

Exhibit B.3 KHRA Progress Report

This includes a report on the progress the PHA has made in meeting the goals and objectives described in the previous 5-Year Plan.

1.) Performance Excellence:

SEMAP:

KHRA is working toward achieving High Performer Status. The PHA is rated as a Standard Performer with a SEMAP score of 78 for fiscal year ended 3/31/2025. KHRA implemented personnel changes in the 2024 plan year to abate the unawarded points from previous SEMAP submissions. Missed opportunities in the 2025 submission:

- INDICATOR 3 Determination of Adjusted Income (24 CFR part 5, subpart F and 24 CFR 982.516)
 - KHRA scored 15 of 20 possible points.
- INDICATOR 6 HQS Enforcement (24 CFR 982.404)
 - KHRA scored 0 of 5 possible points.
- INDICATOR 9 Timely Annual Reexaminations (24 CFR 5.617)
 - KHRA scored 5 of 10 possible points.
- INDICATOR 12 Annual HQS Inspections (24 CFR 982.405(a))
 - KHRA scored 0 of 10 possible points.

Improvements in any of the aforementioned Performance Indicators would bring KHRA's overall performance rating within range of High Performer Status. KHRA has partially addressed the above deficiencies as detailed in the 2024 Financial Audit: KHRA has hired a full-time Inspector; therefore, the Housing Authority will be performing follow-up inspections in a timely manner. KHRA anticipates the backlog of biennial inspections will be fully remediated within the 2025 fiscal year to obtain the goal of high performer status with the 2026 SEMAP submission.

Additionally, KHRA has increased the number of staff persons with HQS inspection certifications to remediate past due inspections. Staff efforts to document core processes of inspections are ongoing which will ensure abatements are processed in a timely manner. Furthermore, in the event of a future vacancy, KHRA can bolster inspection operations with existing staff so as not to lose SEMAP indicator points in inspection categories.

Financial Management:

- Internal controls have been audited and updated regularly in accordance with the auditing standards generally accepted in the United States of America and the standards

applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

- The KHRA Procurement Policy complies with the Annual Contributions Contract (ACC) between The United States Department of Housing and Urban Development (HUD) and the Kingsport Housing and Redevelopment Authority (KHRA) and *Federal Regulations 2 CFR 200.317-326*, the procurement standards of the Procurement Handbook for PHAs, HUD Handbook 7460.8, Revision 2, and applicable state and local laws. The most recent updates to the KHRA Procurement Policy were adopted with Board Resolution 2024-50 as amended by House Bill 2090, adopted by the House as Amendment #1 on March 14, 2024.
- The Financial Statements & Independent Auditors' Report Schedule of Findings for the year ended March 31, 2025 yielded one significant deficiency. The PHA has established proper CFP procedures to ensure proper handling of CFP draw downs so that repeat findings do not occur.
- KHRA continues to produce balanced financial reporting to the board through monthly meetings

2.) Employee Organizational Update

The Authority continually employs hiring methods and selection recommendations to be made objectively with absolute impartiality, absent of bias, and in accordance with the principles of equal opportunity.

3.) Safety and Security

The Authority continues to work cooperatively with Kingsport Police Department, Kingsport Fire Department, and Tennessee Highway Patrol to ensure Disaster Preparedness and provide a safe and healthy environment for residents and employees. KHRA participates annually in TOSHA Public Sector inspections. KHRA works cooperatively with the designated Occupational Safety Specialist to abate any safety violations and create a safe environment in which employees work.

Security measures beginning in 2022 are ongoing. KHRA has increased inventory of the Verkada security cameras that have been a vital source of crime prevention in our neighborhoods. The growing inventory of cameras placed across KHRA's sites as well as the administrative building have increased safety measures for residents and staff alike. The MOU drafted and implemented by KHRA staff in cooperation with City of Kingsport and the Kingsport Police Department is still in place and allows for the sharing of live feed and footage with the City of Kingsport Police Department. This measure bolsters the safety and security of KHRA property and promotes general welfare by sharing information, sharing and enforcing a no-trespass list, and other aid. The MOU sets forth the terms by which the City may use this access, and the agreement was entered into in May 2023. As a proactive step toward NSPIRE changes for the upcoming fiscal year, KHRA has upgraded its entire housing inventory with GFCI compliant electrical

standards on applicable outlets and breakers. KHRA has purchased additional inventory of smoke detectors and will replace all units within KHRA managed sites with a ten-year sealed battery to be fully compliant with NSPIRE inspections within KHRA-managed properties by the required implementation date.

