of this easement, S 02°-03'-09" W 137.67 feet to the South line of the City Of Covington property and the Southeast corner of this herein described easement, also being located in the North line of West Spring Street;

THENCE in a Northwestward direction along a South line of the City Of Covington and the South line of this easement, also being the North line of West Spring Street, N 86°-17'-28" W 50.02 feet to the Point Of Beginning.



Paul A. Erwin, Jr. RLS CFS
Tennessee Surveyor #1658

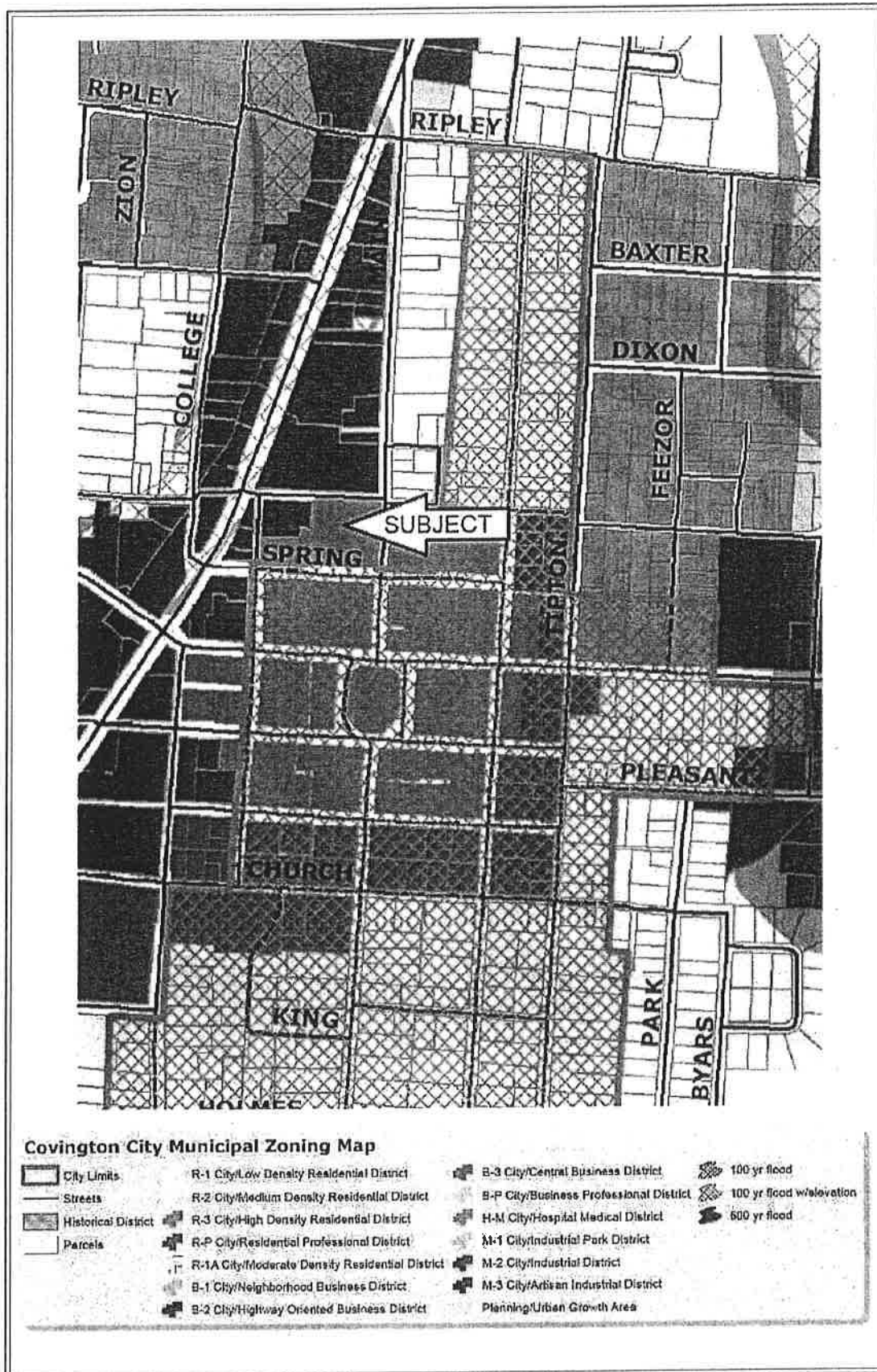
Borrower	Canaan Baptist Church					
Property Address	Valley Avenue					
City	Covington	County	Tipton	State	TN	Zip Code 38019-2354
Lender/Client	Canaan Baptist Church		Address 211 N Main Street, Covington, TN 38019			



AppraiseTennessee Corporation
ZONING LOCATION MAP

File No. 19010016
 Case No.

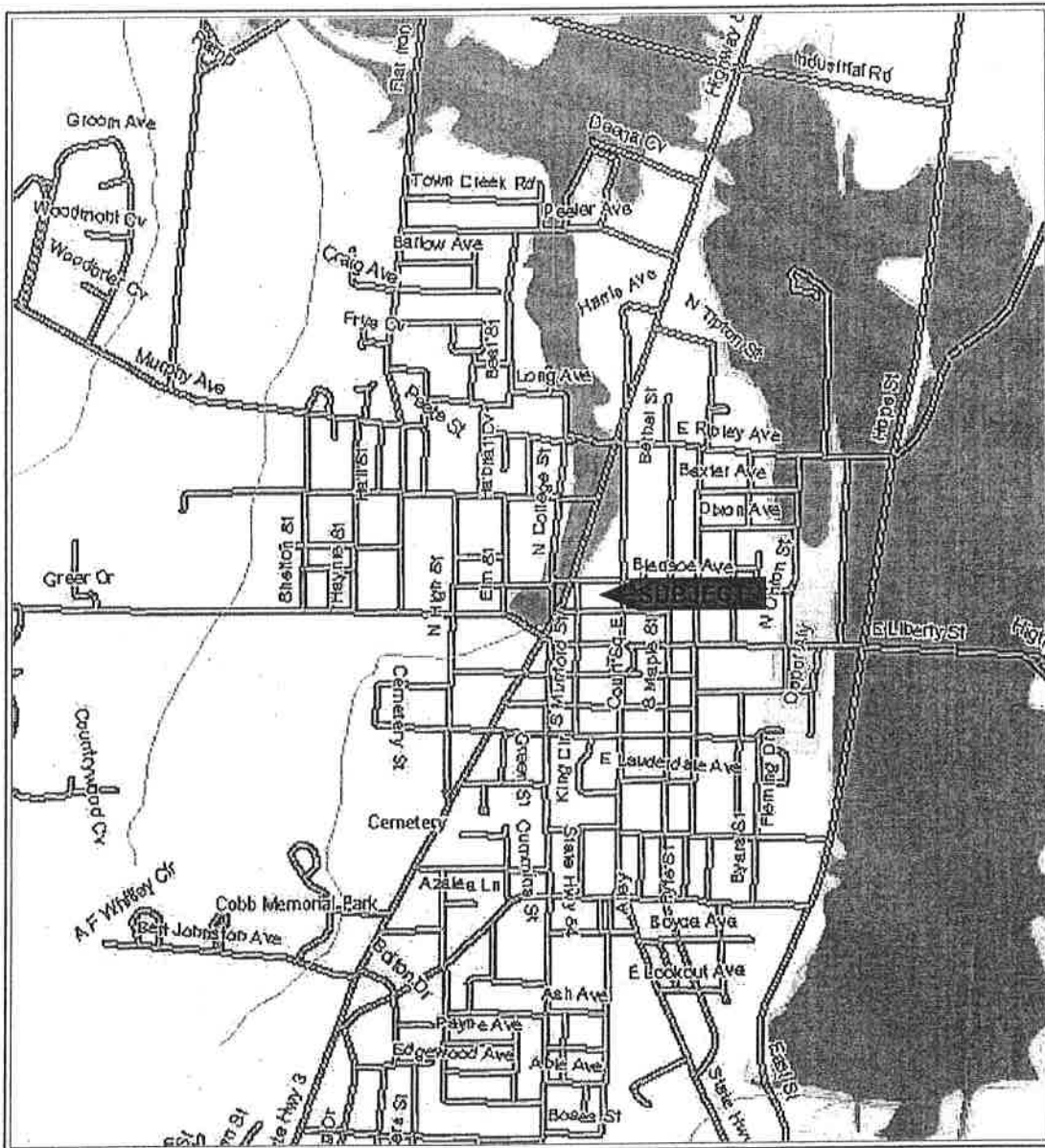
Borrower	Canaan Baptist Church						
Property Address	Valley Avenue						
City	Covington	County	Tipton	State	TN	Zip Code	38019-2354
Lender/Client	Canaan Baptist Church		Address 211 N Main Street, Covington, TN 38019				



AppraiseTennessee Corporation
FLOOD MAP ADDENDUM

File No. 19010016
Case No.

