



PURCHASING DIVISION

901 Broadway, N.E. • Knoxville, TN 37917-6699
 865.403.1133 • Fax 865.594.8858
 800.848.0298 (Tennessee Relay Center)
 Email: purchasing@kcdc.org
<http://www.kcdc.org/en/DoingBusiness.aspx>

Addendum

| | | | | | |
|--------------------------|---|------------------------|---|-------------|----------|
| SOLICITATION NAME | Financing for a Multi-Family Structure C14026 | ADDENDUM NUMBER | 2 | DATE | 07-30-14 |
|--------------------------|---|------------------------|---|-------------|----------|

KCDC is providing this addendum to answer questions that have been raised about this solicitation. To aid in readability, the questions are in black and the answers are in **bold** and the answers follow immediately below.

| | |
|----|--|
| Q1 | Balance Sheet Notes and Mortgages Receivable – Who/what are they from and what are the repayment terms? |
| | Please refer to Note G of KCDC’s Notes to Financial Statements for the 2013 audit report on the KCDC website. These pages (26-28) should provide you with the NR arrangements. |
| Q2 | Balance Sheet Terms? Investments – What is the nature of those investments? |
| | Please refer to Note B of KCDC’s Notes to Financial Statements for the 2013 audit report on our website. These pages (21-24) should provide you with information regarding KCDC’s investments. Most of KCDC’s funds are federal and therefore KCDC is required to follow federal regulations in the type of investments that made. |
| Q3 | Income Statement HUD Grants – What determines the amount and what is the predictability of the grants? |
| | KCDC’s Capital Grant program which funds capital expenditures for our Public Housing properties is an annual grant allocation based upon a HUD formula that is derived from multiple Portfolio factors. This grant currently averages around \$4,000,000 per year. KCDC receives, as a sub-recipient, other HUD grant funds based upon a particular capital project when funds are available from our local government. |
| Q4 | Income Statement Rent and Other Revenues – What are the sources and what causes the significant changes in Other? |
| | KCDC’s rental revenues are monies received from the residents for rents. KCDC also has tenant related revenues for items such as maintenance charges, pet fees, court costs, excess utilities, et cetera. Please refer to Addendum 1 under KCDC’s open solicitation for information regarding other revenues. |
| Q5 | Income Statement Capital Contributions – What are the sources and what is the determination of the amounts? |
| | Please refer to Addendum 1 under KCDC’s open solicitation for information regarding the Capital Contributions. |
| Q6 | Audit related What Capital expenditures are expected in the next 3-5 years? |

| | |
|----|--|
| | <p>Based upon KCDC’s physical needs assessment, the Public Housing portfolio has various capital needs that will be funded from the Capital grant program over the next 3 – 5 years. On a larger scale, KCDC will be developing multiple mixed finance strategies to transform property it has located within the Five Points community. This will include demolition, new construction, infrastructure, et cetera and will be handled in phases.</p> |
| Q7 | <p>Audit related What is known about continued federal funding of HUD and the impact for KCDC?</p> |
| | <p>KCDC is a very active participant within the housing industry and industry groups that advocate for HUD programs. Federal funding of HUD programs is based upon Congressional appropriations and therefore is subject to fluctuations. KCDC proactively develops strategies to manage these fluctuating changes as needed.</p> |
| Q8 | <p>Audit related What drives Housing Assistance Payments? And what drives HAP expenses?</p> |
| | <p>KCDC serves in the role of an administrator for the HUD Section 8 programs. The Housing Assistance Payment (HAP) revenue and expenses are basically a “pass through” for the agency. HUD establishes an annual “HAP” funding level based upon available HUD funds, an agency unit cap on leasing, and historical expense data upon which KCDC in turn funds vouchers to eligible residents to rent with qualified private landlords. Expenses vary based upon items such as variable tenant income and unit turnover.</p> |
| Q9 | <p>Audit related Will this project be housed in a separate unit of KCDC?</p> |
| | <p>This project will be under one of the subsidiary corporations, Knoxville’s Housing Development Corporation (KHDC), which is a blended component unit of KCDC.</p> |