

Workforce Housing Program Description

WFH in summary:

- *WFH units are restricted to residents who make 80% of area median income (AMI) or less. The monthly rental rates for those units will also be set at a level so that residents will not pay more than 27% of the 80% AMI limit toward monthly rent. The middle column in the chart on the following page represents the 80% rents that would be in effect for WFH units along with income limits for different unit types (right column).*
- *WFH requirements would remain in place for the longer of ten years or the term of any approved incentive period (assuming an incentive is approved). E.g. A project with an 8-year PILOT that commenced following a two-year construction period would expect to have a 10-year WFH term that commences on the date the certificate of occupancy is issued.*
- *WFH units are to be dispersed evenly throughout development and evenly spread across unit types. Level of finishes in WF units is expected to be the same as market units. The greater of either 20% of the total number of units or 20 units will be set aside as WFH.*
- *Compliance with the WFH program requires owners/developers to provide income and lease information for each new WFH unit at initial move in. KCDC will manage the annual certification process.*
- *At the end of the WFH term, there is a three-year tail to prevent displacement of the residents within the WF units. Notices to residents are required and there is a 5% cap on annual increases for three years to allow residents in WFH units to find alternative places to live if they won't be able to afford market rents.*
- *WFH tenants may pay customary utilities (water, sewer, electricity, trash) in addition to the Adjusted Rent Limit as well as tenant-elected amenities such as parking and pet-fees. However, utilities and tenant-elected fees shall be applied and charged in a manner that is consistent with non-WFH units. WFH tenants are not expected to pay any other mandatory/non-discretionary fees or charges including but not limited to amenity fees, cable/internet charges (unless optional and service is elected at tenant's discretion) or concierge service fees. Any mandatory / non-discretionary fees or charges are considered rent and will be counted toward the Adjusted Rent Limit.*
- *The WFH units cannot be rented to full-time students.*

KEY DEFINITIONS

"Income Limit" shall mean no more than 80% of the Area Median Income for Knox County, Tennessee as published by HUD (using the Multifamily Tax Subsidy Project limits "MTSP"). The Area Median Income for Knox County, Tennessee shall be adjusted annually based upon the latest data provided by HUD. If HUD no longer publishes such information, KCDC may utilize an alternative methodology for determining area median income for Knox County, Tennessee. The applicable Area Median Income for Knox County, Tennessee shall be determined based upon the number of individuals living in a Residential Unit (e.g., for the 2026 calendar year, the Income Limit for a one person is \$58,080). The following assumptions regarding the number of individuals living in a Residential Unit shall be applied: studio – 1 individual; one bedroom – 1.5 individuals; 2 bedroom – 3 individuals; 3 bedroom – 4.5 individuals. The Income Limit for 1.5 individuals shall be calculated by averaging the Income Limits for one person and two people (e.g., for the 2026 calendar year, the Income Limit for 1.5 people is \$62,240).



“Rent Limit” shall mean based on unit type, an amount equal to one twelfth of 27% of the applicable Income Limit (e.g., for the 2026 calendar year, the Rent Limit will be \$1,306 per month for a studio, \$1,400 per month for a one bedroom, \$1,681 per month for a two bedroom and \$1,941 for a three bedroom). For avoidance of doubt, the Rent Limit shall not be adjusted based upon the actual number of residents of a Residential Unit. No additional fees or charges (e.g. trash fee, amenity fee, etc) shall be added to the residents’ Rent Limit. However, Grantee / management company may impose additional charges for only monthly vehicular parking and pet fees/deposits so long as those charges are comparable to the fees/charges applied to residents of non-WFH units.

“Rent Limit Term” shall mean a period equal the term of a tax abatement lease for the Project or a fixed period of time for a project utilizing Tax Increment Financing.

LANGUAGE WITHIN PILOT / DEED RESTRICTIVE COVENANTS

The Grantee (project owner) agrees, for itself and any successor in interest, that for a period equal the term of a tax abatement lease for the Project entered into by the Grantee with an instrumentality of the City of Knoxville, Tennessee (the “Rent Limit Term”), the Grantee shall reserve the Residential Units (as hereinafter defined) for occupancy by an individual or group of individuals whose income does not exceed the Income Limit and who are not ineligible for assistance pursuant to 24 Code of Federal Regulations 5.612. The monthly rental payments with respect to the Residential Units shall not exceed the Rent Limit.

No later than February 28th of each year, Grantee shall provide a certification to Grantor that Grantee has complied with the foregoing requirements for the prior calendar year and shall provide other evidence of such compliance as Grantor may reasonably request. Along with such certification, Grantee must supply Grantor with income verification for each new lessee of a Residential Unit. Such verification must be made only at the initial signing of a lease for a Residential Unit. Residential Unit leases between property owner or manager and resident must contain a provision that subletting the Residential Unit, on either a short-term or long-term basis, is expressly prohibited.

No later than twelve (12) months prior to the expiration of the Rent Limit Term Grantee shall give written notice to the lessees of the Residential Units, any lease for a Residential Unit then in effect shall remain in effect until terminated by the lessee and the rental payment due under such lease shall not increase by more than the greater of (i) the annual increase in the Consumer Price Index or (ii) 5.0% per annum for up to three (3) consecutive years after the Rent Limit Term. There shall be no limit on rent increases from and after the third anniversary of the expiration of the Rent Limit Term. Upon termination of a lease for a Residential Unit by the lessee or following an uncured default by the lessee after the expiration of the Rent Limit Term, the foregoing Rent Limit and Income Limit shall no longer be application to the Residential Unit.



| KNOXVILLE 2026 MTSP RENTS AND INCOME LIMITS (PER HUD) | | | |
|--|---------------------------------|--|--|
| | <u>80% AMI Monthly Rent</u> | <u>80% AMI Monthly Rent Limit With Adjustment*</u> | <u>80% AMI Annual Income Limit</u> |
| Studio | \$1,452 | \$1,306 | \$58,080 |
| 1 BR | \$1,556 | \$1,400 | \$62,240 |
| 2 BR | \$1,868 | \$1,681 | \$74,720 |
| 3 BR | \$2,157 | \$1,941 | \$86,280 |
| 4 BR | \$2,406 | \$2,165 | \$96,240 |

** Rent limit is calculated at 1/12 of 27% of AMI limit; discount to 80% AMI limit to account for tenant paid utilities; applicable limit to WFH units*