Borrower Canaan Baptist Church
Property Address Valley Avenue
City Covington County Tipton State TN Zip Code 38019-2354
Lender/Client Canaan Baptist Church Address 211 N Main Street, Covington, TN 38019



Flood Map Legends

Flood Zones

- Areas Inundated by 500-year flooding
- Areas outside of the 100 and 500 year flood plains
- Areas inundated by 100-year flooding
- Areas inundated by 100-year flooding with velocity hazard
- Floodway areas
- Floodway areas with velocity hazard
- Areas of undetermined but possible flood hazard
- Areas not mapped on any published FIRM

Flood Zone Determination

SFHA (Flood Zone): ☐ Out
Within 250 ft. of multiple flood zones? ☒ Yes
Community: 470189
Community Name: COVINGTON, CITY OF
Zone: X Panel: 470189 0160F Panel Date: 12/19/2006
FIPS Code: 47167 Census Tract: 47167040700

This Report is for the sole benefit of the Customer that ordered and paid for the Report and is based on the property information provided by that Customer. That Customer's use of this Report is subject to the terms agreed to by that Customer when accessing this product. THE SELLER OF THIS REPORT MAKES NO REPRESENTATIONS OR WARRANTIES TO ANY PARTY CONCERNING THE CONTENT, ACCURACY, OR COMPLETENESS OF THIS REPORT INCLUDING ANY WARRANTY OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. The seller of this Report shall not have any liability to any third party for any use or misuse of this Report.

GeneralStar™

General Star National Insurance Company
P.O. Box 10360 (Attn: GSN)
Stamford, Connecticut 06904

REAL ESTATE APPRAISERS ERRORS & OMISSIONS INSURANCE POLICY**DECLARATIONS PAGE**

This is a claims made and reported policy. Please read this policy and all endorsements and attachments carefully.

Policy Number: NJA349572

Renewal of Number:

1. **NAMED INSURED:** Scott C. Taylor Sr.
STREET ADDRESS: 335 Joyce Ave, Atoka, TN 38004
2. **POLICY PERIOD:** Inception Date: 03/06/2018 Expiration Date: 03/06/2019
Effective 12:01 a.m. Standard Time at the address of the Named Insured.
3. **LIMITS OF LIABILITY:**
Each Claim: \$1,000,000
Aggregate: \$1,000,000
Claim Expenses have a separate Limit of Liability:
Each Claim: \$1,000,000
Aggregate: \$1,000,000
4. **DEDUCTIBLE:** Each Claim: \$0 Aggregate: \$0
5. **RETROACTIVE DATE:** 03/06/2014
If a date is indicated, this policy will not provide coverage for any Claim arising out of any act, error, omission or personal injury which occurred before such date.
6. **ANNUAL PREMIUM:** \$538
7. **ENDORSEMENTS:**
This policy is made and accepted subject to the printed policy form together with the following form(s) or endorsement(s).

AP 10 0001 06 11, SGN 90 0001 07 10, AP 00 0001 06 11, AP 04 0001 06 11, AP 04 0003 07 14, AP 04 0004 07 14, AP 20 0001 06 11, AP 21 0002 06 11, AP 27 0004 06 11, AP 01 0037TN 06 11, AP 08 0043TN 06 11,
8. **PRODUCER NAME:** Norman-Spencer Agency, Inc.
STREET ADDRESS: 8075 Washington Village Drive Dayton, OH 45458



Authorized Representative

Producer Code: 26480
Date: 03/07/2018

Class Code: 73128

Appraiser License Certificate

File No. 19010016
Case No.

State of Tennessee		10987153
TENNESSEE REAL ESTATE APPRAISER COMMISSION		
CERTIFIED GENERAL REAL ESTATE APPRAISER		
SCOTT C TAYLOR		
<i>This is to certify that all requirements of the State of Tennessee have been met.</i>		
ID NUMBER: 722		
LIC STATUS: ACTIVE		
EXPIRATION DATE: April 30, 2020		
		IN-1313
		DEPARTMENT OF
		COMMERCE AND INSURANCE

MEMORANDUM

TO: City of Covington Finance & Administration Committee Members
FROM: Rachel Witherington, City Attorney
DATE: January 14, 2019
SUBJECT: Requiring Beer Permit Applicants to be certified Responsible Vendors through the Alcoholic Beverage Commission

Question: Can the City of Covington pass an amendment to its beer ordinance requiring any applicant for a beer permit, whether it is an initial permit or a renewal of an existing permit, to be certified as a Responsible Vendor pursuant to the Tennessee Responsible Vendor Act?

Short Answer: No in some cases, and not advisable in others.

History & Analysis:

History: Since the majority of the Board members have been recently sworn in and may be unfamiliar with this subject I will include a brief explanation of the Board's power when it comes to regulating the sale of beer and the Responsible Vendor Program. Generally, municipalities have broad authority to regulate the sale of beer within the city limits so long as those regulations don't conflict with state laws. Municipalities may prohibit the sale of beer all together in the city limits, or restrict the sale of beer to specific areas of the city, establish minimum distances from residences, schools, churches and other public gathering places, set certain hours during which beer can be sold, and other regulations or restrictions that protect the "public health, morals and safety." The City's ordinance governing the sale of beer sets forth restrictions on times, distance from schools and churches, and sets the maximum penalties for violations of the ordinance, among other things.

There are, of course, certain restrictions placed on the power of municipalities to regulate such activities by state law. For example, the

Responsible Vendor Act, which narrowed the City's regulatory authority when it comes to the sale of beer. The Responsible Vendor Program (RVP) requires participating vendors to comply with specific employee training, universal customer identification for the sale of beer, and mandatory posting of signage on their premises. In exchange for complying with the program's requirements, "Responsible vendors" are subject to reduced penalties for the illegal sale of beer to minors. If a vendor sells beer to a minor and is *not* a certified responsible vendor then they are subject to (1) suspension of their beer permit; (2) revocation of their beer permit; or (3) a civil penalty in lieu of suspension or revocation not to exceed \$2,500 per offense of selling beer to a minor or \$1,000 for any other offense. On the other hand, if they *are* a certified responsible vendor they are only subject to a maximum penalty of \$1,000, regardless of the offense, **and** their permit cannot be suspended or revoked unless there are two violations for selling beer to minors within any 12-month period. That is a significant discrepancy that should incentivize vendors to get their certification as a responsible vendor.

Analysis: The answer as to whether or not the City can *require* all beer permit holders to be certified responsible vendors is definitively "no." Tennessee Code Annotated § 57-5-106 says, among other things, *"The ordinance power granted to a municipality by this section does not permit a municipality to impose training or certification restrictions or requirements on employees of a permittee if those employees possess a server permit issued by the alcoholic beverage commission."*

Server permits are required by any retail food establishment that serves or sells alcohol *other than beer* for on premises consumption, and are granted by the Tennessee Alcoholic Beverage Commission (ABC). I confirmed with the ABC that the training for "server permits" and "responsible vendor certification" covers the same material regarding underage consumption of alcohol. Regardless, the City cannot require any beer permit holder whose employees

have server permits to be Responsible Vendors. Furthermore, all retail package stores, grocery stores and any other food retailer that sell beer and wine are required by state law to be certified responsible vendors in order to obtain and keep their license.

Therefore, the only class of permits the City could possibly require to have responsible vendor certification is Off-Premises vendors that do not also sell wine or liquor – convenience stores, gas stations and the like. While this class of permit holders is fairly easily identifiable, passing a new requirement that only applies to a certain class of permit holders may pose legal liability to the City. While the City has powerful authority to regulate the sale of beer or even prohibit the sale of beer all together in the city limits, anytime the imposition of a rule would only apply to a select class of permit holders and not others unequal application of the law is a likely result.