4.) Fair Housing

KHRA has provided Fair Housing and Anti-Harassment trainings on an annual basis to ensure compliance and in accordance with governing law. Fair Housing Training for all staff was completed on October 21, 2025, provided by Mark Hanor of Hanor Law Firm. Residents are informed of Fair Housing Rights at briefings, lease signings, and annual recertification.

5.) Supportive Services

KHRA has sought and marketed positions that include Title 3 hires and VISTA AmeriCorps positions. The supportive services offered through KHRA including FSS, HOPWA, CoC, etc. have grown and now include additional supportive services in the form of the Financial Opportunity Center and the Digital Navigator Services.

Increased efforts to end homelessness have been secured through multiple ESG awards layered with CDBG funds to create and hire a staff position for the position of Street Outreach Coordinator. KHRA was also awarded a Housing Success Program grant from Fahe and Ballad Health in 2024.

KHRA works collaboratively with the local Boys & Girls Club and the YMCA. Additionally, KHRA partners with faith-based and non-profit partners for community involvement (Carpenter's Helpers, Upper East Tennessee Human Development Agency, First Tennessee Human Resource Agency, Freeway Ministries, Tennessee's Community Assistance Corporation, etc.)

6.) Leveraging Additional Funding

KHRA secured a developer during the 2025 fiscal year to pursue a LIHTC application for the former Robert E. Lee site for the 2026 round with Knight Development. KHRA's plans of submitting a 9% LIHTC application will satisfying the one-for-one replacement of 128 units with phase one construction plans of 55 units. The future site of the Grove at PoplarDale will be located at 607 Dale Street in Kingsport, Tennessee. In prior plan years, KHRA secured grant funding from TDMHSAS in the form of the Creating Affordable Housing (CAH) grant and THDA's Creating Homes Initiative-2 (CHI-2) grants to rehab/build additional affordable housing for tenants who are suffering from mental illness and recovering from opioid/opioid derivative addiction.

KHRA's nonprofit arm has experienced enormous success in securing new grant funding. Gap funding in the amount of \$205,000 was secured from THDA allowing the new construction build of the previously-awarded, \$500,000, CHI-2, sober living, group home to achieve zero debt service. \$545,000 was awarded by THDA for a first-time, HOME-ARP

Supportive Services Grant that covers a broad range of services including food, childcare and car repair. GKAD was initially awarded \$300,000 from THDA for Eviction Prevention under the ERA-EPP 2023 program and later was contacted to receive additional funding of \$220,000. Additionally, grants in the amounts of \$134,675 and \$142,325 from Tennessee Department of Mental Health and Substance Abuse Services for the rehabilitation of blighted housing to serve clients with a mental health and/or cooccurring substance abuse diagnoses were awarded. \$6,000 for CDBG 2024 activities from the City of Kingsport were also awarded to GKAD, and many of these grants were written to substantially rehabilitate blighted housing serving low-income members of our community, cover existing administrative costs, and create new positions within the Authority.

In 2022, GKAD was awarded the National Housing Trust Fund (NHTF) grant to develop 12 one-bedroom units where all units will be set aside for extremely low-income individuals whose income does not exceed 30% of the area median income, to be reserved as housing for the elderly, which means individuals sixty-two (62) years of age or older. In 2023, GKAD increased the funding dedicated to these units with an additional \$449,496.95 from NHTF, \$500,000 through the TN ARPA program and \$539,478.05 from the Federal Home Loan Bank Affordable Housing Program of Cincinnati. These additional funds will enable the property to achieve zero debt service. The project's completion is set for spring 2026.

GKAD annually pursues the Emergency Solutions Grant through THDA and in 2023 – 2024 was awarded \$98,894 for Rapid Rehousing activities and \$66,000 for Street Outreach. These funds have allowed the agency to help alleviate rent and utility cost burdens to literally homeless individuals as well as provide for the needs of individuals and families living on the street.