KCDC
An Equal Opportunity Employer

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Addendum

SOLICITATION NAME	Financing for a Multi-Family Structure C14026	ADDENDUM NUMBER	1	DATE	07-23-14

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	I see that you are looking for a 20-year fixed rate. Would KCDC be open to a 5 year adjustable or balloon amortized over 20 years?
	KCDC will review and evaluate all proposals received.
Q2	Are you are interested in receiving proposals for HUD loan with a term of up to 35 years with a fixed rate. Rates are currently in the mid 3% range. Assuming the project is affordable it would be underwritten with a DSCR of at least 1.15.
	KCDC is not interested in this scenario for this project.
	The remaining questions relate to KCDC Annual Audits and Budgets
Q3	How many HUD grants currently provide funding for KCDC? What is the average size of those grants? What is the typical life of the grant and annual funding allocation?
	KCDC is annually awarded grant funds under HUD's Federal Capital Fund Program for our Public Housing property capital expenditures. These funds average around $4,000,000 per year. KCDC has two years to obligate these funds and four years to expend the funds. In FY 13, KCDC received "one time" HUD Neighborhood Stabilization grant funds (sub-recipient) from the City of Knoxville to assist funding with a Public Housing capital project ($241,300). In FY 13, KCDC also received HUD Community Development Block Grant funds (CDBG) (sub-recipient) from Knox County for energy related items for county Public Housing properties ($75,254).
Q4	What is the source of the annual capital contributions?
	HUD Federal Capital Fund program grant funds.
Q5	Is this connected to the Annual Contribution Contracts?
	Yes.
Q6	How is the amount calculated?
	HUD uses the CF formula set forth in § 905.400 of this part (Capital Fund program rule), along with data provided by the PHA and other information, including, but not limited to, the high-performance information from the Real Estate Assessment Center (REAC) and location cost indices, to determine each PHA's annual grant amount. Please reference the federal register.
Q7	FYE-13 was a low for the previous four years. Why?
	The annual amount is based upon funds drawn for the year for various capital projects. This is dependent upon the capital projects that are in progress within a given year.

Q8	"Other Revenue" was down from $6.1MM for FYE-12 to $2.9MM for FYE-13. Why?
	FY 12 was high due to the recording of non-federal revenue related to some capital project closeouts. KCDC did not have these closeouts in FY13. FY12 also had more insurance proceeds from claims which is dependent upon the timing and closeout of claims that may arise within a particular year.
Q9	Measureable decreases to "Other Revenue" derived from "Low Rent Public Housing Programs," "Blended Component Units," and "State and Local Programs." How do each of these derive "Other Revenue?"
	The following are common other revenue items for the above programs: Insurance claims, Insurance dividends, rebates, laundry/vending, tenant related charges, HAP revenue/Section 8 owned property, management fee from tax credit properties, non-dwelling rents, developer related fees/overhead fees, and project closeouts.
Q10	Why was "Other Revenue" down for each of these categories?
	The above sources of other revenue fluctuate based upon various conditions or situations within a particular year such as the closeout of capital projects, unanticipated casualty losses (insurance claims), et cetera. The Section 8 owned property, under Blended Component Units, was moved to Public Housing in FY 13 so the HAP revenue was no longer a funding source.
Q11	Why was "Rental Revenue" from "Low Rent Public Housing Program" down for FYE-13
	Rental income is dependent upon the existing tenant population and income which can fluctuate based upon turnover. Also, new higher utility allowances were put in place which lowered net rental revenue.
Q12	On expenses, what drove the increase from FYE-12 to FYE-13 in "Utilities" &Maintenance?" Utilities was up from $2,815M to $3,069M. Maintenance was up from $6,561M to $8,019M.
	Utility costs were up primarily due to rate increases. Maintenance costs were up primarily due to more capital related items being funded out of our Public Housing operations which was the result of a temporary rule change.
Q13	On the Statement of Revenue, please explain "Fraud Recovery."
	HUD requires a separate line item for recording the recovery of revenue due to fraud. This revenue is the result of residents not reporting income and therefore incurring additional charges for this reason