There are, however, other regulations the City could put into place to further incentivize beer permit holders in the City to become certified responsible vendors. For example:


1. The Board could lower the maximum fine for offenses of responsible vendors from \$1,000;
2. The Board could pass written policies and procedures for the beer board to suspend or revoke permits of vendors that are caught selling beer to a minor twice in 18 or 24 months;
3. If the Board chooses to pass policies and procedures it could determine that any vendor caught selling beer to a minor that is not a certified responsible vendor will be fined the maximum amount of \$2,500 or face a 6 month suspension of their permit.

In addition to those possible modifications of our ordinance to further incentivize vendors to be a part of the responsible vendor program, the following paragraph needs to be added to the current beer ordinance. State law requires that the beer board report the name of a clerk of any certified responsible vendor who sold beer to a minor within fifteen (15) days of that determination.

Loss of clerk's certification for sale to minor. If the beer board determines that a clerk of an off-premises beer permit holder

certified under Tennessee Code Annotated, §57-5-606, sold beer to a minor, the beer board shall report the name of the Clerk to an alcoholic beverage commission within fifteen (15) days of determination of the sale. The certification of the clerk shall be invalid, and the clerk may not reapply for a new certificate for a period of one (1) year from the date of the beer board's determination. 57-5-607

Obviously, the regulation and sale of beer and other intoxicating liquors in the State of Tennessee is complex. Different agencies have regulatory authority based on what you sell, and there are different requirements within each regulatory agency. The bottom line that this board needs to remember is any business that has the privilege of selling beer in the city limits of Covington does so because you have given them that privilege. You have the authority to revoke that privilege if they cannot do so responsibly.



Rachel K. Witherington

HOME PROGRAM POLICIES AND PROCEDURES FOR

City of Covington

1. PURPOSE

This program will make available financial and/or technical assistance for the rehabilitation and reconstruction of eligible, substandard, owner occupied housing units located in the community. Rehabilitation work will correct deficiencies in the eligible homes and make them safe, sound, and sanitary.

2. AUTHORITY

The legal authority of this program comes from the working agreement with Tennessee Housing Development Agency, Public Law 101-625 (National Affordable Housing Act of 1990), as well as State and local laws.

3. PROGRAM RESOURCES

The source of funds for the undertaking of these activities is a grant in the amount of \$ 500,000.00 which has been awarded by Tennessee Housing Development Agency (THDA) through the U.S. Department of Housing and Urban Development Home Investment Program.

4. APPLICABLE LAWS

A. The local governing bodies, contractors, subcontractors, vendors and applicants for rehabilitation assistance are required to abide by a number of State and Federal laws, and may be required to sign documents certifying their compliance.

1. Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128 and 24 CFR 92.358).
2. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA)(42 U.S.C. 4201-4655), 49 CFR Part 24, and 24 CFR 92.353)
3. Debarment and Suspension provisions as required by 24 CFR Part 24 and 24 CFR 92.357.
4. National Environment Policy Act of 1969 (NEPA), 24 CFR Parts 50 and 58, and 24 CFR 92.352.
5. Equal Opportunity Provisions and Fair Housing, 24 CFR 92.350.
6. Affirmative Marketing, 24 CFR 92.351.

7. Lead-based Paint Poisoning Prevention Act, 24 CFR 92.355.
8. Conflict of Interest Provisions, 24 CFR 85.36 or 24 CFR 84.42, as applicable, and 24 CFR 92.356.
9. Davis-Bacon Act and Contract Work Hours and Safety Standards Act, and 24 CFR 92.354.
10. Intergovernmental Review of Federal Programs, Executive Order 12372 and 24 CFR 92.359.
11. Drug-Free Workplace, 24 CFR part 24, subpart F.
12. Standard Equal Opportunity Construction Contract Specifications.
13. Certification of Non-segregated Facilities for Contracts over \$10,000.
14. Title VI of Civil Rights Act of 1964 Provisions.
15. Section 109 of Housing and Community Development Act of 1974 Provisions.
16. Section 3 Compliance Provisions.
17. Age Discrimination Act of 1975 Provisions.
18. Section 504 Affirmative Action for Handicapped Provisions.
19. And any other Federal requirements as set forth in 24 CFR Part 92, HOME Investment Partnerships Program

5. DRUG-FREE WORKPLACE

- A.** The City of Covington (HOME Grantee) will or will continue to provide a drug-free workplace by
1. Notifying employees in writing that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the Grantee's workplace and specifying the action that will be taken against employees for violation of such prohibition.
 2. Establishing an ongoing drug-free awareness program to inform employees about:
 - a. The dangers of drug abuse in the workplace;
 - b. The Grantee's policy of maintaining a drug-free workplace;
 - c. Any drug counseling, rehabilitation, and employee assistance programs; and
 - d. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
- B.** Providing each employee engaged in the performance of the HOME contract a copy of the notification required in paragraph A(1) above;

- C. The written notification required in paragraph A (1) above will advise the employee that, as a condition of employment under the HOME grant, the employee will:
1. Abide by the terms of the notification; and
 2. Notify the employers in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five (5) calendar days after such conviction.
- D. Notifying the State in writing, within ten (10) calendar days after receiving notice under D(2) above from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal Agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.
1. Taking one of the following actions, within thirty (30) calendar days of receiving notice under D(2) above, with respect to any employee who is so convicted:
 2. Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirement of the Rehabilitation Act of 1973, as amended; or
 3. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
 4. Making a good faith effort to continue to maintain a drug-free workplace through implementation of Paragraphs A, B, C, D, E and F above.

6. CONFLICT OF INTEREST

- A. No person listed in paragraph B may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.
- B. **PERSONS COVERED** – Immediate family members of any local elected official or of any employee or board member of a non-profit agency are ineligible to receive benefits through the HOME program. “Immediate family member” means the spouse, parent (including a stepparent), child (including a stepchild), grandparent, grandchild, sister or brother (including a stepsister or stepbrother) of any covered individual.

In addition, the conflict of interest provisions as apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, the local community or the non-profit agency (including CHDOs) receiving HOME funds, and who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities.

- C. **APPEARANCE OF A CONFLICT OF INTEREST** - Grantees must also make every effort to avoid the appearance of favoritism in the eligibility determination process. In those cases where the applicant is otherwise eligible, but there exists the appearance of a conflict of interest or the

Appearance of favoritism, the Grantee must complete *HO-4A (Determination of a Conflict of Interest)* and submit written documentation to THDA that the following procedures have been observed:

1. The Grantee must publish an announcement in the local newspaper concerning the potential for a conflict of interest and request citizen comments.
2. The Grantee's attorney must render an opinion as to whether or not a conflict of interest exists and that no state or local laws will be violated should the applicant receive HOME assistance.
3. The Grantee's elected body must pass a resolution approving the applicant.

7 APPLICANT ELIGIBILITY

A. APPLICANT ELIGIBILITY CRITERIA: The following criteria must be satisfied by all applicants in order to become eligible for a rehabilitation grant:

1. The applicant must be low or very low income as defined by Section 8 income requirements, i.e., below 80% of area median income.
2. The applicant must have been the resident of the property to be rehabilitated for a period of not less than one year and must occupy the property as his or her principle residence.
3. The applicant's ownership must be in the form of:
 - a. fee simple title; or
 - b. a 99-year leasehold; or
 - c. A life estate. The person with the life estate must have the right to live in the housing for the remainder of his or her life and not pay rent, must be low income, and must occupy the housing as his or her principal residence; or
 - d. Inherited property with multiple owners not all residing in the housing. The owner-occupant must be low income, must occupy the house as his or her principal residence, and must pay all the costs associated with ownership and maintenance of the housing.
4. The title must not have any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest.
5. The applicant must voluntarily apply for assistance.
6. The applicant must obtain homeowners insurance.
7. Properties with a previous HOME Deed of Trust still under the compliance period will not be eligible.

INCOME ELIGIBILITY

A. ANNUAL INCOME (GROSS INCOME) - The State's HOME program uses the income definitions of the Section 8 program to determine the annual income (gross income) used to classify a *household* for purposes of eligibility. Annual income means all amounts, monetary or not, which:

1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member;
 2. Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date. In other words, it is the household's *future or expected* ability to pay rather than its past earnings that is used to determine program eligibility. If it is not feasible to anticipate a level of income over a 12-month period, the income anticipated for a shorter period may be annualized, subject to a redetermination at the end of the shorter period; and
 3. Which are not specifically excluded in paragraph 6.8 (Income Exclusions) below.
 4. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.
 5. **MONTHLY GROSS INCOME** - Monthly gross income is Annual Gross Income divided by 12 months.
- B. ASSETS** - In general terms, an asset is a cash or non-cash item that can be converted to cash. There is no asset limitation for participation in the HOME program. Income from assets is, however, recognized as part of Annual Gross Income. Assets have both a market value and a cash value.
1. **MARKET VALUE** - The market value of an asset is simply its dollar value on the open market. For example, a stock's market value is the price quoted on a stock exchange on a particular day, and a property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.
 2. **CASH VALUE** - The cash value of an asset is the market value less reasonable expenses required to convert the asset to cash, including:
 - a. Penalties or fees for converting financial holdings. Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds, or broker fees for converting stocks to cash); and/or
 - b. Costs for selling real property. Settlement costs, real estate transaction fees, payment of mortgages/liens against the property, and any legal fees associated with the sale of real property are deducted from the market value to determine equity in the real estate.
 - c. Under Section 8 rules, only the cash value (rather than market value) of an item is counted as an asset.
 3. **INCOME FROM ASSETS** - The income counted is the actual income generated by the asset (e.g., interest on a savings or checking account.) The income is counted even if the household elects not to receive it. For example, although a household may elect to reinvest the interest or dividends from an asset, the interest or dividends is still counted as income
 - a. The income from assets included in Annual Gross Income is the income that is anticipated to be received during the coming 12 months.

- To obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account; or If the value of the account is not anticipated to change in the near future and interest rates have been stable, a copy of the IRS 1099 form showing past interest earned can be used.
- Checking account balances (as well as savings account balances) are considered an asset. This is a recognition that some households keep assets in their checking accounts, and is not intended to count monthly income as an asset. Grantees should use the average monthly balance over a 6-month period as the cash value of the checking account.

b. When an Asset Produces Little or No Income:

- If the family's assets are \$5,000 or less, actual income from assets (e.g., interest on a checking account) is not counted as annual income. For example, if a family has \$600 in a non-interest bearing checking account, no actual income would be counted because the family has no actual income from assets and the total amount of all assets is less than \$5,000.

c. If the family's assets are greater than \$5,000, income from assets is computed as the greater of:

- actual income from assets, or'
- calculate income from assets based on a passbook rate applied to the cash value of all assets. For example, if a family has \$3,000 in a non-interest bearing checking account and \$5,500 in an interest-bearing savings account, the two amounts are added together. Use the standard passbook rate to determine the annual income from assets for this family.

d. Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an "arm's length" transaction) have, in essence, voluntarily reduced their ability to afford housing. Section 8 rules require, therefore, that any asset disposed of for less than fair market value during the 2 years preceding the income determination be counted as if the household still owned the asset.

e. The value to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset (less any fees associated with disposal of property, such as a brokerage fee).

f. Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce or separation is not included in this calculation.

g. These procedures are followed to eliminate the need for an assets limitation and to penalize people who give away assets for the purpose of receiving assistance or paying a lower rent.

4. ASSETS INCLUDE:

- a. Amounts in savings accounts and six month average balance for checking accounts.

- b. Stocks, bonds, savings certificates, money market funds and other investment accounts.
- c. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset. *DO NOT INCLUDE EQUITY OF PRINCIPAL RESIDENCE AS AN ASSET FOR HOMEOWNER REHABILITATION PROGRAMS.*
- d. The cash value of trusts that are available to the household.
- e. IRA, Keogh, and similar retirement savings accounts, even though withdrawal would result in penalty.
- f. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
- g. Assets which, although owned by more than one person, allow unrestricted access by the applicant.
- h. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
- i. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
- j. Cash value of life insurance policies.
- k. Assets disposed of for less than fair market value during two years preceding certification or recertification.

- ASSETS DO NOT INCLUDE:

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- Necessary personal property, except as noted under paragraph 6.5(9) (Assets Include) above

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- Interest in Indian Trust lands

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- Assets that are part of an active business or farming operation.

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- NOTE: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant/tenant's main occupation.

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- Assets not accessible to the family and which provide no income to the family.

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- Vehicles especially equipped for the handicapped.

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Equity in owner-occupied cooperatives and manufactured homes in which the family lives.

B. INCOME INCLUSIONS - The following are used to determine the annual income (gross income) of an applicant's household for purposes of eligibility:

1. The full amount, before any payroll deductions, of wages and salaries, over-time pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. The net income for operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Family. Where the family has net family assets in excess of \$5,000, Annual Income shall include the greater of the actual income derived from net family assets or a percentage of the value of such Assets based on the current passbook saving rate, as determined by HUD.
4. The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except Supplemental Security Income (SSI) or Social Security).
5. Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay (but see paragraph (3) under Income Exclusions).
6. Welfare Assistance. If the Welfare Assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
 - a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - b. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
8. All regular pay, special pay and allowances of a member of the Armed Forces. (See paragraph (8) under Income Exclusions).

C. INCOME EXCLUSIONS - The following are excluded from a household's income for purposes of determining eligibility:

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family), who are unable to live alone;
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except for payments in lieu of earnings – see paragraph (5) of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
5. Income of a live-in aide;
6. Certain increases in income of a disabled member of the family residing in HOME assisted housing or receiving HOME tenant-based rental assistance (see 6.12 (7) under Determining Whose Income to Count).
7. The full amount of student financial assistance paid directly to the student or to the educational institution;
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
9. Temporary, nonrecurring or sporadic income (including gifts);
10. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
11. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);
12. Adoption assistance payments in excess of \$480 per adopted child;
13. For public housing only, the earnings and benefits to any family member resulting from participation in a program providing employment training and supportive accordance with the Family Support Act of 1988, Section 22 of the 1937 Act, or any comparable federal, state or local law during the exclusion period.
14. Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Amounts received by the family in the form of refunds or rebates under state or local law from property taxes paid on the dwelling unit.

16. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions apply.
 - a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
 - b. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through VISTA; Retired Senior Volunteer Program, Foster Grandparents Program, youthful offenders incarceration alternatives, senior companions);
 - c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(a));
 - d. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
 - e. Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
 - f. Payments received under programs funded in whole or in part under the Job Training Partnership Act;
 - g. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
 - h. The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117)
 - i. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
 - j. Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(f)).
 - k. Any earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
 - l. Payments received after January 1, 1989 from the Agent Orange Settlement Fund or any other funds established pursuant to the settlement in the In Re Agent Orange product liability litigation MDL No. 381 (E.D.N.Y.)
 - m. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q)
 - n. Payments received under the Maine Indian Claims Settlement Act of 1980.

D. INCOME EXCLUSIONS - The following are excluded from a household's income for purposes

of determining eligibility:

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family), who are unable to live alone;
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except for payments in lieu of earnings – see paragraph (5) of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
5. For homeowner rehabilitation projects, the date assistance is provided is the date of the rehabilitation contract.
6. For homeownership programs, the income eligibility of the families is timed as follows:
7. In the case of a contract to purchase existing housing, it is the date of the purchase;
8. In the case of a lease-purchase agreement for existing housing or for housing to be constructed, it is the date the lease-purchase agreement is signed; and
9. In the case of a contract to purchase housing to be constructed, it is the date the contract is signed.

E. INCOME VERIFICATION - Grantees must verify and retain documentation of two (2) months of income information for each person in the household to determine the household's income. Under the Section 8 Program, there are three forms of verification which are acceptable: third-party, review of documents, and applicant certification.

1. **THIRD-PARTY VERIFICATION** - Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person and date of the call.
 - a. To conduct third-party verifications, a Grantee must obtain a written release from the household that authorizes the third party to release required information.
 - b. Third-party verifications are helpful because they provide independent verification of information and permit Grantees to determine if any changes to current circumstances are anticipated. Some third-party providers may, however, be unwilling or unable to provide the needed information in a timely manner.
2. **REVIEW OF DOCUMENTS** - Documents provided by the applicant (such as pay stubs, IRS returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third-party verifications. Copies of documents should be retained in project files.

Grantees should be aware that although easier to obtain than third-party verifications, a review of documents often does not provide needed information. For instance, a pay stub may not provide sufficient information about average number of hours worked, overtime,

tips and bonuses.

3. APPLICANT CERTIFICATION - When no other form of verification is possible, a certification by the applicant may be used. For example, it may be necessary to use an applicant certification for an applicant whose income comes from "odd jobs" paid for in cash.

Applicant certification is the least reliable form of verification and may be subject to abuse. In some cases, the applicant certification can be supplemented by looking at the applicant's past history. The Grantee can review the previous year's income tax return to determine if the current year's income is consistent with activity for the previous year.

F. CALCULATION METHODOLOGIES - Grantees must establish methodologies that treat all households consistently and avoid confusion.

1. It is important to understand the basis on which applicants are paid (hourly, weekly or monthly, and with or without overtime). An applicant who is paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year).
2. It is important to clarify whether overtime is sporadic or a predictable component of an applicant's income.
3. Annual salaries are counted as Annual Income regardless of the payment method. For instance a teacher receives an annual salary whether paid on a 9- or 12-month period.

G. DETERMINING WHOSE INCOME TO COUNT - Knowing whose income to count is as important as knowing which income to count. Under the Section 8 definition of income, the following income *is not counted*:

1. INCOME OF LIVE-IN AIDES - If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of its source, is not counted. (Except under unusual circumstances, a related person can never be considered a live-in aide);
2. INCOME ATTRIBUTABLE TO THE CARE OF FOSTER CHILDREN - Foster children are not counted as family members when determining family size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included; and
3. EARNED INCOME OF MINORS - Earned income of minors (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor) is counted.
4. TEMPORARILY ABSENT FAMILY MEMBERS - The income of temporarily absent family members is counted in Annual Income - regardless of the amount the absent family member contributes to the household. For example, a construction worker earns
5. \$600/week at a temporary job on the other side of the state. He keeps \$200/week for expenses and sends \$400/week home to his family. The entire \$600/week is counted in the family's income;
6. ADULT STUDENTS LIVING AWAY FROM HOME - If the adult student is counted as a member of the household in determining the Income Limit used for eligibility of the family, the student's income must be counted in the family's income. Note, however, that

the \$480 limit does not apply to a student who is head of household or spouse (their full income must be counted); and

7. PERMANENTLY ABSENT FAMILY MEMBER - If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.
8. PERSONS WITH DISABILITIES - During the annual recertification of a family's income, increases in the income of a disabled member of qualified families residing in HOME assisted housing or receiving HOME tenant-based rental assistance is excluded. 24 CFR 5.61(a) outlines the eligible increases in income. These exclusions from annual income are of limited duration. The full amount of increase to an eligible family's annual income is excluded for the cumulative 12-month period beginning on the date the disabled family member is first employed or the family first experiences an increase in annual income attributable to the employment. During the second cumulative 12-month period, 50 percent of the increase in income is excluded. The disallowance of increased income of an individual family member who is a person with disabilities is limited to a lifetime 48-month period.

9 ELIGIBILITY REQUIREMENTS OF PROPERTY TO BE REHABILITATED

- A. **DEFINITIONS** - The following are definitions of the various terms used with respect to eligibility requirements of the property to be rehabilitated.
 1. DWELLING UNIT - A single unit providing complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation.
 2. SINGLE FAMILY - A housing unit consisting of living, sleeping, bathing, and food preparation designed for single-family use, although more than one family may be residing therein, if every occupant has access to all areas within the building envelope.
 3. SUBSTANDARD - A housing unit failing to meet all applicable codes, rehabilitation standards ordinances, and zoning ordinances as set forth by the Community, UPCS as defined by HUD, or as defined by the HOME application.
- B. **ELIGIBILITY CRITERIA**
 1. The minimum HOME expenditure per unit must exceed \$1,000.
 2. The dwelling must be located within the designated area as outlined in the application.
 3. The dwelling unit must be classified as substandard, based on a written, detailed inspection report by the THDA approved Rehab Coordinator.
 4. The dwelling unit must not lie within a 100-year floodplain.

10. RATING SYSTEM FOR RANKING OF APPLICANTS

- A. The awarding of rehabilitation and reconstruction grants to eligible applicants will be based on a priority list, according to which households are in greatest need for housing assistance. Houses will be rehabilitated or reconstructed in descending order, the household with the most need first, the next household second, and so on until the funds are expended.
- B. The rating system is based on points. The most deprived households will have the highest number of points. Information for determination of points is taken from the application (HO-3) submitted by the homeowner. Each application shall be rated according to:

1. INCOME/FAMILY SIZE

FAMILY SIZE	80% INCOME LIMIT ¹
1	\$35,950
2	\$41,100
3	\$46,250
4	\$51,350
5	\$55,500
6	\$59,600
7	\$63,700
8	\$67,800

If the income based on family size is less than the stated figure, the household will receive extra points.

If 80% to 99% less	Add 70 points
If 60% to 79% less	Add 60 points
If 40% to 59%	Add 50 Points
If 39% or less	Add 20 Points

¹ Annual Income Limit Figures available from HUD/THDA

2. NUMBER IN HOUSEHOLD

1 Person Household	5 Points
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2 Person Household	10 Points
3 Person Household	20 Points
4 Person Household	25 Points
5 Person Household	30 Points
6 Person Household	35 Points
7 Person Household	40 Points
8 Person Household	45 Points

3. NUMBER OF ELDERLY 10 Points per person

For each household member at least 62 years old at the time of application

4. NUMBER OF HANDICAPPED/DISABLED 10 Points per person

Household member receiving disability benefits from Social Security, a pension program, life insurance program, or a total or partial physical impairment which renders the person unable to work. Where there exists reasonable question, a doctor's certification will be used.

5. HEAD OF HOUSEHOLD 10 Points

This is a single head of household (male or female) with children under 18, or a dependent with severe developmental disabilities or severe dementia. This does not apply to a widow/widower living alone.

6. NUMBER OF PERSONS 18 OR YOUNGER 10 Points per person

7. CONDITION OF THE DWELLING STRUCTURE

Standard Dwelling	No Points
Substandard Dwelling	15 to 29 Points
Dilapidated Structure	30 to 40 Points
Structures beyond repair	41 to 50 Points

In the event of a tie, the Income/ Family Size Rating Factor may be the tie breaker

11. TERMS, CONDITIONS AND CONSIDERATIONS FOR GRANTS

A. DETERMINATION OF THE AMOUNT OF THE GRANT - The amount of a rehabilitation or reconstruction grant that an applicant may receive will not exceed:

1. The actual and approved cost of the repairs and improvements necessary to make the dwelling conform to the housing standards adopted by the Grantee and THDA.
2. The amount and structure of the grant must be consistent with the application submitted to THDA.
3. When the applicant is furnishing supplementary funds from other sources, evidence that

actual funds are available will consist of verification and documentation by the Grantee that the applicant has deposited the required amount in the appropriate escrow account. Such deposit must be made before funds are committed and any construction work can begin.

B. STRUCTURE OF FINANCIAL ASSISTANCE - HOME funds are used to make forgivable grants to property owners to cover the full cost of the needed rehabilitation or reconstruction work.

1. To prevent homeowners from simply selling the property and profiting from the HOME funded improvements, the owners must repay the program if they sell the property within the compliance period. Part of the owner's obligation is forgiven each year they live in the rehabilitated unit.
2. Repayment of the REHABILITATION grant over a five year affordability period shall be based on a twenty percent (20%) reduction of the amount to be repaid per full year with amounts of less than one year being prorated by days used, according to the following schedule:

Year One	100% Repayment
After one year	80% Repayment
After two years	60% Repayment
After three years	40% Repayment
After four years	20% Repayment
During Year five	0% Repayment

3. Repayment of the RECONSTRUCTION grant over a fifteen year affordability period shall be based on a six and 67/100 percent (6.67%) reduction of the amount to be repaid per full year with amounts of less than one year being prorated by days used, according to the following schedule:

Year One	100% Repayment
Year Two	93.3% Repayment
Year Three	83.63% Repayment
Year Four	79.96% Repayment
Year Five	73.29% Repayment
Year Six	66.62% Repayment
Year Seven	59.95% Repayment
Year Eight	53.28% Repayment
Year Nine	46.61% Repayment
Year Ten	39.94% Repayment
Year Eleven	33.27% Repayment
Year Twelve	26.60% Repayment
Year Thirteen	19.93% Repayment
Year Fourteen	13.26% Repayment
After fourteen years	6.59% Repayment

4. The property owner must sign a Grant Note and a Deed of Trust. The Deed of Trust secures the Grant Note by placing a lien against the property and is activated if the owner attempts to sell within the compliance period.
 - a. If ownership of the property is in the form of a life estate, the owners of the property as well as the person with the life estate must sign the Grant Note and the Deed of Trust.
Both parties must also initial and sign the work write-up.
 - b. If the property has been inherited by multiple owners not of whom reside in the property, all of the owners must sign the Grant Note and Deed of Trust.
 - c. Grantees and administrators should consult their agency or community general counsel if there are questions.
 5. In cases of death, THDA does not require repayment as long as the ownership of the property passes to the heirs. The heirs may occupy the unit, rent it or let it sit empty, without triggering the repayment clause. However, if the heirs sell the property, or if the property is sold with monetary gain by any actions of a court to settle outstanding claims or settle the estate, the grant must be repaid to THDA, less any forgivable portion.
- C. **OTHER GRANT CONDITIONS** - Specific terms and conditions are incorporated in the grant application and the contract documents. The applicant agrees to:
1. Allow inspection by the Grantee and/or THDA of the property whenever the Grantee and/or THDA determines that such inspection is necessary.
 2. Furnish complete, truthful and proper information as needed to determine eligibility for receipt of grant money.
 3. Permit the contractor to use, at no cost, reasonable existing utilities such as gas, water and electricity which are necessary to the performance and completion of the work.
 4. Cooperate fully with the Grantee and the contractor to insure that the rehabilitation work will be carried out in a timely manner. Provide a safe, secure, and non-hostile environment.

12. ELIGIBLE REHABILITATION ACTIVITIES

- A. **INTRODUCTION** - A rehabilitation grant may be made only to cover the cost of rehabilitation necessary to make a dwelling unit conform to the UPCS and applicable code adopted by the jurisdiction in which the property is located and consistent with the application submitted to THDA.
1. **REHABILITATION:** The maximum allowable HOME funds per Homeowner Rehabilitation unit are capped by the HOME subsidy limits, which are established by HUD and cannot be exceeded.
 2. All units built prior to 1978 require a lead-based paint (LBP) inspection. If hazards are identified, a risk assessment by a qualified risk assessor is required. If the risk

assessment of a pre-1978 unit discloses no lead, then the cap for rehabilitation costs is capped by the HOME subsidy limit.

3. If the risk assessment for a pre-1978 unit reveals the presence of lead-based paint and the estimated rehabilitation costs are less than \$25,000, interim control/lead safe-work practices will apply and the maximum HOME subsidy for rehabilitation hard costs is limited to \$25,000.
4. If the risk assessment for a pre-1978 unit reveals the presence of lead-based paint and the estimated rehabilitation costs exceed \$25,000, then abatement using a qualified abatement contractor and will be required to provide assistance up to the HOME subsidy limits.
5. Manufactured units are not eligible for HOME-funded rehabilitation.

B. RECONSTRUCTION HOUSING – Prior to authorizing new dwellings under the “Reconstruction” provisions of the HOME program, the Grantee must determine if reconstruction is the more cost effective use of HOME funds. The offer by the Grantee to reconstruct a home is a voluntary offer.

1. When reconstruction is recommended, a completed HO-7, along with required supporting documentation and photographs must be submitted to THDA for review. If THDA concurs with the determination, written permission to proceed will be provided.

C. REPLACEMENT HOME GUIDELINES – The intent of a reconstruction activity is to provide assistance to homeowners who might not otherwise be helped due to the prohibitive cost of rehabilitating their existing home. A replacement home, if deemed the most cost-effective solution to the housing deficiencies, shall be prescribed by the grantee.

1. Rehabilitation spending beyond reasonable limits on an existing home is not authorized if a replacement home is refused by the homeowner.
2. A replacement home does not necessarily have to meet the same requirements as the existing home in terms of square footage, number of bedrooms/ bathrooms or other design/ amenity considerations.
3. The replacement home must provide all permanent residents of the home with safe, decent and sanitary housing within the terms of the 2009 International Residential Code for One- and Two-Family Dwellings, and/or local codes, as applicable.

D. ELIGIBLE COSTS

1. **EXISTING CODE VIOLATIONS** - Costs which can be included in rehabilitation grants are the costs of correcting existing housing code violations which have been determined by a qualified project inspector and formalized in an individualized housing report.
2. **INCIPIENT CODE VIOLATIONS** - An incipient violation exists if at the time of inspection an element in the structure which, due to age, deterioration, wear, or normal usage will deteriorate within the life of the grant period and thus become a code violation. Costs to correct these potential violations are eligible costs.
3. **PERMITS AND FEES** - Rehabilitation funds may be used to cover the cost of building permits and related fees required to carry out the proposed rehabilitation work. However, since the rehabilitation contract documents will require the contractor to pay them, these costs ordinarily would be included in the contract amount. Recording and filing fees are

eligible costs.

4. **EQUIPMENT** - Rehabilitation funds may provide for the repair or purchase and installation of certain basic equipment necessary for the maintenance of the household in a safe, decent, sanitary condition, and in good repair. These include such items as a furnace, water heater, electrical and sanitary fixtures, kitchen range, refrigerator, cabinets and sinks. Purchase and installation is acceptable if there is no such equipment in the dwelling or if the existing equipment is unsafe, unsanitary or non-functional. There is a \$1,000 maximum expenditure (including taxes and delivery) for a kitchen range, and a \$1,000 maximum expenditure (including taxes and delivery) for a refrigerator. These appliances must be Energy-Star rated where available.
5. **HANDICAPPED** - Special alterations or costs related to making the dwelling more convenient or accessible for physically challenged persons are eligible costs. All work performed in these units must comply with all applicable codes as well as all Federal and State regulations.
6. **LEAD-BASED PAINT** - All costs associated with the reduction of lead-based paint hazards must comply with 24 CFR 92.355.
7. **DEMOLITION OF EXISTING STRUCTURES AND UTILITY CONNECTIONS** All costs related to the demolition of existing structures and to provide utility connections are to comply with 24 CFR 92.206(a)(3). Demolition is only eligible if it is a part of a HOME project such as reconstruction or removal of an unsafe addition or out building.
8. **EXTERIOR PAINTING** - Exterior painting is an eligible cost when it is necessary to maintain a weatherproof exterior on the dwelling.
9. **GUTTERS** - Gutters are an eligible cost when rehabilitating the exterior of a unit or when reconstructing a unit.
10. **OTHER COSTS** - Rehabilitation costs not specifically required by the housing rehabilitation standards found necessary to be decent, safe, sanitary, and in good repair for the general welfare of the occupants of the structure may be considered for eligibility, with prior consent of the Grantee's governing body and THDA, as well as any other cost as outlined in 24 CFR 92.206.

E. INELIGIBLE COSTS

1. Renovation of dilapidated out buildings.
2. Appliances not required by code standards.
3. Materials, fixtures, equipment, or landscaping of type or quality that exceeds that customarily used in the locality for properties of the same general type as the property to be rehabilitated.
4. All items outlined in 24 CFR 92.214.

13. HOUSING REHABILITATION SPECIFICATIONS

- A. INTRODUCTION** - This section sets forth the responsibilities of the Grantee for determining the rehabilitation work necessary to bring a dwelling into compliance with the UPCS and

applicable code adopted by the State, county or city and with the objective of the program as proposed in the application submitted to THDA. The Grantee will:

1. Inspect the property and prepare an inspection list noting UPCS and code deficiencies.
2. Conduct lead-based paint testing/risk assessment to identify lead-based paint hazards.
3. Consult with and advise the owner of the work to be done and the availability of a rehabilitation grant.
4. Prepare a work write-up and cost estimate as a basis for the rehabilitation grant and for the bid process in contracting for rehabilitation work and lead-paint hazard reduction activities.

B. PROPERTY REVIEWS – The THDA approved Rehab Coordinator must conduct: (1) an initial review of the property to determine the deficiencies that must be addressed, (2) a progress review to monitor construction progress and (3) a final review to certify that work is completed in accordance with the approved work write up and any applicable change orders. The final inspection must be conducted by not only the Rehab Coordinator but also by a state certified residential building code official. A certificate of compliance by the local codes official or representative of the State Fire Marshal's Office must be submitted to THDA with the Rehab Coordinator's final property review.

C. WORK WRITE-UP AND COST ESTIMATE - The work write-up and cost estimate is a statement based on the initial inspection and lead-based paint testing/risk assessment. It itemizes separately all the rehabilitation work and the lead hazard reduction activities to be done on the dwelling and includes an estimate of the cost of each item. The cost estimate will be reasonable, reflect prevailing labor and material costs, and reflect a reasonable profit & overhead costs for the contractor. The work write-up and estimate must be reviewed and approved by THDA before presenting it to the homeowner/ applicant.

1. DUAL-USE OF WORK WRITE-UP & COST ESTIMATE (HO-6B) - The work write-up will be detailed and specific in style. Each item will be identified as correcting a UPCS and code violation, meeting a code requirement, reducing lead-based paint hazards, or as an eligible cost under the grant. This same work write-up without the cost estimate will serve as part of the scope of work and specifications for the construction contract documents.
2. ITEMIZING COSTS - Each item, definable feature of work and its estimated cost will be identified in the work write-up as either correcting a UPCS and code violation, meeting a code requirement, reducing lead-based paint hazards, or eligible under the grant. This will be done on the work write-up by entering the cost estimates in a columnar arrangement.
3. OWNER PREFERENCE - A work write-up need not contain details that have no significant effect on cost. The term "to be selected by owner" may be used appropriately.

D. CONSULTATION WITH HOMEOWNER/APPLICANT - The Grantee will consult with the prospective applicant on the work write-up and cost estimate. The Grantee will advise the applicant that only work that is directed toward correcting a UPCS and code violation, meeting a code requirement, or that is an eligible activity can be funded by the grant. The homeowner must understand that "cosmetic improvements" are not eligible for funding. The final work write-up (without costs) will be used by contractors for determining their bids and incorporated into the rehabilitation contract documents which the homeowner and contractor will sign. The homeowner should initial each page and sign the last page of the write-up.

- E. CLEARLY WRITTEN SPECIFICATIONS** - The work write-up will be written so that it provides a clear detailed understanding of the nature and scope of the work to be done and a basis for carefully determined bids and proposals from contractors. The homeowner shall have a clear understanding of the nature and scope of the work to be done and any limitations that may exist.
1. Each specification will show the nature and location of the work and the quantity and type of material required. The specifications are to comply with THDA's Minimum Design Standards for New Construction, Reconstruction & Rehabilitation of Single Family & Multifamily Housing Units.
 2. The specifications will refer to manufacturer's brand names or association standards to identify quality of material and equipment, and may make provision for acceptable substitutes of equal or greater value or quality and brand name requirements may be included in the "General Conditions and Specifications" and indicated by reference in the work write-up.

14. CONTRACTING FOR REHABILITATION WORK

- A. INTRODUCTION** - This section sets forth requirements and procedures with respect to the construction contracts for housing rehabilitation financed through a rehabilitation grant. Rehabilitation work will be undertaken only through a written contract between the contractor and the property owner receiving the grant.
1. FORM OF CONTRACT - The construction contract will consist of a single document signed by the contractor and the property owner, following approval of the grant application. It will contain a bid, the Grantee's General Conditions and Specifications by reference, the work write-up which specifies the work to be done, and the existing UPCS and code violations.
 2. USE OF ALTERNATES - The document prepared by the Grantee may contain alternates by which each bidder may increase or decrease the lump sum contract price, if the alternates are later accepted as part of the work to be performed.
 3. PROCUREMENT OF BIDS - The Grantee will advertise openly and publicly for bids and encourage minority and female owned firms to bid on its projects.
- B. GENERAL CONDITIONS** - The bid package will contain the following:
1. The address, time and date by which the bid should be submitted by the contractor.
 2. A provision that the bid be accepted by the homeowner within a specified length of time.
 3. A provision that the contractor start work within a specified length of time.
 4. A statement concerning the acceptability of progress payments.
 5. A provision that final payment on the contract amount will be made only after final inspection, acceptance of all work by the Grantee and the homeowner, and after the Grantee receives the contractor's final invoice release of liens and warranty, and claims for liens by subcontractors, laborers and material suppliers for completed work or supplied materials.

6. Provisions that the contractor will be required to:
 - a. Obtain and pay for all permits and licenses necessary for the completion and execution of the work and labor to be performed.
 - b. Perform all work in conformance with UPCS, and applicable codes, as well as lead-based paint regulations and requirements, whether or not covered by specification and drawings for the work.
 - c. Keep the premises clean and orderly during the course of the work and remove all debris at the completion of the work. Materials and equipment that have been removed and replaced as part of the work shall belong to the contractor, unless specifically stated otherwise within the work write-up.
 - d. Not assign the contract without written consent of the Grantee and homeowner.
 - e. Guarantee the work performed for a period of one year from the date of final acceptance of all work required by the contract. Furthermore, furnish the homeowner, in care of the Grantee, with all operations and maintenance manuals, manufacturers and suppliers written guarantees and warranties covering materials and equipment furnished under the contract.
 - f. Include a statement as to whether the premises are to be either occupied or vacant during the course of construction work.
 - g. A provision that the contractor may reasonably use existing utilities without payment during the course of the work.
 - h.

C. INSURANCE

All bidders must be a licensed General Contractor with a monetary limit deemed acceptable by the Grantee.

1. The contractor shall carry or require that there be carried Workman's Compensation Insurance for all his employees and those of his subcontractors engaged in work at the site in accordance with Tennessee State Workman's Compensation Laws.
2. The contractor shall carry or require that there be carried Manufacturer's and Contractor's Public Liability Insurance. This insurance will be in an amount not less than \$100,000 for injuries including accidental death to any one person for one accident, and to protect the contractor and subcontractors against claims for injury or death of one or more persons because of accidents which may occur or result from operations under the contract. Such insurance shall cover the use of all equipment, including but not limited to, excavating machinery, trenching machines, cranes, hoists, rollers, concrete mixers, and motor vehicles in the construction of the rehabilitation embraced in their contract.
3. The contractor shall carry during the life of the contract Property Damage Insurance in an amount of not less than \$100,000 to protect him and his subcontractors from claims for property damage which might arise from operations under their contract.
4. Before commencing work, the contractor shall submit evidence of coverage required to the Grantee. A certificate of insurance shall be presented as the evidence.

NOTE – The Grantee is advised to consult with its attorney to insure that the extent, limit and amount of contractor's insurance is consistent with the scope of the project and current State law.

D. WORK WRITE-UPS, SPECIFICATIONS AND DRAWINGS – The work write up must include photographs of each inspectable deficiency as well as all sides of the exterior. The specifications, based on the code inspection, and work write-up and illustrative sketches, if any, covering the specific rehabilitation work for each property to be rehabilitated will be prepared by the Grantee's qualified and approved Rehab Coordinator. The specifications will:

1. Clearly identify the code violation and lead-based paint hazard;
2. Specify work to correct those violations or hazards;
3. Note any unusual features or limitations;
4. Include the Grantee's estimated cost for rehabilitation; and
5. Will be initialed on each page by the homeowner and signed on the signature page by the homeowner.

E. INELIGIBLE CONTRACTORS - The Grantee may determine a contractor ineligible to bid on projects when:

1. The contractor is listed on the Federal Debarred list; The grantee must check the contractor and all subcontractors' names against the Federal Excluded Parties List System (available at <https://www.sam.gov/portal/public/SAM/>). The grantee will print out the system search results and place in file to document that the contractors and subcontractors are not on this list.
2. There is documented proof that the contractor has not paid material suppliers;
3. There is documented proof that the contractor has not completed projects within the allotted time frame;
4. There exist substantial complaints by homeowners about quality of work and performance.
5. There is documented proof that the contractor has not performed warranty work on previous contracts.
6. Conflict of interest exist between the contractor candidate and project participants, location, or any financial ties

7. Contractors that are not licensed as General Contractors (Example: Home Improvements License)

F. INVITATION TO CONTRACTORS FOR BID AND PROPOSAL

1. The Grantee will announce the program and advertise for contractors in local and/or regional newspapers at the beginning of the program and at least once each year thereafter.
2. The Grantee will accept applications from contractors throughout the life of the program.
3. The Grantee will develop and maintain a list of contractors, including minority and female headed firms within the region.
4. The Grantee will notify in writing and in a timely fashion all contractors on the Contractors List when bid packages are available.

5. The Grantee will document when and to whom invitations to bid are sent out and packages picked up.

G. SELECTION OF A SUCCESSFUL BIDDER - The opening of the sealed bids must meet these conditions.

1. The opening must be public.
2. The best value responsive and responsible bid will prevail. Bids that fall 15% under or 15% over the Grantee's cost estimate may be rejected as not responsible bids.
3. There must be **at least three (3) competitive bids** by eligible contractors.
4. Minutes of the award and bid tabulations should be appropriately filed.
5. Questions concerning contractor eligibility shall be decided prior to opening the bids.
6. The Grantee will verify with THDA that contractors are not debarred.
7. The Grantee may limit the number of bids awarded to any one contractor at any one bid letting to **two (2)**.
8. If all bids exceed the amount of the construction budget, the Grantee may not negotiate solely with the low bidder. The project can be re-bid or changed in scope. If the project is changed, then each bidder must be given the opportunity to bid again. Bidders must be informed that they have the right to change their original unit prices as long as they conform to the revised bid specifications. Grantees must maintain documentation to demonstrate that this process was followed.
9. If there are not at least three (3) competitive bids from eligible contractors, the project must be re-bid. If there are still not three bids after the project has been re-bid, the Grantee will seek written approval from THDA before selecting the winning bid.

H. AWARD OF THE CONSTRUCTION CONTRACT - The contract will become effective upon the signatures of the homeowner and contractor and with the Grantee's endorsement. The Grantee will distribute the executed contract documents as follows: original to Grantee, copy to homeowner, copy to contractor.

15. INSPECTION, CLOSE-OUT AND PAYMENT FOR REHABILITATION WORK
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- A. RESPONSIBILITY FOR MAKING INSPECTIONS** - Inspection of construction will be performed by the Grantee or its designate as follows:
1. Compliance inspections will be made as often as necessary to assure that the work is being completed in accordance with the community's building, electrical, mechanical and plumbing codes, zoning regulations, and any other related State or local laws and ordinances.
 2. Inspections will be made as often as necessary to assure that the work being performed is in accordance with the terms of the construction contract, conducting a minimum of three
 3. Written notices of inspections (HO-17) shall be filed appropriately.

4. The Grantee's Rehab Coordinator will perform a minimum of 3 inspections throughout the project. An initial inspection, a progress inspection, and a final inspection will be conducted in accordance with THDA's Policy and Procedures and HUD 24CFR 92.251 of the 2013 HOME Final rule. An agent of THDA will be selecting projects at random and performing Quality Assurance inspections in accordance with THDA's Policy and Procedures and HUD 24CFR 92.251 of the 2013 HOME Final rule.
- B. PROGRESS PAYMENTS** - If progress payments are allowed by the Grantee, no more than one progress payment can be made and the payment will be 50% of the funds at the completion of 60% of the work.
- C. FINAL PAYMENTS**
1. **FINAL REVIEW** - Upon completion of the rehabilitation work, a final inspection is conducted by the Grantee's RC. Any uncompleted work or work that is unsatisfactory is noted on a final "punch list" and sent to the contractor in writing (HO-17 and HO-18). When these items are completed, clearance testing for lead-based paint hazards is conducted on the unit. When the unit passes clearance testing, and a certificate of code compliance from a local codes official is issued, the project is complete.
 2. **CERTIFICATION** - After the Grantee determines that the rehabilitation work has been fully and satisfactorily completed and the unit has passed clearance testing, the Certification of Completion and Final Inspection form (FM-7) is prepared. The homeowner signs the certification indicating that he/she accepts the rehabilitation work as meeting the terms and conditions of the contract. The contractor signs the certification indicating that the work has been completed in accordance with the contract and that there are no unpaid claims for labor, materials supplies or equipment. The Rehab Coordinator and the Administrator sign the Certification indicating that work has been completed in accordance with the contract and authorizing final payment. PLEASE NOTE: Final payment will not be authorized without a signed Certificate of Code Compliance OR approval of rehabilitation by a local codes official or a state certified codes official.
 3. **NOTICE OF COMPLETION** - The contractor shall file a Notice of Completion with the Register of Deeds in the county where the work is performed and return a certified copy to the Grantee.
 4. **MAKING FINAL PAYMENT** - When the final inspection determines that the work is completed in accordance with the contract and the homeowner has accepted the work, the Grantee will obtain from the contractor a release of liens, including all subcontractors and suppliers, and a copy of each warranty due the owner for the work. The Grantee will request final payment from THDA at that time.
 5. If the homeowner refuses to sign the final acceptance, the Grantee may authorize full payment for those items which are undisputed and acceptable to all parties.

16. GRIEVANCE PROCEDURE

- A.** The Grievance Procedure shall be made a part of the contract between the homeowner and the contractor. Disputes between the homeowner, Grantee and contractor may arise from time to time during the life of the rehabilitation project. In those instances where a mutually satisfactory agreement cannot be reached between the parties, the grievance procedure will be followed.

1. The grievance by the homeowner or contractor is to be filed with the program administrator in writing.
2. The program administrator will meet with the homeowner/contractor and attempt to negotiate a solution.
3. Contact the THDA Community Programs Division at (615) 815-2030 should the program administrator fail to negotiate a solution.

B. GRIEVANCE PROCEDURE - If this fails, the program administrator will follow the grievance procedure as outlined below:

1. All claims or disputes between the owner and contractor arising out of or related to the work shall be decided by arbitration in accordance with the current construction industry arbitration rules of the American Arbitration Association unless the parties mutually agree otherwise.
2. The owner and contractor shall submit all disputes or claims, regardless of the extent of the works progress, to an arbitrator unless the parties mutually agree otherwise.
3. Notice of the demand for arbitration shall be filed in writing with the other party to this rehabilitation agreement and shall be made within a reasonable time after the dispute has arisen.
4. The award rendered by the arbitrator shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.
5. If the arbitrator's award is in a sum which is less than that which was offered in settlement by the contractor, the arbitrator may award costs and attorney fees in favor of the contractor. If the arbitrator's award is in a sum which is less than that which was offered in settlement by the owners, the arbitrator may award costs and attorney fees in favor of the owner.

C. THE WRITTEN CONTRACT - The contract and the rehabilitation specifications, along with the initial inspection report provide the basic documentation by which the relative merits of any dispute will be judged.

D. CONFLICT OF INTEREST OF PUBLIC OFFICIALS - No elected or appointed Federal, State or local official, member of the local governing body, or any other public official or employee who exercises any functions or responsibilities in conjunction with the administration of the housing rehabilitation shall have any interest, direct or indirect, in the proceeds or benefits of the rehabilitation grant program. In those cases where the interest may not be direct or indirect, and the conflict of interest is only "apparent", the Grantee must contact THDA for clarification before proceeding. THDA will not routinely consider requesting an exception to the conflict of interest provisions from HUD.

E. KICKBACKS AND DISCOUNTS - No member of the governing body of the Grantee or any Grantee employee shall receive kickbacks or discounts from either contractors or property owners in return for special favors in regard to housing rehabilitation.

RESOLUTION NO: 2019- _____

**RESOLUTION ADOPTING THE PROGRAM POLICIES AND PROCEDURES FOR THE CITY OF
COVINGTON 2018 HOME REHABILITATION PROGRAM**

WHEREAS, the Board of Aldermen submitted an application to the Tennessee Housing Development Agency (THDA) and received HOME funds in the amount of \$375,000; and

WHEREAS, the City will use the funds for the purpose of rehabilitating substandard single family houses within COVINGTON corporate boundaries for low income families; and

WHEREAS, it is the intent of the City to assure its residents that all applications for the grant assistance will be prioritized in a manner that will identify the low-income households based on the HOME Program Rating System and, therefore, develop a priority list representative of this system; and

WHEREAS, it is the desire of the City to ensure that all policies and procedures regarding the rehabilitation of homes are equitable and comply with the Department of Housing and Urban Development and the Tennessee Housing Development Agency's program requirements.

NOW THEREFORE BE IT RESOLVED, that the COVINGTON Board of Aldermen does hereby adopt the Program Policies and Procedures approved by THDA for its 2018 HOME Program.

This resolution adopted this the ____ day of _____, 2019

Justin Hanson, Mayor

ATTEST:
