



**Tennessee Housing Development
Agency - Board of Directors
Meeting Materials
January 23, 2018**



Tab 1 – Agenda

**Tab 2 – Memo, Svc Awards,
Minutes from 11/14/2017**

**Tab 3 – Bond Finance Committee
Meeting Materials**

**Tab 4 – Audit & Budget Committee
Meeting Materials**

**Tab 5 – Grants Committee
Meeting Materials**

**Tab 6 – Lending Committee
Meeting Materials**

**Tab 7 – Rental Assistance
Committee Meeting
Materials**

**Tab 8 – Tax Credit Committee
Committee Meeting
Materials**

Tab # 1

Items:

Agenda

All meetings will be held in The Nashville Room

AGENDA (Tab #1)

Public Comment to the Board	Cleaves, Perrey, Board Members
A. Opening Comments and Introductions	Cleaves
B. Staff Recognition (Directors) (Tab #2)	Perrey
C. Approval of Minutes from November 14, 2017 Meeting (Tab #2)	Cleaves
D. Executive Director's Report (Tab #2).....	Perrey
E. Committee Reports and Committee Matters	
1. Bond Finance Committee (Monday, January 22—2:00 p.m. State Capitol Room G-3) (Tab #3).....	Wilson
a. Underwriter Selection	Miller
* b. Issue 2018-1 Authorization	Miller
* c. Issue 2018-1 Reimbursement Resolution	Miller
* d. Payments for Issue 2017-5 Work	Miller
e. Issue 2017-4 State Form CT-0253.....	Miller
2. Audit & Budget Committee (Tuesday, January 23 – 9:30 a.m.) (Tab #4)	Lillard
* a. Payments for Issue 2017-5 Work	Miller
3. Grants Committee (Tuesday, January 23 – 9:45 a.m.). (Tab #5)	van Vuuren
* a. 2018 Spring Round of the Tennessee Housing Trust Fund Competitive Grants Program Authorization	Watt
* b. 2014 HOME Program Extension Requests	Watt
c. 2018 Fall Round of the Tennessee Housing Trust Fund Competitive Grants Program Update	Watt
d. 2017 Emergency Solutions Grants Program Supplemental Awards Update	Watt
4. Lending Committee (Tuesday, January 23 – 10:00 a.m.) (Tab #6)	Cleaves
* a. 2018 Housing Cost Index	Arik
* b. Hardest Hit Fund Program Amendment	Hall
c. Attorney General Funds Update	Hall
5. Rental Assistance Committee (Tuesday, January 23 – 10:15 a.m.) (Tab #7)	Snodderly
a. PBCA Briefing	Ridley
b. Section 8 Rental Assistance Update	Ridley
6. Tax Credit Committee (Tuesday, January 23 – 10:30 a.m.) (Tab #8).....	Tully
a. THOMAS Presentation	Hamilton
* b. 2018 Low-Income Housing Tax Credit Qualified Allocation Plan Amendments.....	Duarte
* c. 2018 Multifamily Tax-Exempt Bond Authority Program Fee Structure	Duarte
* d. Allocation Exchange Request (TN16-039, Flats at Fifty-Eight)	Duarte
e. 2019-2020 Low-Income Housing Tax Credit Qualified Allocation Plan Discussion	Duarte

Tab # 2

Items:

Memo from Ralph M. Perrey, Executive Director

Service Award Recipients

Board Meeting Minutes from November 14, 2017



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors
FROM: Ralph M. Perrey, Executive Director
DATE: January 9, 2018
SUBJ: THDA Board of Directors Meeting

THDA Board Members –

We look forward to welcoming you to our first meeting of 2018, January 23, at the Tennessee Tower. In the absence of our Board Chair, Kim Grant Brown, Vice Chair Dorothy Cleaves will preside. The Bond Finance Committee will meet on the afternoon of January 22, with Comptroller Justin P. Wilson chairing.

Among the action items awaiting your attention this month:

- Authorization of our first bond issuance of 2018 and the accompanying Reimbursement Resolution. Documents authorization Issue 2018-1 may be found behind the Bond Finance Committee tab.
- Amendments to the 2018 Qualified Allocation Plan are provided behind the Tax Credit Committee tab. The principal change is to make explicit that deals awarded in Sevier County remain eligible for the full 30% basis boost. This was our intention and is indirectly addressed in the QAP, but we think it best to clarify.
- Amendments to the programs we administer under the US Treasury Department's Hardest Hit Fund are detailed under the Lending Committee tab. We seek authorization to transfer unused funds from several of these programs to supplement the successful down payment assistance we are providing in targeted Zip Codes. We also wish to allow the use of HHF blight elimination funds on commercial and multifamily properties in eligible urban areas.
- Authorization for the Spring Round of the Tennessee Housing Trust Fund grants. The program description is behind the Grants Committee tab.

As always, please feel free to contact me with questions about any item on the agenda or in your board packet. Let Cindy Ripley know if you need assistance with logistics or travel for the meeting.

We look forward to seeing you January 23.

Celebrating *Years of Service*

5 Years

Carla Bourdeau

Sr. Internal Auditor

Internal Audit

THDA Hire Date: May 10, 2015

State Hire: March 18, 2013

15 Years

Nicole Lucas

Director of Information Technology

Information Technology

THDA Hire Date: January 16, 2003

20 Years

Carol Buyna

Accounting Specialist

Accounting

THDA Hire Date: September 1, 2008

State Hire: October 1, 1997

20 Years

Elizabeth Pugh

Assistant Director of Internal Audit

Internal Audit

THDA Hire Date: January 15, 1998

THDA Board of Directors

Meeting Minutes will be sent under separate cover for the following:

- THDA Board of Directors Meeting from November 14, 2017
- Audit & Budget Meeting from November 14, 2017
- Grants Committee Meetings from July 25, September 26 and November 14, 2017
- Lending Committee Meeting from September 26, 2017
- Rental Assistance Committee Meeting from November 14, 2017
- Tax Credit Committee Meeting from November 14, 2017

Tab # 3

Items:

Bond Finance Committee Meeting Materials

**Tennessee Housing Development Agency
Bond Finance Committee**

**January 22, 2018
2:00 p.m. Central Time**

AGENDA

1. Call to Order Wilson
2. Approval of minutes from December 15, 2017, meeting Wilson
3. Underwriter Selection Miller/Osborne
4. Issue 2018-1 Authorization.....Miller
5. Issue 2018-1 Reimbursement ResolutionMiller
6. Payments for Issue 2017-5 Work.....Miller
7. Annual Volume Cap Update.....Miller
8. Issue 2017-4 State Form CT-0253Miller
9. Adjourn Wilson

LOCATION

Conference Room G-3
State Capitol, Ground Floor
Nashville, Tennessee 37243

COMMITTEE MEMBERS

Kim Grant Brown, Chair
Secretary Tre Hargett
Treasurer David Lillard
Commissioner Larry Martin
Comptroller Justin Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
December 15, 2017

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Friday, December 15, 2017, at 10:30 A.M. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The following members were present: Treasurer David Lillard and Samantha Wilson (for Commissioner of Finance & Administration Larry Martin). Kim Grant Brown (*Chair*), Secretary of State Tre Hargett, and Comptroller Justin Wilson (*Secretary*) participated by conference call.

At the request of Chair Brown, Treasurer Lillard chaired the meeting. He called the meeting to order and declared that there were not enough Committee members physically present to form a quorum. Treasurer Lillard stated:

"Certain Committee members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Committee today require timely action and the physical presence of a sufficient number of Committee members to constitute a quorum is not possible within the timeframe in which action is required. Therefore, it is necessary for some members to participate via telephone hook-up. Committee members participating by telephone were sent documents relevant to today's meeting."

Treasurer Lillard moved to approve conducting the Board meeting in this manner. Comptroller Wilson seconded. Treasurer Lillard called for a roll call vote:

Chair Brown:	Yes
Secretary Hargett:	Yes
Treasurer Lillard:	Yes
Ms. Wilson for Commissioner Martin:	Yes
Comptroller Wilson:	Yes

The motion passed unanimously.

Treasurer Lillard asked for a motion to approve the minutes of the November 8, 2017, and November 13, 2017, meetings. Comptroller Wilson moved that both sets of minutes be approved. Ms. Wilson seconded. Treasurer Lillard called for a roll call vote:

Chair Brown:	Yes
Secretary Hargett:	Yes
Treasurer Lillard:	Yes
Ms. Wilson for Commissioner Martin:	Yes
Comptroller Wilson:	Yes

The motion passed unanimously.

Treasurer Lillard indicated the next item was consideration of the direct placement of Issue 2017-5 Bonds. He recognized Lynn Miller, THDA Chief Legal Counsel, who first indicated that Issue 2017-4 would pre-close today with the closing expected to occur on December 19, 2017. Next, she noted that Issue 2017-5 was being considered due to the proposed federal tax reform legislation making its way through

Congress that includes the elimination of the authority to issue tax-exempt private activity bonds as of December 31, 2017. She indicated that private activity bonds may not be eliminated by passage of the tax reform legislation, but that volume cap carry forward may be limited. She further indicated that due to this uncertainty, staff believes Issue 2017-5, as a convertible option bond issue, is necessary as a shield against any further change that affect private activity bonds. She noted that issuance of a convertible option bond provides funds to continue THDA loan programs while staff evaluates mortgage backed securities and other mechanisms to continue THDA loan programs in the absence of tax-exempt private activity bonds.

Ms. Miller presented the following documents that were circulated electronically to the Committee prior to the meeting:

- Memo from CSG Advisors Incorporated (“CSG”), financial advisor for THDA, dated November 27, 2017, describing how RBC Capital Markets, LLC (“RBC”) was selected for the private placement of the Issue 2017-5 Bonds.
- Resolution of the Bond Finance Committee approving the sale of Issue 2017-5 in the aggregate principal amount of \$750,000,000 (the “Award Resolution”). The following documents were attached to the Award Resolution as exhibits and were incorporated by reference:
 - Bond Purchase Agreement for the sale of Issue 2017-5 Bonds to RBC;
 - Supplemental Resolution for the Issue 2017-5 Bonds; and
 - Bondholder Agreement.

Ms. Miller indicated the Bond Purchase Agreement and the Supplemental^[AB1] Resolution both contain provisions that are different from normal bond issues due to Issue 2017-5 being a convertible option bond. She indicated that the Bondholder Agreement is a wholly new document not used for a normal bond issue, but Bond Counsel advised that this is a necessary requirement in connection with the private placement of these bonds. She pointed out that the Bond Purchase Agreement and the Bondholder Agreement were negotiated between Kutak Rock, THDA, and Chapman and Cutler who is representing RBC in this transaction. She added that these documents are virtually final, however, the changes to be made are not substantive issues. Ms. Miller pointed that the pricing for these short-term variable interest rate bonds will be based on the Securities Industry and Financial Markets Association (“SIFMA”) index plus 45 basis points, with the interest rate being reset every week for the two year period that these bonds could be outstanding. She noted that staff expects to refund or remarket approximately \$100 million by late March or early April so that the principal amount of bonds outstanding will be reduced as the two year period runs and the bonds are converted to long term mode to continue THDA loan programs.

Ms. Miller indicated staff recommends approval of the Award Resolution. Comptroller Wilson indicated he thought this is the appropriate thing to do because there are too many uncertainties involved. He asked if the Award Resolution authorized the changes needed to finalize the documents. Ms. Miller confirmed that it does. Comptroller Wilson noted that he preferred having the Bond Purchase Agreement signed by one of the Constitutional Officers serving as a member of the Bond Finance Committee. Ms. Miller pointed out that language was added to the Award Resolution to include authorization for the Secretary of State and the Treasurer to sign documents in addition to the Chair of the Committee, the Secretary or Assistant Secretary of the Committee, or the Vice Chair or Executive Director of THDA.

Treasurer Lillard moved approval of the Award Resolution and Chair Brown seconded. Treasurer Lillard called for a roll call vote:

Chair Brown:	Yes
Secretary Hargett:	Yes
Treasurer Lillard:	Yes
Ms. Wilson for Commissioner Martin:	Yes
Comptroller Wilson:	Yes

The motion passed unanimously.

There being no further business, Treasurer Lillard moved to adjourn the meeting and Ms. Wilson seconded. Treasurer Lillard called for a roll call vote:

Chair Brown:	Yes
Secretary Hargett:	Yes
Treasurer Lillard:	Yes
Ms. Wilson for Commissioner Martin:	Yes
Comptroller Wilson:	Yes

The motion passed unanimously.

Respectfully submitted,

Assistant Secretary

Approved this 22nd of January, 2018.

To Be Sent Separately

Bond Finance Committee

Agenda Item No.

3. Underwriter Selection

Documentation regarding this item will be provided prior to the January 22 Committee meeting.



Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243


Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: January 10, 2018

TO: THDA Bond Finance Committee and Board

FROM: Lynn Miller 
Chief Legal Counsel

SUBJECT: Authorization of General Residential Finance Program Bonds, Issue 2018-1

DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

Attached please find the following documents in connection with the requested authorization of the next THDA bond issue, Issue 2018-1:

1. Memo from CSG Advisors recommending authorization in the maximum principal amount of \$150 million for a new money bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. Staff expects this bond issue to be priced in late February or early March, with closing prior to the end of March, depending on THDA loan production. The final size and structure will be determined by the Bond Finance Committee closer to pricing.
2. THDA Plan of Financing for Issue 2018-1 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.
3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2018-1, which includes the form of Series Resolution for Issue 2018-1 and which authorizes the referenced bond issue and delegates authority to the Bond Finance Committee to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.
4. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2018-1 in an amount not to exceed \$60 million.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2018-1 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2018-1 complies with the Debt Management Policy as follows:

Part III - by allowing THDA "...to maintain a steadily available supply of funds to finance its mortgage loan programs at cost levels that provide competitive, fixed interest rate mortgage loans

that benefit low and moderate income families, while maintaining or improving THDA's overall financial strength and flexibility..."

Part VIII - the issuance of this debt will not cause THDA to exceed the statutory debt limit contained in TCA Section 13-23-121.

Part X - the factors and items listed to be considered in planning, structuring and executing a bond issue have been and will be considered as planning, structuring and executing this bond issue moves forward.

Part XIV - serial bonds, terms bonds and PAC bonds are being considered for the structure of the bond issue.

Parts XV, XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2018-1 does not include a refunding component, interest rate and forward purchase agreements, conduit debt, or variable rate debt.

UNDERWRITING TEAM

The Bond Finance Committee will be considering a staff recommendation for senior managers, co-managers and selling group members. Once that determination is made, the senior bookrunning manager, rotating co-manager (if any), and selling group members for this bond issue will be determined.

LEM/ds

MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee

FROM: Tim Rittenhouse, David Jones, Mark Kaveny & Eric Olson

SUBJECT: Bond Issue Authorization Recommendation –
Residential Finance Program Bonds, Issue 2018-1

DATE: January 10, 2018

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a \$150 million Issue 2018-1 under the Residential Housing Finance Program Bond General Resolution as new money bonds to fund THDA's mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale based on THDA's pipeline and interest rates at the time.
- Staff began making mortgage loan commitments against Issue 2018-1 in the week of January 1, 2018, with the plan to use available internal funds to warehouse loans before closing Issue 2018-1.
- Issue 2018-1 is expected to be sold in February for a closing in March, providing funding for the late winter / early spring home buying season.
- Issue 2018-1 is expected to draw on THDA's stockpile of zero participation loans, lowering the overall bond yield and mortgage loan rates to THDA's borrowers and maintaining THDA's earning spread. Alternative structures, including the use of excess THDA mortgage collateral, will be analyzed and presented closer to pricing.

Current Market Conditions

From the date of THDA's Issue 2017-4 bond sale on November 8, 2017 to Friday, January 5, 2018, the 10-year US Treasury bond rose from 2.32% to 2.48%, while the 30-year treasury edged up 0.03% to 2.81%. Over the same period the high-quality tax-exempt Municipal Market Data Index ("MMD") shows 10-year yields rising from 1.91% to 2.01% and the 30-year yield unchanged at 2.58%.

Prospects for tax reform held the attention of the municipal bond market through November and December with the threat of the elimination of private activity bonds and advance refundings spurring the

heaviest new issue volume of 2017. The direct effects of tax reform in lowering corporate and personal tax rates are still being weighed in the tax-exempt bond markets, as speculation continues about the economic impact of \$1.5 trillion in fiscal stimulus from higher expected federal deficits. Following the rush of new issues in the 4th quarter of 2017, lower supplies are forecast for the coming months.

Even as the chairmanship of the Federal Reserve is set to transition in early February, investor expectations are for a continuing resolve to raise the Fed's short term lending rate and to follow through with unwinding its multi-trillion dollar bond holdings in the face of strengthened domestic labor markets and ongoing economic expansion. As short term rates rise without matching increases in long term rates, the yield curve has been flattening, eroding the bond structuring advantages of front-loading maturities and PACs but not eliminating the benefits of both structuring techniques entirely.

Recent high quality housing finance agency issues have received broad demand and attractive rates, although heavy new issue supplies in November and December pushed spreads to the MMD to widen from their tight levels in the 3rd quarter of 2017. In the coming months, lighter new issue volume and negative net issuance after bond redemptions are anticipated to drive spreads to narrow.

Background

On November 8, 2017, THDA priced its Residential Finance Program Bonds, Issue 2017-4 in the amount of \$99.9 million to purchase approximately \$88.44 million new mortgage loans, redeem prior bonds, and pay other required amounts. Issue 2017-4 proceeds were committed, as of January 5, 2018.

With the exhaustion of Issue 2017-4 moneys, THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2018-1. Through March, THDA anticipates building a pipeline of mortgage loans that will be financed with Issue 2018-1. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2018-1 in March, when additional bond funds likely will be needed.

None of THDA's outstanding bonds will become optionally redeemable at par before July 1, 2018. Since housing bonds may not be refunded prior to 90 days before they are redeemed, no refunding is proposed for Issue 2018-1.

There are several effects of including excess mortgage collateral in the proposed new transaction:

- 1) Expected savings allow THDA to set lower mortgage rates than would otherwise be possible without contributions of additional zeros, accepting a lower spread, or some other form of subsidy;
- 2) The shorter average life of the transferred mortgage portfolio accelerates the repayment of the bonds and lowers bond interest costs on the new issue.

Proposed Sizing and Structure for Issue 2018-1

Authorizing a bond issue of not to exceed \$150 million would allow THDA to continue purchasing mortgage loans well into the first quarter of 2018. The ultimate size of the issue will depend on mortgage loan demand up until pricing, on interest rates, and on an assessment of negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond rate before such proceeds can be used to purchase mortgage loans).

Based on current market conditions and investor appetite, structuring Issue 2018-1 to include planned amortization class bonds ("PACs") to be sold at a premium would significantly lower the issue's bond

yield. PACs are often priced at a premium and most commonly designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same nominal maturity.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed below 100% PSA, causing the PACs to remain outstanding longer than projected and potentially extending the period during which THDA would pay the high coupon on these bonds. However, THDA's average historical prepayment speed is greater than 150% PSA. Also, if the actual sustained prepayment speed is less than 100% PSA, at its option THDA could choose to redeem the PACs up to 100% PSA experience with other available funds to maintain the short average life of the PACs.

Three alternative bond structures are shown in Exhibit A. In each case after calculating an estimated bond yield, the spread for tax compliance purposes between the mortgage yield and the bond yield was determined. Then, the amount of zero participation loans ("zeros") needed to bring the issue up to the maximum allowable tax spread of 1.125% was computed, based on current bond interest rates and THDA's current mortgage rates.

- Scenario 1 shows a level-debt issue with no PAC bonds, refunding component or overcollateralization. The spread for tax purposes is 0.733%. \$13.125 million in zeros would be consumed to increase the issue to a full 1.125% spread. This is a viable structure but not optimal, see Scenarios 2 & 3 below.
- Scenario 2 includes non-AMT PAC bonds. The lower yield on the PAC reduces the overall bond yield by 0.18% and would result in a spread for tax purposes of 0.912%. \$7.5 million in zeros would be consumed to increase the issue to a full 1.125% spread.
- Scenario 3 assumes \$15 million in unencumbered, seasoned mortgage loans are transferred and used to over-collateralize and accelerate the repayment of the Issue 2018-1 bonds. The structure also incorporates a non-AMT PAC. Since the added collateral allows for a shorter maturity schedule with a larger PAC bond, the bond yield is reduced 0.158% when compared to Scenario 2 above and would result in a spread for tax purposes of 1.071%. \$1.5 million in zeros would be consumed to increase the issue to a full 1.125% spread.

It should be noted that THDA has accumulated approximately \$92 million in zeros that can be used to subsidize new bond issues, such as Issue 2018-1. Each of the scenarios summarized above and listed in Exhibit A assume that THDA continues lending at interest rates of 4.25% and 3.75% for its Great Choice and Brave Choice loan programs, respectively.

As the financing is developed, production needs are refined, and the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds to evaluate if further refinement of the structure could offer an improvement in the pricing of Issue 2018-1.

Issuing the 2018-1 bonds under the 2013 General Resolution will avoid a state moral obligation pledge on the bonds.

Method of Sale

In the current market for housing bonds THDA will continue to benefit from offering its bonds via negotiated sale, rather than by competitive bid. Factors favoring a negotiated sale include:

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee and national retail investors with these buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT – as the Issue 2018-A non-AMT bonds – have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. Compared to offerings with little retail participation, interest rate savings on bonds sold principally to retail investors typically range from 0.05% to 0.10%. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

Market Volatility – A competitively bid bond issue requires that the timing and, to a significant extent, the final bond structure be established well in advance of the bid date. Continued market volatility and low housing bond volumes make it unlikely THDA could structure its bonds to obtain the lowest possible cost of debt in advance of pricing. A negotiated sale provides flexibility to price on shorter notice, to adjust the bond structure through the pricing period in response to market factors and investor indications, or to delay or accelerate the pricing as conditions warrant.

Complexity and Credit – While many investors are familiar with traditional bond structures used by housing finance agencies and whole loan-backed credits have recovered from the deep investor wariness that followed the Great Recession, a negotiated sale provides greater opportunity to communicate with investors about the more complex structure, program, and credit features of THDA's bonds.

Bond Structure – Though Issue 2018-1 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale to cater to the interests of certain investors, such as those interested in the PACs, or with additional maturities or features or in bonds priced at a premium or discount. A negotiated sale provides greater flexibility to make structural changes, as reflected in THDA's offerings in recent years in which negotiated long serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

Pricing Oversight – THDA's policies and practices for negotiated bond sales – including the review of co-manager price views, consensus scales, comparable pricings, historic and current spreads, other current market data, and concurrent monitoring by the Office of State and Local Finance and CSG – provide THDA with the basis for confirming that its bonds are priced fairly at time of sale. In advance of the offering CSG also provides a pre-pricing memo with information related to general bond market conditions, the housing bond market, and projected interest rate levels based on recent housing bond issues, previous THDA offerings, pending statistical releases, and candid independent discussions with uninvolved third-party underwriting desks. To manage incentives for the syndicate members and investors, CSG also advises on syndicate rules and procedures, proposed holdbacks of specific maturities, and allotments of bonds.

Recommendations

CSG Advisors recommends that the THDA Board of Directors and THDA Bond Finance Committee:

- Authorize the issuance and sale of Residential Finance Program Bonds, Issue 2018-1 with a par amount not to exceed \$150 million;
- Delegate to the Bond Finance Committee the authority to:
 - Establish the principal amount of Issue 2018-1, with the aggregate size of Issue 2018-1 not to exceed \$150 million;
 - Establish the structure, sub-series and pricing schedule of Issue 2018-1;
 - Approve long and shorter maturity bonds in any combination of fixed rate bonds not to exceed a maturity of 32 years; and
 - Approve the transfer of up to \$15 million of unencumbered seasoned THDA mortgage loans or other resources from THDA's 1985 General Resolution to over-collateralize Issue 2018-1.
- Based on current market conditions and for the reasons described above, authorize Issue 2018-1 via a negotiated sale.

Exhibit A

Preliminary Structuring Analysis Interest Rates as of January 8, 2018

<u>Structuring Scenario</u>			Scenario 1 No PAC / No Overcollateralization	Scenario 2 With PAC / No Overcollateralization	Scenario 3 With PAC / With Overcollateralization
Including PAC Bonds			No	Yes	Yes
Including \$15,000,000 Over-Collateralization			No	No	Yes
<u>Issue Amounts</u>					
New Money	Non-AMT		150,000,000	150,000,000	150,000,000
TOTAL			150,000,000	150,000,000	150,000,000
<u>Bond Structure</u>					
		Coupon / Yield			
Serials 2019-2028	Non-AMT	1.55 - 2.75 %	37,400,000	25,165,000	27,905,000
Term 2033	Non-AMT	3.200 %	22,215,000	15,000,000	16,960,000
Term 2038	Non-AMT	3.450 %	25,715,000	17,395,000	19,935,000
Term 2043	Non-AMT	3.600 %	30,045,000	20,380,000	17,530,000
Term 2048	Non-AMT	3.650 %	34,625,000	22,005,000	7,040,000
Term PAC	Non-AMT	3.75 / 2.36 %	-	50,055,000	60,630,000
			150,000,000	150,000,000	150,000,000
<u>Yields</u>					
Mortgage Yield (1)			4.087 %	4.087 %	4.087 %
Bond Yield			3.354 %	3.174 %	3.016 %
Yield Spread			0.733	0.912	1.071
Zero Percent Loans (Needed) / Created			(13,125,000)	(7,500,000)	(1,500,000)
Yield Spread After Zero Participations			1.125 %	1.125 %	1.125 %

(1) Based on assumed Great Choice Loans & Brave Choice Loans as summarized below with 5.00% 2nd lien downpayment / closing cost assistance loans.

Program	Origination Amount	Mortgage Rate	Notes
Great Choice	145,500,000	4.250%	[Existing/Future Production]
Brave Choice	4,500,000	3.750%	[Existing/Future Production]
85 Ind Overcollateralization	15,000,000	5.000%	[reflected in Scenario 3 only]

Exhibit A - Supplement: Impact of Changing Future Mortgage Rates

Preliminary Structuring Analysis

Interest Rates as of January 8, 2018

Note: All references to mortgage rates refer to the mortgage rate on Great Choice loans

Structuring Scenario	Scenario 1 No PAC / No Overcollateralization	Scenario 2 With PAC / No Overcollateralization	Scenario 3 With PAC / With Overcollateralization
Including PAC Bonds	No	Yes	Yes
Including \$15,000,000 Over-Collateralization	No	No	Yes
Bond Yields	3.354 %	3.174 %	3.016 %
<u>Mortgage Rates and Zero Percent Loans Needed</u>			
A Mortgage Rate on 'Future' Mortgages	4.250 %	4.250 %	4.250 %
Mortgage Yield (1)(2)	4.087 %	4.087 %	4.087 %
Yield Spread	0.733	0.912	1.071
Zero Percent Loans (Needed) / Created for Full Spread	(13,125,000)	(7,500,000)	(1,500,000)
B Mortgage Rate on 'Future' Mortgages to Reduce Zeros by 50%	4.440 %	4.360 %	4.270 %
Mortgage Yield (1)	4.479 %	4.299 %	4.141 %
Yield Spread	1.125	1.125	1.125
Zero Percent Loans (Needed) / Created for Full Spread	(6,562,500)	(3,750,000)	(750,000)
C Mortgage Rate on 'Future' Mortgages to Reduce Zeros by 100%	4.620 %	4.460 %	4.290 %
Mortgage Yield (1)	4.479 %	4.299 %	4.141 %
Yield Spread	1.125	1.125	1.125
Zero Percent Loans (Needed) / Created for Full Spread	-	-	-

(1) Based on Great Choice Loans & Brave Choice Loans with 5.00% 2nd lien downpayment / closing cost assistance loans.

(2) Prior to the application of zeroes (Needed) / Created

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2018-1
January 22, 2018

Pursuant to TCA Section 13-23-120(e)(4):

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2018-1 (the “Bonds”), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”).

The aggregate principal amount of the Bonds shall not exceed \$150,000,000. The actual aggregate principal amount shall be determined by the Bond Finance Committee of the THDA Board of Directors (the “Bond Finance Committee”) upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA’s Bond Counsel and may take into account the following limitations and other factors:

- (1) the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and
- (2) the amount of Bonds that may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans financed from available THDA funds prior to the availability of proceeds from the Bonds; and
- (3) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and
- (4) the availability of THDA’s funds, subject to the review of the Bond Finance Committee, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and
- (5) the amount of resources (loans and cash) available under the 1985 General Resolution to overcollateralize the Bonds to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

APPLICATION
OF PROCEEDS:

Proceeds of the Bonds will be applied to (i) finance Program Loans by the direct purchase thereof; and (ii) other uses as specified below in approximately the following amounts:

- 90% for single-family first lien mortgage loans,
refinancing outstanding bonds;
- 8% for bond reserve;
- 1% for capitalized interest; and
- 1% for cost of issuance and underwriter's
discount/fee.

DATE, METHOD AND
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than June 30, 2018. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors, and its bond counsel, Kutak Rock.

MATURITIES:

The Bonds may be any combination of tax-exempt and/or taxable long and/or short term serial, term, and/or discounted or premium bonds as may be determined by the Bond Finance Committee. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance.

BOND INTEREST RATES:

The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum.

REDEMPTION TERMS:

The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Bond Finance Committee.

LOAN INTEREST RATES AND
COST OF ADMINISTRATION:

Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA's costs of administration for the Bonds may be paid.

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2018-1
January 23, 2018

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on January 23, 2018, approved a plan of financing for Residential Finance Program Bonds, Issue 2018-1 (the “Bonds”) in an aggregate par amount not to exceed \$150,000,000 (the “Plan of Financing”); and

WHEREAS, the Plan of Financing provides for the Bonds to be issued as additional series of long term and/or short term tax-exempt and/or taxable bonds, with fixed interest rates, under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”) and to be sold by competitive or negotiated sale, all at the election of the Committee; and

WHEREAS, THDA on January 23, 2018, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 8, 2018, primary housing costs exceed 25% of an average Tennessee household’s gross monthly income; and

WHEREAS, pursuant to Section 147 of the Internal Revenue Code of 1986, as amended (the “Code”), THDA must conduct a public hearing regarding the issuance of the Bonds and submit the results of the public hearing to the Governor of the State of Tennessee for approval; and

WHEREAS, THDA proposes to distribute a preliminary official statement (the “Preliminary Official Statement”) to prospective purchasers and to make available to the respective purchasers a final official statement (the “Official Statement”) with respect to the Bonds; and

WHEREAS, the Board wishes to authorize the Committee to proceed with the issuance and sale of the Bonds to provide funds for THDA’s programs in accordance with the Plan of Financing and this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY AS FOLLOWS:

1. The issuance and sale of the Bonds, in an aggregate par amount not to exceed \$150,000,000, with the final terms, all as determined by the Committee, upon the recommendation of THDA’s Financial Advisor, the Executive Director and the Secretary of the Committee, with the approval of THDA’s Bond Counsel, is hereby authorized.

2. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, \$_____ Issue 2018-1A (AMT), \$_____ Issue 2018-1B (Non-AMT), and \$_____ Issue 2018-1C (Non-AMT)” (the “Supplemental Resolution”), in the form attached hereto, is adopted, subject to the provisions contained herein.

3. THDA is authorized and directed to conduct a public hearing prior to the issuance of the Bonds, to the extent required by the Code, with reasonable public notice and to submit the results of the public hearing to the Governor to obtain the Governor’s written approval.

4. The Committee is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds; (f) approve a final principal amount or amounts, not to exceed a par amount of \$150,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Committee, upon the recommendation of the Executive Director or Secretary of the Committee, with the approval of Chief Legal

Counsel of THDA and Bond Counsel, as the Committee shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; and (j) award the Bonds in accordance therewith. At the discretion of the Committee, the Bonds may include new volume cap and any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Resolution, under the General Homeownership Program Bond Resolution or under the General Housing Finance Resolution, including, without limitation, to produce proceeds for new mortgage loans or to produce economic savings or opportunities for interest rate subsidies. In addition, the Committee, at its discretion may elect to transfer resources from the General Homeownership Program Bond Resolution and/or the General Housing Finance Resolution to the General Resolution in connection with the issuance of the Bonds upon recommendation of the Executive Director or Secretary of the Committee with the approval of Bond Counsel, Financial Advisor and Chief Legal Counsel.

5. The Assistant Secretary of the Committee, with the assistance of Bond Counsel, the Financial Advisor, and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare a Preliminary Official Statement and a final Official Statement for printing and distribution in connection with the issuance and sale of the Bonds.

6. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the competitive sale of all or any portion of the Bonds or all documents, including, without limitation, a purchase agreement in a form appropriate for a negotiated sale, including a private placement, of all or any portion of the Bonds, as determined to be necessary or appropriate, for a negotiated sale of all or any portion of the Bonds.

7. The Secretary of the Committee, or the Chair, the Vice Chair, or the Executive Director of THDA is hereby authorized to execute (i) the proposal submitted by the lowest bidder or bidders in the event of a competitive sale of all or any portion of the Bonds or (ii) a purchase agreement in the event of a negotiated sale, including a private placement, of all or any portion of the Bonds, the form of which has been approved by the Committee, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to deliver the Bonds as appropriate.

8. The Assistant Secretary of the Committee is hereby authorized to do and perform all acts and things provided to be done or performed by the Secretary of the Committee herein, in the General Resolution and in the Supplemental Resolution.

9. The Secretary of the Committee, and the Chair, the Vice-Chair, the Executive Director, the Director of Finance and the Chief Legal Counsel of THDA and other appropriate officers and employees of THDA are hereby authorized to do and perform or cause to be done and performed, for or on behalf of THDA, all acts and things (including, without limitation, execution and delivery of documents) that constitute conditions precedent to the issuance and sale of the Bonds or that are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the issuance and sale of the Bonds.

10. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Supplemental Resolution, as the context indicates.

11. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on January 23, 2018.

TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

\$_____ Issue 2018-1A (AMT)

\$_____ Issue 2018-1B (Non-AMT)

\$_____ Issue 2018-1C (Non-AMT)

Adopted January 23, 2018
as amended and supplemented
by the Bond Finance Committee
of THDA on _____, 2018

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A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS
\$ _____ **ISSUE 2018-1A (AMT)**
\$ _____ **ISSUE 2018-1B (Non-AMT)**
\$ _____ **ISSUE 2018-1C (Non-AMT)**

BE IT RESOLVED by the Board of Directors of the **TENNESSEE HOUSING DEVELOPMENT AGENCY** (“THDA”) as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution may hereafter be cited by THDA as the Issue 2018-1 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (the “General Resolution”) have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

 [“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2018-1 Bonds (including Program Securities and the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

 “*Bond Purchase Agreement*” means the contract for the purchase of the Issue 2018-1 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

 “*Business Day*” shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.

 “*Co-Managers*” means [FTN Financial Capital Markets, J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and Wiley Bros. – Aintree Capital, LLC].

 “*Code*” shall mean the Internal Revenue Code of 1986, as amended.

“DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Excess 2018-1 Principal Payments*” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2018-1 Bonds (including Program Securities [and the Transferred Program Loans]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2018-1 Bonds.

“*Issue 2018-1 Bonds*” means, collectively, the Issue 2018-1A Bonds, the Issue 2018-1B Bonds and the Issue 2018-1C Bonds.

“*Issue 2018-1A Bonds*” means the Issue 2018-1A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“*Issue 2018-1A PAC Bonds*” means the Issue 2018-1A Bonds in the aggregate principal of \$_____ maturing _____.]

[“*Issue 2018-1A PAC Bonds Planned Amortization Amount*” means the cumulative amount of Issue 2018-1A PAC Bonds expected to be redeemed upon the receipt of Excess 2018-1 Principal Payments at a rate equal to ____% PSA, as set forth in Exhibit B hereto.]

“*Issue 2018-1B Bonds*” means the Issue 2018-1B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“*Issue 2018-1C Bonds*” means the Issue 2018-1C Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“*Issue 2018-1C PAC Bonds*” means the Issue 2018-1C Bonds in the principal amount of \$_____ maturing _____.]

[“*Issue 2018-1C PAC Bonds Planned Amortization Amount*” means the cumulative amount of Issue 2018-1C PAC Bonds expected to be redeemed upon the receipt of Excess 2018-1 Principal Payments at a rate equal to ____% PSA, as set forth in Exhibit B hereto.]

“*Issue Date*” means the date on which the Issue 2018-1 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on _____, 2018.

“*MSRB*” means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

“*Official Statement*” means the Official Statement dated _____, 2018 used in connection with the sale of the Issue 2018-1 Bonds.

["*PAC Bonds*" means, collectively, the Issue 2018-1A PAC Bonds and the Issue 2018-1C PAC Bonds.]

"*Preliminary Official Statement*" means the Preliminary Official Statement dated _____, 2018 used in connection with the offering of the Issue 2018-1 Bonds.

"*Rating Agency*" shall mean Moody's Investors Service, Inc. (or any successor thereto), and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLP business (or any successor thereto).

["*Refunded Bonds*" means, THDA's Homeownership Program Bonds, Issue _____ and Homeownership Program Bonds, Issue _____.]

"*Resolution*" means this Supplemental Resolution adopted by THDA on January 23, 2018, as amended and supplemented by the Bond Finance Committee on _____, 2018.

"*Serial Bonds*" means the Issue 2018-1 Bonds which are not Term Bonds.

"*Term Bonds*" means, collectively, the Issue 2018-1A Bonds maturing _____, the Issue 2018-1B Bonds maturing _____ and the Issue 2018-1C Bonds maturing _____.

["*Transferred Investments*" means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2018-1 Bonds upon the refunding of the Refunded Bonds.]

["*Transferred Program Loans*" means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2018-1 Bonds upon the refunding of the Refunded Bonds.]

"*Underwriters*" means, collectively, [RBC Capital Markets, LLC, Raymond James & Associates, Inc., and Citigroup Global Markets Inc.], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2018-1 Bonds.

(c) Unless the context otherwise indicates, words of the masculine gender will be deemed and construed to include correlative words of feminine and neuter genders, words importing the singular number include the plural number and vice versa, and words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

(e) [Unless the context otherwise indicates, the term "Program Loan" as used herein shall include Transferred Program Loans and Program Securities and the phrase

“Program Loans allocable to the Issue 2018-1 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2018-1 Bonds.]

Section 1.03. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2018-1A are hereby authorized to be issued in the aggregate principal amount of \$_____, Residential Finance Program Bonds, Issue 2018-1B are hereby authorized to be issued in the aggregate principal amount of \$_____ and Issue 2018-1C are hereby authorized to be issued in the aggregate principal amount of \$_____. In addition to the title “Residential Finance Program Bond,” the Issue 2018-1 Bonds will bear the additional designations “Issue 2018-1A (AMT), “Issue 2018-1B (Non-AMT)” and “Issue 2018-1C (Non-AMT),” as appropriate. The Issue 2018-1 Bonds shall be issued only in fully registered form. The Issue 2018-1A Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds. The Issue 2018-1B Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds. The Issue 2018-1C Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds.

Section 2.02. Purposes. [The Issue 2018-1A Bonds and the Issue 2018-1B Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans and the Transferred Investments will become allocated to the Issue 2018-1 Bonds.] The Issue 2018-1C Bonds are being issued (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2018-1 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2018-1 Bonds.

The proceeds of the Issue 2018-1 Bonds [and the Transferred Investments] shall be applied in accordance with Article IV hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2018-1 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [July 1, 2018], at the rate set opposite such date in the following tables:

Issue 2018-1A Bonds
Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
	\$	%		\$	%

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	\$	%

Issue 2018-1B Bonds
Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
	\$	%		\$	%

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	\$	%

Issue 2018-1C Bonds
Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
	\$	%		\$	%

Term Bonds

Maturity Date	Principal Amount	Interest Rate
--------------------------	-----------------------------	--------------------------

\$

%

(b) Whenever the due date for payment of interest on or principal of the Issue 2018-1 Bonds or the date fixed for redemption of any Issue 2018-1 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2018-1 Bonds of each series maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2018-1 Bonds of each series maturing in such year. The Issue 2018-1 Bonds are to be lettered "RA," "RB," or "RC," as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2018-1 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2018-1 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2018-1 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2018-1 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2018-1 Bonds will not receive certificates representing their interest in the Issue 2018-1 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2018-1 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2018-1 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2018-1 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2018-1 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2018-1 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2018-1 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2018-1 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2018-1 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2018-1 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2018-1 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2018-1 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2018-1 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2018-1 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2018-1 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2018-1 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2018-1 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

Issue 2018-1A Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

Issue 2018-1B Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

Issue 2018-1C Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

(b) Upon the purchase or redemption of Issue 2018-1 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2018-1 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2018-1 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2018-1 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2018-1 Bonds maturing on and after [July 1, 2027] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [January 1, 2027] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

[[The PAC Bonds are subject to redemption at the option of THDA, either as a whole or in part at any time or on or after [January 1, 2027] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

<u>Period</u>	<u>Issue 2018-1A PAC Bond Redemption Price</u>	<u>Issue 2018-1C PAC Bond Redemption Price</u>
[January 1, 2027] to [_____]	[_____]%	[_____]%
[_____] and thereafter	[_____]	[_____]]

Section 2.10. Special Optional Redemption. The Issue 2018-1 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2018-1 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans

(including Program Securities [and the Transferred Program Loans]) allocated to the Issue 2018-1 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2018-1 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2018-1 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the related Planned Amortization Amount [and (C) shall be redeemed on a pro rata basis to the extent of any special optional redemption].

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2018-1 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2018-1 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2018-1 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10 [, and, to the extent the PAC Bonds are redeemed pursuant to any special optional redemption, the PAC Bonds shall be redeemed on a pro rata basis.]

Section 2.11. Special Mandatory Redemptions.

(a) ***Unexpended Proceeds.*** The Issue 2018-1 Bonds are subject to mandatory redemption on _____ in the event and to the extent that there are unexpended proceeds of the Issue 2018-1 Bonds on deposit in the Issue 2018-1 Subaccount of the Loan Fund on _____; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2018-1 Bonds are subject to mandatory redemption on _____, _____, to the extent any amounts remain on deposit in the Issue 2018-1 Subaccount of the Loan Fund on _____, _____.

The redemption price of the Issue 2018-1 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The

Issue 2018-1 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2018-1 Bonds then Outstanding [, and, to the extent the PAC Bonds are redeemed, the PAC Bonds shall be redeemed on a pro rata basis.]

(b) **[Excess 2018-1 Principal Payments (PAC Bonds).** The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2018-1 Principal Payments. Any Excess 2018-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [July 1, 2018]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2018-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2018-1 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2018-1 Principal Payments shall first be applied to redeem the PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2018-1A PAC Bonds Planned Amortization Amount and the Issue 2018-1C PAC Bonds Planned Amortization Amount, as applicable, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2018-1 Bonds (including Program Securities [and the Transferred Program Loans]) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2018-1 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2018-1A PAC Bonds Planned Amortization Amount and the Issue 2018-1C PAC Bonds Planned Amortization Amount, as applicable, (as set forth in “FIRST” above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2018-1 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds’ proportionate amount of all Issue 2018-1 Bonds then Outstanding and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

The Issue 2018-1A PAC Bonds Planned Amortization Amount, the Issue 2018-1C PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC

Bonds are redeemed from amounts on deposit in the Issue 2018-1 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

(c) **Ten Year Rule.**

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2018-1 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2018-1 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2018-1 Bonds (or the date of original issuance of the bonds refunded by the Issue 2018-1 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2018-1 Bonds on or before the next Interest Payment Date with respect to the Issue 2018-1 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2018-1 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2018-1 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the applicable Planned Amortization Amount only if there are no other Issue 2018-1 Bonds Outstanding and if such PAC Bonds are redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

Section 2.12. Selection by Lot. If less than all of the Issue 2018-1 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

Section 2.13. Purchase of Bonds by THDA or Trustee. Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.

ARTICLE III

SALE AND DELIVERY

Section 3.01. Sale.

(a) The Issue 2018-1 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chair, Secretary or Assistant Secretary of the Bond Finance Committee

and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2018-1 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2018-1 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2018-1 Bonds to the public is hereby authorized and approved.

(c) The Issue 2018-1 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2018-1 Supplemental Resolution.

ARTICLE IV

DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2018-1 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2018-1 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2018-1 Bonds. Amounts on deposit in the Issue 2018-1 Bond Subaccount of the Loan Fund in excess of \$_____ shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2018-1 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2018-1 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2018-1 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2018-1 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2018-1 Bonds shall not exceed 2% of the proceeds of the Issue 2018-1 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2018-1 Bond Subaccount of the Loan Fund which are to be used to finance

Program Loans (including Program Securities) (or other available funds of THDA), shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until _____, 2018.

The Bond Reserve Fund Requirement with respect to the Issue 2018-1 Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2018-1 Bonds plus the amount on deposit in the Issue 2018-1 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

Section 4.02. Proceeds of Issue 2018-1A Bonds and Issue 2018-1B Bonds. Proceeds of the Issue 2018-1A Bonds and Issue 2018-1B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2018-1 Bond Subaccount of the Loan Fund. On the Issuance Date, \$_____ of the amount on deposit in the Issue 2018-1 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2018-1A Bonds and the [entire proceeds of the] Issue 2018-1B Bonds [in the aggregate amount of \$_____ [and available funds of THDA in the amount of \$_____]]) shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans shall be credited to the Issue 2018-1 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]]

Section 4.03. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2018-1 Bonds unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the real property or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed by the Federal Housing Administration, the Farmers Home Administration, the Veteran’s Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or
- (c) have a principal balance not exceeding 78% of the value, as determined in an appraisal by or acceptable to THDA, or the purchase price of the property securing the Program Loan, whichever is less; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or purchase price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance

policy by a private mortgage insurance company, qualified to do business in the State and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or purchase price of the property securing the Program Loan, whichever is less.

ARTICLE V

FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Section 5.01. Form of Bonds. Subject to the provisions of the General Resolution, the Issue 2018-1 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication. The Issue 2018-1 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2018-1A (AMT)] [Issue 2018-1B (Non-AMT)] [Issue 2018-1C (Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

ARTICLE VI

MISCELLANEOUS

Section 6.01. No Recourse Against Members or Other Persons. No recourse may be had for the payment of principal of or premium or interest on the Issue 2018-1 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2018-1 Bonds and neither the members of THDA nor any person executing the Issue

2018-1 Bonds may be liable personally on the Issue 2018-1 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2018-1 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2018-1 Bonds. The Issue 2018-1 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2018-1 Bonds.

Section 6.03. Delivery of Projected Cash Flow Statements. THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

Section 6.04. Authorized Officers. The Chair, Vice Chair, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

Section 6.05. Authorized Trustee. THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

Section 6.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2018-1 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2018-1 Bonds from time to time.

Section 6.07. Continuing Disclosure Undertaking.

(a) THDA shall deliver to the MSRB, within 210 days after the end of each Fiscal Year:

(i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to

the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB or filed with the Securities and Exchange Commission.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2018-1 Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2018-1 Bonds, or other material events affecting the tax status of the Issue 2018-1 Bonds;

(vii) modifications to rights of the holders of the Issue 2018-1 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2018-1 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA);

(xiii) The consummation of a merger, consolidation or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2018-1 Bonds or defeasance of any Issue 2018-1 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2018-1 Bonds pursuant to the Resolution.

(c) THDA shall give notice to the Trustee and the MSRB in a timely manner of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2018-1 Bonds whether or not the Rule (as defined below) applies to such Issue 2018-1 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2018-1 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements

as so amended would have complied with the requirements of Rule 15c2-12 (the “Rule”) as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2018-1 Bonds or (B) the holders of the Issue 2018-1 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA’s obligations with respect to the beneficial owners of the Issue 2018-1 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2018-1 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2018-1 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

Section 6.08. Confirmation and Adjustment of Terms by Committee. The terms of the Issue 2018-1 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2018-1 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2018-1 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

Section 6.09. Effective Date. This Resolution will take effect immediately.

EXHIBIT A

BOND PURCHASE AGREEMENT

EXHIBIT B

[PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS]

<u>Date</u>	<u>[Issue 2018-1A PAC Bonds Planned Amortization Amount]</u>	<u>[Issue 2018-1C PAC Bonds Planned Amortization Amount]</u>
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**[[400]% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2018-1 BONDS]**

Date	Cumulative Amount	Date	Cumulative Amount
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EXHIBIT C

FORM OF BOND

REGISTERED

R[A][B][C][-1]

\$[_____]

**TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2018-1[A][B][C] [(AMT)][(Non-AMT)]**

Interest Rate	Dated Date	Maturity Date	Cusip
[____]%	[____], 2018	[_____]	880461[_____]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: [_____]

TENNESSEE HOUSING DEVELOPMENT AGENCY (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [July 1, 2018]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

This Bond is one of the bonds of THDA designated “Residential Finance Program Bonds” (herein called the “Bonds”) authorized to be issued in various series under and pursuant to the Tennessee Housing Development Agency Act, Sections 13-23-101 et seq., of the Tennessee Code Annotated, as amended (herein called the “Act”), a resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (herein called the “General Resolution”) and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and subject to the provisions thereof, may

otherwise vary. All Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated “Issue 2018-1[A][B][C]” (herein called the “Bonds”) issued in the aggregate principal amount of \$_____ under the General Resolution, a resolution of THDA adopted on January 23, 2018, as amended and supplemented by the Bond Finance Committee of THDA on _____, 2018 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by THDA with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. If such modification or amendment will by its terms not take effect so long as any Bonds of any specified like series and maturity remain outstanding, however, the consent of the holders of such Bonds shall not be required. In addition, certain other modifications or amendments to the Resolutions can be made which are not contrary to or inconsistent with the Resolutions without the consent of the Bondholders.

The holder of this Bond shall have no right to enforce the provisions of the Resolutions, to institute actions to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner’s attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner’s attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same subseries and maturity shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. THDA and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of

receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a special limited obligation of THDA payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

The Bonds are issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds are subject to optional, mandatory and sinking fund redemption as described in the Resolutions.

This Bond does not constitute a debt, liability or other obligation of the State or any political subdivision thereof other than THDA and neither the State nor any political subdivision thereof shall be obligated to pay the principal of the Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Resolutions until the Certificate of Authentication hereon shall have been signed by the Trustee.

The Act provides that neither the members of THDA nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution or statutes of the State and the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Bonds, together with all other indebtedness, of THDA, is within every debt and other limit prescribed by law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, TENNESSEE HOUSING DEVELOPMENT AGENCY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Executive Director, all as of the dated date shown above.

TENNESSEE HOUSING DEVELOPMENT
AGENCY

By _____
[_____] [SEAL]
Chair

Attest:

By _____
Ralph M. Perrey
Executive Director

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2018-1[A][B][C] [(AMT)][(Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Signatory

Dated: _____, 2018

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with the right of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____ (Cust)	Custodian _____ (Minor)
	under Uniform Gifts to Minors
	Act _____ (State)

Additional Abbreviations may also be used though
not in the above list

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney to transfer the said Bond on the bond register, with full power of substitution in the premises.

Dated: _____

Social Security Number or
Employer Identification
Number of Transferred: _____

Signature guaranteed: _____

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSEMENT OF THDA
FROM PROCEEDS OF ISSUE 2018-1
January 23, 2018

WHEREAS, the Tennessee Housing Development Agency (“THDA”) is financing mortgage loans for eligible borrowers to purchase single family residences in compliance with the Internal Revenue Code of 1986, as amended (the “Code”), and the General Residential Finance Program Bond Resolution, (the “2013 General Resolution”); and

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2018-1, if and when issued and sold (the “Bonds”), through the direct purchase of eligible mortgage loans; and

WHEREAS, THDA will continue to commit and purchase mortgage loans prior to the closing date for the Bonds (the “Closing”); and

WHEREAS, THDA expects that up to \$60,000,000 in mortgage loans may be purchased prior to Closing; and

WHEREAS, it is in the best interest of THDA to reimburse itself from the proceeds of the Bonds for THDA funds expended to purchase mortgage loans prior to the Closing.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THDA THAT:

1. Use of proceeds from the Bonds in an amount not to exceed Sixty Million and 00/100 Dollars (\$60,000,000) shall be used to reimburse THDA for the actual amounts expended to purchase mortgage loans made to eligible borrowers who purchased single family residences in accordance with the requirements of the Code and the 2013 General Resolution.
2. This resolution shall take effect immediately.



Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: January 10, 2018
TO: Audit & Budget Committee
Bond Finance Committee
FROM: Lynn E. Miller, Chief Legal Counsel *LEM*
SUBJECT: Payments for Issue 2017-5 Work

Due to the tax code changes that were ultimately enacted, THDA did not close the proposed \$750 million Issue 2017-5 bond issue. Given the unusual nature of the circumstances surrounding this proposed transaction, staff is recommending payment to RBC Municipal Products, LLC ("RBC"), their counsel, Chapman and Cutler LLP ("Chapman and Cutler"), and others who made extraordinary efforts in a short period on behalf of THDA to position THDA for this transaction should it have been necessary. As an example, RBC was the only banker who proposed to accept a private placement of the full \$900 million originally proposed for this transaction. Staff recognizes that the recommended payment is not the standard in the industry, but for the reasons stated, staff believes compensation is appropriate.

The compensation to RBC is \$50,000, compensation to Chapman and Cutler is \$24,020, compensation to two rating agencies is expected to be approximately \$13,100.

Staff recommends approval of these payments and authorization of the Executive Director to make them in a timely manner.

LEM/ds



Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: January 10, 2018

TO: Bond Finance Committee
Board of Directors

FROM: Lynn E. Miller, Chief Legal Counsel *LEM*

SUBJECT: Issue 2017-4 State Form CT-0253 DRAFT (the "State Form")

Attached please find the draft State Form for Issue 2017-4 that priced on November 8, 2017, and closed December 19, 2017. The invoice from Moody's has not been received. The State Form must be filed with the Office of the Comptroller no later than February 2. We will file a final form once Moody's invoice is received and circulate a copy to the full Board.

The form, with attachments, provides basic information including maturity dates, amounts and interest rates for the bonds. It also shows the costs associated with the transaction in Item 11 of the form. These costs are consistent with costs of prior transactions and, in general, are on the lower end of costs for the industry.

This chart compares fee and expense information received to date for the current bond issue and the three prior bond issues.

Fees/Expenses ¹ Paid To:	2013 Resolution			
	\$99,900,000 Issue 2017-4	\$99,900,000 Issue 2017-3	\$175,000,000 Issue 2017-2	\$100,000,000 Issue 2017-1
Financial Advisor	\$ 37,500	\$ 47,500	\$ 60,000	\$ 70,000
Bond Counsel	35,000	35,000	35,000	35,000
Trustee	4,995	4,995	8,750	5,000
Bookrunning Underwriter	628,691	626,443	1,029,490	608,338
Moody's ²	53,000	50,000	96,500	70,000
Standard & Poor's	48,000	48,000	90,000	57,600
i-Deal	1,500	1,500	1,500	1,500
General Services Print Shop	1,396	1,239	1,254	1,408
Total Fees/Expenses Per Bond Issue	\$ 810,082	\$ 814,677	\$ 1,322,494	\$ 848,846

1. rounded to the nearest \$

2. estimated fee for Moody's pending receipt of the invoice

If you have questions, please call me at 615-815-2025 or by email at LMiller@thda.org

LEM/ds

Attachment

REPORT ON DEBT OBLIGATION

(Pursuant to Tennessee Code Annotated Section 9-21-151)

1. Public Entity:

Name: _____

Address _____

Debt Issue Name: _____

If disclosing initially for a program, attach the form specified for updates, indicating the frequency required.

2. Face Amount:

\$ _____

Premium/Discount: \$ _____

3. Interest Cost:

_____ %

☐ Tax-exempt☐ Taxable☐ TIC☐ NIC☐ Variable: Index _____ plus _____ basis points; or☐ Variable: Remarketing Agent _____☐ Other: _____**4. Debt Obligation:**☐ TRAN☐ RAN☐ CON☐ BAN☐ CRAN☐ GAN☐ Bond☐ Loan Agreement☐ Capital Lease

If any of the notes listed above are issued pursuant to Title 9, Chapter 21, enclose a copy of the executed note with the filing with the Office of State and Local Finance ("OSLF").

5. Ratings:☐ Unrated

Moody's _____

Standard & Poor's _____

Fitch _____

6. Purpose:☐ General Government

_____ %

☐ Education

_____ %

☐ Utilities

_____ %

☐ Other

_____ %

☐ Refunding/Renewal

_____ %

BRIEF DESCRIPTION**7. Security:**☐ General Obligation☐ General Obligation + Revenue/Tax☐ Revenue☐ Tax Increment Financing (TIF)☐ Annual Appropriation (Capital Lease Only)☐ Other (Describe): _____**8. Type of Sale:**☐ Competitive Public Sale☐ Interfund Loan☐ Negotiated Sale☐ Loan Program☐ Informal Bid**9. Date:**

Dated Date: _____

Issue/Closing Date: _____

REPORT ON DEBT OBLIGATION

(Pursuant to Tennessee Code Annotated Section 9-21-151)

10. Maturity Dates, Amounts and Interest Rates *:

Year	Amount	Interest Rate	Year	Amount	Interest Rate
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%

If more space is needed, attach an additional sheet.

If (1) the debt has a final maturity of 31 or more years from the date of issuance, (2) principal repayment is delayed for two or more years, or (3) debt service payments are not level throughout the retirement period, then a cumulative repayment schedule (grouped in 5 year increments out to 30 years) including this and all other entity debt secured by the same source **MUST BE PREPARED AND ATTACHED**. For purposes of this form, debt secured by an ad valorem tax pledge and debt secured by a dual ad valorem tax and revenue pledge are secured by the same source. Also, debt secured by the same revenue stream, no matter what lien level, is considered secured by the same source.

* This section is not applicable to the Initial Report for a Borrowing Program.

11. Cost of Issuance and Professionals:☐ No costs or professionals

	AMOUNT (Round to nearest \$)	FIRM NAME
Financial Advisor Fees	\$	
Legal Fees	\$	
Bond Counsel	\$	
Issuer's Counsel	\$	
Trustee's Counsel	\$	
Bank Counsel	\$	
Disclosure Counsel	\$	
_____	\$	
Paying Agent Fees	\$	
Registrar Fees	\$	
Trustee Fees	\$	
Remarketing Agent Fees	\$	
Liquidity Fees	\$	
Rating Agency Fees	\$	
Credit Enhancement Fees	\$	
Bank Closing Costs	\$	
Underwriter's Discount _____%		
Take Down	\$	
Management Fee	\$	
Risk Premium	\$	
Underwriter's Counsel	\$	
Other expenses	\$	
Printing and Advertising Fees	\$	
Issuer/Administrator Program Fees	\$	
Real Estate Fees	\$	
Sponsorship/Referral Fee	\$	
Other Costs _____	\$	
TOTAL COSTS	\$	

REPORT ON DEBT OBLIGATION

(Pursuant to Tennessee Code Annotated Section 9-21-151)

12. Recurring Costs:
☐ No Recurring Costs

	AMOUNT (Basis points/\$)	FIRM NAME (If different from #11)
Remarketing Agent	_____	_____
Paying Agent / Registrar	_____	_____
Trustee	_____	_____
Liquidity / Credit Enhancement	_____	_____
Escrow Agent	_____	_____
Sponsorship / Program / Admin	_____	_____
Other _____	_____	_____

13. Disclosure Document / Official Statement:
☐ None Prepared

☐ EMMA link _____ or

☐ Copy attached
14. Continuing Disclosure Obligations:

Is there an existing continuing disclosure obligation related to the security for this debt?

☐ Yes

☐ No

Is there a continuing disclosure obligation agreement related to this debt?

☐ Yes

☐ No

If yes to either question, date that disclosure is due _____

Name and title of person responsible for compliance _____

15. Written Debt Management Policy:

Governing Body's approval date of the current version of the written debt management policy _____

Is the debt obligation in compliance with and clearly authorized under the policy?

☐ Yes

☐ No
16. Written Derivative Management Policy:
☐ No derivative

Governing Body's approval date of the current version of the written derivative management policy _____

Date of Letter of Compliance for derivative _____

Is the derivative in compliance with and clearly authorized under the policy?

☐ Yes

☐ No
17. Submission of Report:

To the Governing Body:

on _____

and presented at public meeting held on _____

Copy to Director to OSLF:

on _____

either by:

☐ Mail to:

505 Deaderick Street, Suite 1600
James K. Polk State Office Building
Nashville, TN 37243-1402

OR

☐ Email to:

StateAndLocalFinance.PublicDebtForm@cot.tn.gov
18. Signatures:

AUTHORIZED REPRESENTATIVE

PREPARER

Name _____

Title _____

Firm _____

Email _____

Date _____

2. PREMIUM/DISCOUNT:

Includes the original issue premium of \$2,410,460.00 on the Issue 2017-4B Bonds maturing July 1, 2048, less original issue discount of \$35,275.00 on the Issue 2017-4B Bonds maturing July 1, 2032.

10. MATURITY DATES, AMOUNTS AND INTEREST RATES

\$11,460,000 Issue 2017-4A (Non-AMT)

\$11,460,000 Serial Bonds						
Year	Principal Amount Due January 1	Interest Rate	CUSIP Number⁽¹⁾	Principal Amount Due July 1	Interest Rate	CUSIP Number⁽¹⁾
2018				\$ 440,000	0.95 %	880461QZ4
2019	\$ 1,075,000	1.15 %	880461RA8	1,240,000	1.25	880461RB6
2020	1,255,000	1.35	880461RC4	1,265,000	1.45	880461RD2
2021	1,275,000	1.50	880461RE0	1,290,000	1.60	880461RF7
2022	1,305,000	1.65	880461RG5	1,315,000	1.75	880461RH3
2023	1,000,000	1.80	880461RJ9			

\$88,440,000 Issue 2017-4B (Non-AMT)[†]

\$22,820,000 Serial Bonds						
Year	Principal Amount Due January 1	Interest Rate	CUSIP Number⁽¹⁾	Principal Amount Due July 1	Interest Rate	CUSIP Number⁽¹⁾
2023	\$ 330,000	1.80 %	880461RK6	\$ 1,350,000	1.90 %	880461RL4
2024	1,365,000	2.00	880461RM2	1,385,000	2.00	880461RN0
2025	1,405,000	2.10	880461RP5	1,425,000	2.20	880461RQ3
2026	1,445,000	2.30	880461RR1	1,465,000	2.35	880461RS9
2027	1,490,000	2.45	880461RT7	1,515,000	2.50	880461RU4
2028	1,540,000	2.65	880461RV2	1,565,000	2.70	880461RW0
2029	1,590,000	2.75	880461RX8	1,620,000	2.80	880461RY6
2030	1,650,000	2.85	880461SD1	1,680,000	2.90	880461SE9

\$65,620,000 Term Bonds			
Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number⁽¹⁾
July 1, 2032	\$ 7,055,000	3.00 %	880461RZ3
July 1, 2037	10,745,000	3.35	880461SA7
July 1, 2040	21,820,000	3.45	880461SB5
July 1, 2048 (PAC)	26,000,000	4.00	880461SC3

PRICE OF ISSUE 2017-4B BONDS DUE JULY 1, 2032: 99.500%

PRICE OF ISSUE 2017-4B BONDS DUE JULY 1, 2048 (PAC): 109.271%

PRICE OF ALL REMAINING ISSUE 2017-4 BONDS: 100.000%

⁽¹⁾ The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

[†] Interest on the Issue 2017-4B Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

13. DISCLOSURE DOCUMENT:

TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

\$11,460,000 Issue 2017-4A (Non-AMT)

\$88,440,000 Issue 2017-4B (Non-AMT)

Adopted September 26, 2017
as amended and supplemented
by the Bond Finance Committee
of THDA on November 8, 2017

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**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS
\$11,460,000 ISSUE 2017-4A (Non-AMT)
\$88,440,000 ISSUE 2017-4B (Non-AMT)**

BE IT RESOLVED by the Board of Directors of the **TENNESSEE HOUSING DEVELOPMENT AGENCY** (“THDA”) as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution may hereafter be cited by THDA as the Issue 2017-4 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (the “General Resolution”) have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2017-4 Bonds (including the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.

“*Bond Purchase Agreement*” means the contract for the purchase of the Issue 2017-4 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

“*Business Day*” shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.

“*Co-Managers*” means FTN Financial Capital Markets, J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and Wiley Bros. – Aintree Capital, LLC.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended.

“*DTC*” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Excess 2017-4 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2017-4 Bonds (including the Transferred Program Loans) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2017-4 Bonds.

“Issue 2017-4 Bonds” means, collectively, the Issue 2017-4A Bonds and the Issue 2017-4B Bonds.

“Issue 2017-4A Bonds” means the Issue 2017-4A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“Issue 2017-4B Bonds” means the Issue 2017-4B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“Issue Date” means the date on which the Issue 2017-4 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on December 19, 2017.

“MSRB” means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

“Official Statement” means the Official Statement dated November 8, 2017 used in connection with the sale of the Issue 2017-4 Bonds.

“PAC Bonds” means the Issue 2017-4B Bonds in the aggregate principal amount of \$26,000,000 maturing July 1, 2048.

“PAC Bonds Planned Amortization Amount” means the cumulative amount of PAC Bonds expected to be redeemed upon the receipt of Excess 2017-4 Principal Payments at a rate equal to 100% PSA, as set forth in Exhibit B hereto.

“Preliminary Official Statement” means the Preliminary Official Statement dated October 31, 2017 used in connection with the offering of the Issue 2017-4 Bonds.

“Rating Agency” shall mean Moody’s Investors Service, Inc. (or any successor thereto), and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (or any successor thereto).

“Refunded Bonds” means THDA’s Homeownership Program Bonds, Issue 2008-1.

“Resolution” means this Supplemental Resolution adopted by THDA on September 26, 2017, as amended and supplemented by the Bond Finance Committee on November 8, 2017.

“*Serial Bonds*” means the Issue 2017-4 Bonds which are not Term Bonds.

“*Term Bonds*” means, collectively, the Issue 2017-4B Bonds maturing July 1, 2032, July 1, 2037, July 1, 2040, and July 1, 2048.

“*Transferred Investments*” means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2017-4 Bonds upon the refunding of the Refunded Bonds.

“*Transferred Program Loans*” means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2017-4 Bonds upon the refunding of the Refunded Bonds.

“*Underwriters*” means, collectively, RBC Capital Markets, LLC, Citigroup Global Markets Inc. and Raymond James & Associates, Inc., their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2017-4 Bonds.

(c) Unless the context otherwise indicates, words of the masculine gender will be deemed and construed to include correlative words of feminine and neuter genders, words importing the singular number include the plural number and vice versa, and words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

(e) Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans and Program Securities and the phrase “Program Loans allocable to the Issue 2017-4 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2017-4 Bonds.

Section 1.03. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2017-4A are hereby authorized to be issued in the aggregate principal amount of \$11,460,000 and Residential Finance Program Bonds, Issue 2017-4B are hereby authorized to be issued in the aggregate principal amount of \$88,440,000. In addition to the title “Residential Finance Program Bond,” the Issue 2017-4 Bonds will bear the additional designations “Issue 2017-4A (Non-AMT)” and “Issue 2017-4B (Non-AMT)” as appropriate. The Issue 2017-4

Bonds shall be issued only in fully registered form. The Issue 2017-4A Bonds will consist of \$11,460,000 principal amount of Serial Bonds. The Issue 2017-4B Bonds will consist of \$22,820,000 principal amount of Serial Bonds and \$65,620,000 principal amount of Term Bonds.

Section 2.02. Purposes. The Issue 2017-4A Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans and the Transferred Investments will become allocated to the Issue 2017-4 Bonds. The Issue 2017-4B Bonds are being issued (a) to finance Program Loans, or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2017-4 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2017-4 Bonds.

The proceeds of the Issue 2017-4 Bonds and the Transferred Investments shall be applied in accordance with Article IV hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2017-4 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing July 1, 2018, at the rate set opposite such date in the following tables:

Issue 2017-4A Bonds
Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
July 1, 2018	\$ 440,000	0.95%	January 1, 2021	\$ 1,275,000	1.50%
January 1, 2019	1,075,000	1.15	July 1, 2021	1,290,000	1.60
July 1, 2019	1,240,000	1.25	January 1, 2022	1,305,000	1.65
January 1, 2020	1,255,000	1.35	July 1, 2022	1,315,000	1.75
July 1, 2020	1,265,000	1.45	January 1, 2023	1,000,000	1.80

Issue 2017-4B Bonds
Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
January 1, 2023	\$ 330,000	1.80%	January 1, 2027	\$1,490,000	2.45%
July 1, 2023	1,350,000	1.90	July 1, 2027	1,515,000	2.50
January 1, 2024	1,365,000	2.00	January 1, 2028	1,540,000	2.65
July 1, 2024	1,385,000	2.00	July 1, 2028	1,565,000	2.70
January 1, 2025	1,405,000	2.10	January 1, 2029	1,590,000	2.75
July 1, 2025	1,425,000	2.20	July 1, 2029	1,620,000	2.80
January 1, 2026	1,445,000	2.30	January 1, 2030	1,650,000	2.85
July 1, 2026	1,465,000	2.35	July 1, 2029	1,680,000	2.90

Term Bonds

Maturity Date	Principal Amount	Interest Rate
July 1, 2032	\$ 7,055,000	3.00%
July 1, 2037	10,745,000	3.35
July 1, 2040	21,820,000	3.45
July 1, 2048 (PAC)	26,000,000	4.00

(b) Whenever the due date for payment of interest on or principal of the Issue 2017-4 Bonds or the date fixed for redemption of any Issue 2017-4 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2017-4 Bonds of each series maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2017-4 Bonds of each series maturing in such year. The Issue 2017-4 Bonds are to be lettered “RA” or “RB,” as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2017-4 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2017-4 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2017-4 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2017-4 Bonds will

be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2017-4 Bonds will not receive certificates representing their interest in the Issue 2017-4 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2017-4 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2017-4 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2017-4 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2017-4 Bonds shall be executed by the manual or facsimile signature of the Chairperson or Vice Chairperson and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2017-4 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2017-4 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2017-4 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2017-4 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2017-4 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2017-4 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2017-4 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2017-4 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2017-4 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2017-4 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2017-4 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2017-4 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

Issue 2017-4B Term Bonds due July 1, 2032

Date	Amount Due	Date	Amount Due
January 1, 2031	\$1,715,000	January 1, 2032	\$1,780,000
July 1, 2031	1,745,000	July 1, 2032*	1,815,000

*Maturity

Issue 2017-4B Term Bonds due July 1, 2037

Date	Amount Due	Date	Amount Due
January 1, 2033	\$ 980,000	July 1, 2035	\$1,085,000
July 1, 2033	995,000	January 1, 2036	1,105,000
January 1, 2034	1,020,000	July 1, 2036	1,130,000
July 1, 2034	1,040,000	January 1, 2037	1,155,000
January 1, 2035	1,060,000	July 1, 2037*	1,175,000

*Maturity

Issue 2017-4B Term Bonds due July 1, 2040

Date	Amount Due	Date	Amount Due
January 1, 2033	\$ 870,000	January 1, 2037	\$ 1,025,000
July 1, 2033	890,000	July 1, 2037	1,050,000
January 1, 2034	905,000	January 1, 2038	2,270,000
July 1, 2034	925,000	July 1, 2038	2,320,000
January 1, 2035	945,000	January 1, 2039	1,855,000
July 1, 2035	965,000	July 1, 2039	1,895,000
January 1, 2036	985,000	January 1, 2040	1,935,000
July 1, 2036	1,005,000	July 1, 2040*	1,980,000

*Maturity

Issue 2017-4B Term Bonds due July 1, 2048 (PAC)

Date	Amount Due	Date	Amount Due
January 1, 2041	\$ 1,420,000	January 1, 2045	\$ 1,635,000
July 1, 2041	1,445,000	July 1, 2045	1,665,000
January 1, 2042	1,475,000	January 1, 2046	1,690,000
July 1, 2042	1,500,000	July 1, 2046	1,720,000
January 1, 2043	1,525,000	January 1, 2047	1,750,000
July 1, 2043	1,550,000	July 1, 2047	1,780,000
January 1, 2044	1,580,000	January 1, 2048	1,815,000
July 1, 2044	1,605,000	July 1, 2048*	1,845,000

*Maturity

(b) Upon the purchase or redemption of Issue 2017-4 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2017-4 Bonds of such series and maturity will be credited by an amount bearing the same

ratio to such Sinking Fund Payment as the total principal amount of such Issue 2017-4 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2017-4 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2017-4 Bonds maturing on and after July 1, 2027, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after January 1, 2027 (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Section 2.10. Special Optional Redemption. The Issue 2017-4 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2017-4 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans allocated to the Issue 2017-4 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2017-4 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2017-4 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof, and (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the PAC Bonds Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2017-4 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2017-4 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2017-4 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

Section 2.11. Special Mandatory Redemptions.

(a) ***Unexpended Proceeds.*** The Issue 2017-4 Bonds are subject to mandatory redemption on October 1, 2018 in the event and to the extent that there are unexpended proceeds of the Issue 2017-4 Bonds on deposit in the Issue 2017-4 Subaccount of the Loan Fund on September 1, 2018; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2017-4 Bonds are subject to mandatory redemption on June 1, 2021, to the extent any amounts remain on deposit in the Issue 2017-4 Subaccount of the Loan Fund on May 1, 2021.

The redemption price of the Issue 2017-4 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2017-4 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2017-4 Bonds then Outstanding.

(b) ***Excess 2017-4 Principal Payments (PAC Bonds).*** The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2017-4 Principal Payments. Any Excess 2017-4 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing July 1, 2018; provided, however, that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2017-4 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2017-4 Bonds are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2017-4 Principal Payments shall first be applied to redeem the PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2017-4 Bonds are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2017-4 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount (as set forth in "FIRST" above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution,

including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2017-4 Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds’ proportionate amount of all Issue 2017-4 Bonds then Outstanding.

The PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2017-4 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.

(c) Ten Year Rule.

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2017-4 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2017-4 Bonds received more than ten years after the Issue Date of the Issue 2017-4 Bonds (or the date of original issuance of the bonds refunded by the Issue 2017-4 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2017-4 Bonds on or before the next Interest Payment Date with respect to the Issue 2017-4 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2017-4 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2017-4 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the PAC Bonds Planned Amortization Amount only if there are no other Issue 2017-4 Bonds Outstanding.

Section 2.12. Selection by Lot. If less than all of the Issue 2017-4 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

Section 2.13. Purchase of Bonds by THDA or Trustee. Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.

ARTICLE III

SALE AND DELIVERY

Section 3.01. Sale.

(a) The Issue 2017-4 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chair, Secretary or Assistant Secretary of the Bond Finance Committee and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2017-4 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2017-4 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2017-4 Bonds to the public is hereby authorized and approved.

(c) The Issue 2017-4 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2017-4 Supplemental Resolution.

ARTICLE IV

DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2017-4 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2017-4 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2017-4 Bonds. Amounts on deposit in the Issue 2017-4 Bond Subaccount of the Loan Fund in excess of \$11,460,000 shall be applied to (i) the financing of Program Loans, or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2017-4 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2017-4 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution;

provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2017-4 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2017-4 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2017-4 Bonds shall not exceed 2% of the proceeds of the Issue 2017-4 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2017-4 Bond Subaccount of the Loan Fund which are to be used to finance Program Loans (or other available funds of THDA), shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until December 19, 2018.

The Bond Reserve Fund Requirement with respect to the Issue 2017-4 Bonds shall be an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2017-4 Bonds plus the amount on deposit in the Issue 2017-4 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund which, together with any excess amounts on deposit in the Bond Reserve Fund, shall satisfy the Bond Reserve Requirement.

Section 4.02. Proceeds of Issue 2017-4A Bonds and Issue 2017-4B Bonds. Proceeds of the Issue 2017-4A Bonds and Issue 2017-4B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2017-4 Bond Subaccount of the Loan Fund. On the Issuance Date, \$11,460,000 of the amount on deposit in the Issue 2017-4 Bond Subaccount of the Loan Fund (representing the principal the proceeds of the Issue 2017-4A Bonds shall be applied to the refunding of the Refunded Bonds. On such date, the Transferred Program Loans shall be credited to the Issue 2017-4 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.

Section 4.03. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2017-4 Bonds unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the real property or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed by the Federal Housing Administration, the Farmers Home Administration, the Veteran’s Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or

(c) have a principal balance not exceeding 78% of the value, as determined in an appraisal by or acceptable to THDA, or the purchase price of the property securing the Program Loan, whichever is less; or

(d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or purchase price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to do business in the State and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or purchase price of the property securing the Program Loan, whichever is less.

ARTICLE V

FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Section 5.01. Form of Bonds. Subject to the provisions of the General Resolution, the Issue 2017-4 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication. The Issue 2017-4 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2017-4A (Non-AMT)] [Issue 2017-4B (Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

ARTICLE VI

MISCELLANEOUS

Section 6.01. No Recourse Against Members or Other Persons. No recourse may be had for the payment of principal of or premium or interest on the Issue 2017-4 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2017-4 Bonds and neither the members of THDA nor any person executing the Issue 2017-4 Bonds may be liable personally on the Issue 2017-4 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2017-4 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2017-4 Bonds. The Issue 2017-4 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2017-4 Bonds.

Section 6.03. Delivery of Projected Cash Flow Statements. THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

Section 6.04. Authorized Officers. The Chair, Vice Chair, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

Section 6.05. Authorized Trustee. THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

Section 6.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the

Issue 2017-4 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2017-4 Bonds from time to time.

Section 6.07. Continuing Disclosure Undertaking.

(a) THDA shall deliver to the MSRB, within 210 days after the end of each Fiscal Year:

(i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB or filed with the Securities and Exchange Commission.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2017-4 Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2017-4 Bonds, or other material events affecting the tax status of the Issue 2017-4 Bonds;

(vii) modifications to rights of the holders of the Issue 2017-4 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2017-4 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA);

(xiii) The consummation of a merger, consolidation or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2017-4 Bonds or defeasance of any Issue 2017-4 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such

redemption or defeasance is given to the owners of the Issue 2017-4 Bonds pursuant to the Resolution.

(c) THDA shall give notice to the Trustee and the MSRB in a timely manner of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2017-4 Bonds whether or not the Rule (as defined below) applies to such Issue 2017-4 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2017-4 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of Rule 15c2-12 (the "Rule") as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2017-4 Bonds or (B) the holders of the Issue 2017-4 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2017-4 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2017-4 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2017-4 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

Section 6.08. Confirmation and Adjustment of Terms by Committee. The terms of the Issue 2017-4 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2017-4 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2017-4 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

Section 6.09. Effective Date. This Resolution will take effect immediately.

EXHIBIT A

BOND PURCHASE AGREEMENT

EXHIBIT B

PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS

<u>Date</u>	<u>PAC Bonds</u>
	<u>Planned Amortization</u>
	<u>Amount</u>
July 1, 2018	\$ 295,000
January 1, 2019	675,000
July 1, 2019	1,530,000
January 1, 2020	2,865,000
July 1, 2020	4,650,000
January 1, 2021	6,755,000
July 1, 2021	8,915,000
January 1, 2022	11,010,000
July 1, 2022	12,985,000
January 1, 2023	14,840,000
July 1, 2023	16,570,000
January 1, 2024	18,185,000
July 1, 2024	19,690,000
January 1, 2025	21,075,000
July 1, 2025	22,355,000
January 1, 2026	23,525,000
July 1, 2026	24,590,000
January 1, 2027	25,545,000
July 1, 2027	26,000,000

**400% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2017-4 Bonds**

Date	Cumulative Amount	Date	Cumulative Amount
July 1, 2018	\$1,888,828	January 1, 2034	\$90,364,458
January 1, 2019	5,272,423	July 1, 2034	90,511,822
July 1, 2019	10,298,969	January 1, 2035	90,636,578
January 1, 2020	16,964,012	July 1, 2035	90,742,022
July 1, 2020	24,944,801	January 1, 2036	90,830,984
January 1, 2021	33,362,951	July 1, 2036	90,905,895
July 1, 2021	41,283,197	January 1, 2037	90,968,838
January 1, 2022	48,276,234	July 1, 2037	91,021,601
July 1, 2022	54,309,789	January 1, 2038	91,065,714
January 1, 2023	59,513,613	July 1, 2038	91,102,488
July 1, 2023	64,000,101	January 1, 2039	91,133,187
January 1, 2024	67,866,592	July 1, 2039	91,158,831
July 1, 2024	71,197,371	January 1, 2040	91,180,189
January 1, 2025	74,065,403	July 1, 2040	91,197,917
July 1, 2025	76,533,840	January 1, 2041	91,212,578
January 1, 2026	78,657,327	July 1, 2041	91,224,651
July 1, 2026	80,483,137	January 1, 2042	91,234,543
January 1, 2027	82,052,158	July 1, 2042	91,242,603
July 1, 2027	83,399,741	January 1, 2043	91,249,126
January 1, 2028	84,556,448	July 1, 2043	91,254,364
July 1, 2028	85,548,687	January 1, 2044	91,258,530
January 1, 2029	86,399,274	July 1, 2044	91,261,804
July 1, 2029	87,127,917	January 1, 2045	91,264,340
January 1, 2030	87,751,628	July 1, 2045	91,266,267
July 1, 2030	88,285,092	January 1, 2046	91,267,692
January 1, 2031	88,740,981	July 1, 2046	91,268,709
July 1, 2031	89,130,221	January 1, 2047	91,269,394
January 1, 2032	89,462,235	July 1, 2047	91,269,810
July 1, 2032	89,745,143	January 1, 2048	91,270,013
January 1, 2033	89,985,941	July 1, 2048	91,270,081
July 1, 2033	90,190,651	January 1, 2049	91,270,094

EXHIBIT C

FORM OF BOND

REGISTERED

R[A][B][-1]

\$[_____]

**TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2017-4[A][B] (Non-AMT)**

Interest Rate	Dated Date	Maturity Date	Cusip
[____]%	December 19, 2017	[_____]	880461[_____]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: [_____]

TENNESSEE HOUSING DEVELOPMENT AGENCY (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing July 1, 2018. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

This Bond is one of the bonds of THDA designated “Residential Finance Program Bonds” (herein called the “Bonds”) authorized to be issued in various series under and pursuant to the Tennessee Housing Development Agency Act, Sections 13-23-101 et seq., of the Tennessee Code Annotated, as amended (herein called the “Act”), a resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (herein called the “General Resolution”) and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and subject to the provisions thereof, may

otherwise vary. All Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated “Issue 2017-4[A][B]” (herein called the “Bonds”) issued in the aggregate principal amount of \$_____ under the General Resolution, a resolution of THDA adopted on September 26, 2017, as amended and supplemented by the Bond Finance Committee of THDA on November 8, 2017 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by THDA with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. If such modification or amendment will by its terms not take effect so long as any Bonds of any specified like series and maturity remain outstanding, however, the consent of the holders of such Bonds shall not be required. In addition, certain other modifications or amendments to the Resolutions can be made which are not contrary to or inconsistent with the Resolutions without the consent of the Bondholders.

The holder of this Bond shall have no right to enforce the provisions of the Resolutions, to institute actions to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner’s attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner’s attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same subseries and maturity shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. THDA and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of

receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a special limited obligation of THDA payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

The Bonds are issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds are subject to optional, mandatory and sinking fund redemption as described in the Resolutions.

This Bond does not constitute a debt, liability or other obligation of the State or any political subdivision thereof other than THDA and neither the State nor any political subdivision thereof shall be obligated to pay the principal of the Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Resolutions until the Certificate of Authentication hereon shall have been signed by the Trustee.

The Act provides that neither the members of THDA nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution or statutes of the State and the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Bonds, together with all other indebtedness, of THDA, is within every debt and other limit prescribed by law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, TENNESSEE HOUSING DEVELOPMENT AGENCY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Executive Director, all as of the dated date shown above.

TENNESSEE HOUSING DEVELOPMENT
AGENCY

By _____
Kim Grant Brown
Chair
[SEAL]

Attest:

By _____
Ralph M. Perrey
Executive Director

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2017-4[A][B] (Non-AMT) of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Signatory

Dated: December 19, 2017

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with the right of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____	Custodian _____
(Cust)	(Minor)
	under Uniform Gifts to Minors
	Act _____
	(State)

Additional Abbreviations may also be used though
not in the above list

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney to transfer the said Bond on the bond register, with full power of substitution in the premises.

Dated: _____

Social Security Number or
Employer Identification
Number of Transferred: _____

Signature guaranteed: _____

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.

13. OFFICIAL STATEMENT:

May Be Viewed On The Investors Webpage at THDA's Website At THDA.org

Tab # 4

Items:

Audit & Budget Committee Meeting Materials

Tennessee Housing Development Agency
Audit & Budget Committee
January 23, 2018
9:30 a.m. Central Time

AGENDA

1. Call to OrderLillard
2. Approval of Minutes from November 14, 2017
(will be sent under separate cover)Lillard
3. Payments for Issue 2017-5 Work Miller
4. Adjourn Lillard

LOCATION

William R. Snodgrass – Tennessee Tower
312 Rosa L. Parks Avenue, Third Floor
Nashville, Tennessee 37243

The Nashville Room

COMMITTEE MEMBERS

Treasurer David Lillard, Chair
Kim Grant Brown
Dorothy Cleaves
Secretary Tre Hargett
Austin McMullen
Pieter van Vuuren

To Be Sent Separately

Audit & Budget Committee

Agenda Item No.

2. Minutes from November 14, 2017

Documentation regarding this item will be provided prior to the January 23, 2018, Committee meeting.



Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: January 10, 2018
TO: Audit & Budget Committee
Bond Finance Committee
FROM: Lynn E. Miller, Chief Legal Counsel *LEM*
SUBJECT: Payments for Issue 2017-5 Work

Due to the tax code changes that were ultimately enacted, THDA did not close the proposed \$750 million Issue 2017-5 bond issue. Given the unusual nature of the circumstances surrounding this proposed transaction, staff is recommending payment to RBC Municipal Products, LLC ("RBC"), their counsel, Chapman and Cutler LLP ("Chapman and Cutler"), and others who made extraordinary efforts in a short period on behalf of THDA to position THDA for this transaction should it have been necessary. As an example, RBC was the only banker who proposed to accept a private placement of the full \$900 million originally proposed for this transaction. Staff recognizes that the recommended payment is not the standard in the industry, but for the reasons stated, staff believes compensation is appropriate.

The compensation to RBC is \$50,000, compensation to Chapman and Cutler is \$24,020, compensation to two rating agencies is expected to be approximately \$13,100.

Staff recommends approval of these payments and authorization of the Executive Director to make them in a timely manner.

LEM/ds

Tab # 5

Items:

Grants Committee Meeting Materials

**Tennessee Housing Development Agency
Grants Committee**

January 23, 2018

9:45 a.m. Central Time

AGENDA

1. Call to Order van Vuuren
2. Approval of Minutes for July 25, 2017, September 26, 2017 and the November 14, 2017 Meeting (**to be sent under separate cover**) Van Vuuren
3. 2018 Spring Round of the Tennessee Housing Trust Fund Competitive Grants Program Authorization Watt
4. 2014 HOME Program Extension Requests Watt
5. 2018 Fall Round of the Tennessee Housing Trust Fund Competitive Grants Update Watt
6. 2017 Emergency Solutions Grants Program Supplemental Awards Update Watt
7. Update on Sumner County HOME Grant (Verbal update) Watt
8. Adjourn.....van Vuuren

LOCATION

William R. Snodgrass – Tennessee Tower
312 Rosa L. Parks Avenue, Third Floor
Nashville, TN 37243

The Nashville Room

COMMITTEE MEMBERS

Pieter van Vuuren, Chair
Tre Hargett
Austin McMullen
Lynn Tully
Justin Wilson

Grants Committee

Tab # 5

Agenda Items No.

2. Grants Committee Meeting Minutes for July 25, September 26 and November 14, 2017 will be sent under separate cover
7. Sumner County 2011 HOME Grant (verbal)

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Tennessee Housing Development Agency
Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: January 9, 2018

RE: 2018 Spring Round of the Tennessee Housing Trust Fund Competitive Grant Program Description

THDA has available approximately \$2 million for the construction and rehabilitation of affordable rental housing through the 2018 Spring Round of the Tennessee Housing Trust Fund Competitive Grant Program. Staff is proposing the attached program description for the 2018 Spring Round (the "Program Description") with the following changes from the prior program description:

1. Clarified that rental assistance dedicated to a project is an eligible match source.
2. Clarified that the compliance period will begin for newly constructed units on the issue date of the certificate of occupancy for the final building within the project and, if a rehabilitated unit, on the date of recordation of the notice of completion for the project.
3. Added a requirement that all units available for occupancy must be listed on TNHousingSearch.org.
4. Clarified that documentation required to be submitted through the Participant Information Management System (PIMS) will not be considered if submitted through another means.

Staff recommends adoption of the attached 2018 Spring Round Program Description and authorization of the Executive Director or a designee to award 2018 Spring Round Tennessee Housing Trust Fund Competitive Grant Program funds to applicants for applications scored by staff based on the rating scale contained in the approved Program Description in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description. Staff will provide information to the Committee and Board regarding awards made under the 2018 Spring Round Tennessee Housing Trust Fund Competitive Grant Program at the meeting that immediately follows the date of the awards.



2018 TENNESSEE HOUSING TRUST FUND

SPRING ~~FALL~~ ROUND

COMPETITIVE GRANTS PROGRAM

Program Description and Application Package

The Tennessee Housing Development Agency (THDA) is seeking creative and innovative proposals for a FY 2018 Spring Round of Competitive Grants under the Tennessee Housing Trust Fund (THTF). The amount available for the FY 2018 Spring Round is approximately \$2.0 million. The purpose of this Program Description is to explain program requirements and the application process.

Applications for the FY 2018 ~~Fall~~Spring Round must be received by THDA on or before 4:00 PM CDT on Thursday, ~~September 28, 2017~~March 22, 2018. THDA anticipates notifying successful applicants by ~~November 30, 2017~~May 31, 2018. The ~~Fall~~Spring Round Competitive Grant contracts will begin ~~January~~July 1, 2018 and will end ~~December 31~~June 30, 2020~~1~~. Applicants should be aware that there is no cure period. Submission of a complete application is a threshold criterion.

The application package follows this Program Description. The Program Description and application in WORD-format are available at www.thda.org. At the THDA website, click on BUSINESS PARTNERS, then GRANT ADMINISTRATORS for links to the THTF Competitive Grants and the FY 2018 ~~Fall~~Spring Program Description and application. If you have questions please call (615) 815-~~2030~~2034.

A. ELIGIBLE APPLICANTS

THDA will accept applications for the FY 2018 ~~Fall~~Spring Round from cities, counties, development districts, public housing authorities, other Departments within State Government, and private, non-profit organizations, that each meet the requirements of this Program Description ("Applicant").

The Applicant selected for a THTF Competitive Grant ("Grantee") must be the owner of the proposed rental project at award. If the Grantee is a non-profit, ~~including those involved in a low income housing tax credit project,~~ the non-profit must be the sole general partner or the sole managing member of the ownership entity or own 100% of the stock of a corporate ownership entity.



All private, non-profit organizations must submit *Attachment One: Non-Profit Checklist* with supporting documentation. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than 30 days prior to the application date) or, if organized and existing in another state, be organized and existing under the laws of that state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from that state's Secretary of State dated no more than 30 days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than 30 days prior to the application date).

All private, non-profit Applicants must demonstrate at least two years of experience providing affordable housing or affordable housing related services in the state of Tennessee.

Additionally, Applicants seeking funding for transitional housing targeted to ex-offenders shall demonstrate good standing with the Tennessee Department of Corrections (TDOC) as of the date of submission of the 2018 ~~Fall~~Spring THTF application. All such Applicants shall be listed on TDOC's List of Approved Transitional Housing Providers.

Competitive Grant funds will be awarded to successful Applicants in the form of a grant. Applicants with prior Competitive Grants must also have *requested* the following percentages of their prior grants by ~~September 21, 2017~~March 15, 2018 to be eligible for the FY 2018 ~~Fall~~Spring Round Competitive Grant program:

COMPETITIVE GRANT YEAR	SPEND DOWN REQUIREMENT
201 5 <u>6</u> Spring <u>Fall</u> and earlier	100%
2016 Fall <u>Spring</u>	75%
201 6 <u>7</u> Spring <u>Fall</u>	50%
2017 Fall <u>Spring</u>	25%
201 7 <u>8</u> Spring <u>Fall</u>	Not Eligible

To meet the "requested" threshold criteria, THDA must have received an official, complete Request for Payment Form with supporting documentation from an Applicant with a prior Competitive Grant.

B. ELIGIBLE ACTIVITIES

All housing financed using THTF Competitive Grant resources must be affordable rental housing and must address the housing needs of households who are low, very low, and/or extremely low income as defined in Section F (1).

The following rental housing activities are eligible:

- New construction of rental housing units.
- Acquisition of rental housing units.



- Rehabilitation of rental housing units.
- Conversion of non-residential units to residential units.
- Combinations of the above.

The rental housing provided may be either permanent or transitional as defined below:

- “Permanent Housing” is community-based housing with a tenant on a lease (or a sublease) for an initial term of at least one year that is renewable and is terminable only for cause.
- “Transitional housing” is housing that is designed to provide individuals and families with interim stability and support for up to 24 months in order to assist the household successfully move to and maintain permanent housing. Transitional housing must include a lease, sublease, or occupancy agreement.

All Applicants shall complete *Attachment Two: Rental Housing Feasibility Worksheet* to demonstrate a need for the Competitive Grant funds and the financial feasibility of the project.

C. TARGET POPULATIONS

1. Low, very low and extremely low income households

Rental housing for households at or below 80% of Area Median Income (AMI) is eligible. THDA will provide a preference for applications with a 25% set-aside of units for households who are extremely low income (0-30% AMI) or with a 50% set-aside of units for very low income (0 – 50% AMI) households.

2. Housing for Individuals with Disabilities

Housing for Individuals with Disabilities is rental housing for adult persons with a disability. All households must have incomes less than 80% of AMI.

A “*person with disabilities*” is a person, who has a physical, mental or emotional impairment that is expected to be of long-continued and indefinite duration; substantially impedes his or her ability to live independently; and is of such a nature that such disability could be improved by more suitable housing.

A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability that is attributable to a mental or physical impairment or combination of mental and physical impairments; is manifested before the person attains age 22; is likely to continue indefinitely; results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and reflects the person’s need for a combination and sequence of special interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated.



Housing funded for this population must meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:

<https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider>.

The final rule requires that all home and community-based settings meet certain qualifications, including:

- The setting is integrated and supports full access to the greater community;
- Is selected by the individual from among setting options;
- Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint;
- Optimizes autonomy and independence in making life choices; and,
- Facilitates choice regarding services and who provides them.

Additionally for provider owned or controlled residential settings, the following additional requirements apply:

- The individual has a lease or other legally enforceable agreement providing similar protections;
- The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit;
- The individual controls his/her own schedule, including access to food at any time;
- The individual can have visitors at any time; and,
- The setting is physically accessible.

3. Housing for Youth Transitioning Out of the State's Foster Care System

Rental housing for youth transitioning out of the foster care system is eligible and is prioritized in the program's scoring matrix. All households must have incomes less than 80% of AMI. The head of the household must be at least 18 years of age and no more than 24 years of age at time of application for tenancy. All housing must provide flexible support services designed to help the individual stay housed and live a more productive life in the community.

4. Housing for the Elderly



Elderly populations are households where all household members are at least 62 years of age. All households must have incomes less than 80% of AMI. Housing for the elderly does not include hospices, nursing homes, or convalescent facilities.

5. Housing for Ex-Offenders

Rental housing for ex-offenders who are either homeless or at risk of homelessness and for those who are eligible for release by the Tennessee Board of Probation and Parole but who remain in custody due to having no other residential options is eligible. Housing for elderly offenders who are eligible for release by the Tennessee Board of Probation and Parole but who remain in custody due to no other residential options is encouraged. Housing for ex-offenders is prioritized in the program's scoring matrix.

All housing must provide support services designed to help the individual stay housed and live a more productive life in the community.

Certain ex-offenders, as described below, may not be eligible to reside in housing of this type developed with Competitive Grants. All households must have incomes less than 80% of AMI. Housing providers must abide by all TDOC rules and regulations and all State and Federal statutes and laws as applicable to the populations being served.

6. Housing for Veterans who are Homeless

Rental housing set-aside for veterans who are homeless. To be eligible, an individual or family must meet one of the categories of homeless and the head of household or their spouse must meet the definition of "veteran" as defined below:

- As defined by the U.S. Department of Housing and Urban Development under the Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH) at 24 CFR 91.5, "Homeless" includes:
 - (1) *Category I*: An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:
 - (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport or camping ground;
 - (ii) An individual or family living in a supervised publicly or privately operated shelter designed to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or



- (iii) An individual who is exiting an institution where he or she resided for 90 day or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;
- (2) *Category 2:* An individual or family who will imminently lose their primary nighttime residence, provided that:
 - (i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;
 - (ii) No subsequent residence has been identified; and
 - (iii) The individual or family lacks the resources or support networks, e.g., family friends, faith-based or other social networks, needed to obtain other permanent housing;
- (3) *Category 3:* Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:
 - (i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637 of the Head Start Act (42 U.S.C. 9832), section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), SECTION 17(b) or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434A);
 - (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing the 60 days immediately preceding the date of application for assistance;
 - (iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and
 - (iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or
- (4) *Category 4:* Any individual or family who:



- (i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;
 - (ii) Has no other residence; and
 - (iii) Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing.
- As defined by the U.S. Interagency Council on Homelessness, a "Veteran" is an adult who served on active duty in the armed forces of the United States, including persons who served on active duty from the military reserves or the National Guard.

D. PROHIBITED ACTIVITIES

A Grantee may not use the Competitive Grant for any of the following:

1. Pledge Competitive Grant funds as support for tax exempt borrowing by local grantees.
2. Provide off-site improvements or neighborhood infrastructure or public facility improvements.
3. Provide any portion of the THTF Competitive Grant or the required local match for administrative expenses by local governments.
4. Provide assistance to private, for-profit owners of rental property.
5. Implement homeowner rehabilitation projects.
6. Implement homeownership activities, including down payment assistance programs and the development of units for homeownership.
7. Acquire, rehabilitate or construct rental housing that is a treatment, hospice, nursing home, or convalescent facility.
8. Cover costs incurred prior to the THTF contract start date.

E. MATCH

Proposals must include a 50% match of the THTF development dollars awarded. THTF administrative funds allocated to the project are not required to be matched.



Eligible Sources of Match Include:

1. Grants from other agencies.
2. Federal sources such as the Community Development Block Grant (CDBG) program or USDA Rural Development.
3. Cash Contributions by local church groups, local agencies, or contributions by individuals.
4. Bank loans.
5. A funding pool established by a local lender for the applicant.
6. Supportive services provided for projects serving individuals with disabilities, homeless veterans, ex-offenders, the elderly, or youth transitioning out of the foster care system. The value of supportive services may be counted over the length of the applicable compliance period.
- ~~6-7~~. Rental assistance tied to the property. To be eligible, the commitment of rental assistance must extend beyond the end of the grant term and only that value of rental assistance beyond the grant term will be counted.
- ~~7-8~~. The value of property already owned by the Applicant upon which the proposed housing will be rehabilitated or constructed.
- ~~8-9~~. HOME grants from local participating jurisdictions to non-profit applicants.

Ineligible Sources of Match:

1. THDA HOME grants or other THDA program funds made available to Applicant will not be an eligible source of the matching funds.
2. In-kind donations, services, or labor will not be an eligible source of matching funds.

THDA will prioritize applications with a firm match commitment, the value of which is clearly documented in the application by the entity providing the match source.

F. PROGRAM REQUIREMENTS

1. INCOME LIMITS

Competitive Grants for rental projects may be used to benefit low-, *very low-* or *extremely low income* households.



- A. "Low income household" means an individual or family unit whose gross annual income does not exceed 80% of the area median income, adjusted for family size;
- B. "Very low income household" means an individual or family unit whose gross annual income does not exceed 50% of the area median income, adjusted for family size.
- C. "Extremely low income household" means an individual or family unit whose gross annual income does not exceed 30% of the area median income, adjusted for family size.

The income limits apply to the incomes of the tenants, not to the owners of the property.

Grantees shall use the income limits established by the U.S. Department of Housing and Urban Development for the HOME Program, and household income as defined by the Section 8 Rental Assistance Program. Current limits are in *Attachment Three: Income Limits*. The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other family member residing in the home or rental unit. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Grantees shall ensure occupancy of units for which Competitive Grants were used by low-, very low- or extremely low- income tenants during the five year compliance period. Tenants whose annual incomes increase to over 80% of area median may remain in occupancy, but must pay no less than 30% of their adjusted monthly income for rent and utilities.

2. CRIMINAL BACKGROUND

Grantees shall follow HUD regulations with regard to the provision of housing for ex-offenders. HUD regulations prohibit housing assistance to the following groups of ex-offenders:

- A. Ex-offenders who have been evicted from federally-assisted housing for drug-related criminal activity with an effective date of eviction within the last three (3) year period.
- B. An ex-offender household that includes a member who has ever been convicted of a drug-related criminal activity involving the manufacturing or production of methamphetamines on the premises of federally-assisted housing.
- C. An ex-offender household that includes a member who is subject to a lifetime registration requirement under a state sex offender registry program.

3. COMPLIANCE PERIOD

All rental housing projects for which competitive Grants are used shall have a compliance period that begins on-at the date of issuance of the certificate of occupancy for the final building within the project. If a certificate of occupancy is not issued, the compliance period will begin as-on the date of recordation of the notice of completion for the final building placed in serviceproject. Prior to drawing down Competitive Grant funds, Grantees



shall sign a grant note, deed of trust and restrictive covenant to enforce the compliance period. The Competitive Grant is forgiven at the end of the compliance period if full compliance was achieved throughout the compliance period.

The length of the compliance period will be determined based on the amount of Competitive Grant funds invested per unit:

Average Per Unit HTF Competitive Grant Investment	Compliance Period
< \$15,000	5 Years
\$15,000 – \$40,000	10 Years
> \$40,000	15 Years

4. PROPERTY STANDARDS

Property standards must be met when Competitive Grant funds are used for a project. Any rental units constructed or rehabilitated with Competitive Grant funds must meet THDA Design Standards for New Construction or Rehabilitation, as applicable. Additionally, all housing must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion. Following project completion, all properties assisted with Competitive Grant funds must meet Housing Quality Standards throughout the compliance period.

In addition to meeting the applicable THDA Design Standards, new construction of multi-family apartments of 3 or more units must meet the State-adopted edition of the International Building Code; new construction of single-family rental units or duplexes must meet the State-adopted edition of the International Residential Code for One- and Two-Family Dwellings; and rehabilitation of existing rental units must meet the State-adopted edition of the International Existing Building Code.

All contractors performing work on THTF assisted units must be appropriately licensed for the type of work being performed.

Inspections. All rehabilitation or new construction work must be inspected by a qualified licensed inspector based on the rules applicable for the local jurisdiction in which the units are located. Licensed inspectors are certified by the Tennessee Department of Commerce and Insurance – State Fire Marshal’s Office.

If a construction permit is issued by a local jurisdiction, inspection by a state certified inspector of that jurisdiction is required.



THDA will not make any funding awards for units in a jurisdiction where the unit cannot be inspected by a state certified building inspector or by a provider as permitted under State law.

Energy Code. New construction projects must also meet the current edition of the International Energy Conservation Code.

Visitability. Additional points will be awarded to Applicants proposing single-family rental or multi-family new construction projects that include design features to make the units visitable by individuals with physical disabilities. These options include a step-free entrance, free passage of 32-36" for interior/exterior doorways, and easy use by individuals confined to a wheelchair. Further information about visitability may be found at www.visitability.org.

Universal Design. Additional points will be awarded to applications that incorporate features that meet the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. Universal design, however, is inclusive of adaptable design as universal design incorporates structural features that will allow a residence to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:

- Stepless entrances
- Minimum 5' x 5' level clear space inside and outside entry door
- Broad blocking in walls around toilet, tub and shower for future placement of grab bars
- Full-extension, pull out drawers, shelves, and racks in base cabinets in the kitchen
- Front mounted controls on all appliances
- Lever door handles
- Loop handle pulls on drawers and cabinet doors

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <http://www.ncsu.edu/ncsu/design/cud/index.htm>.

5. RENT LEVELS

Every rental unit assisted with Competitive Grant funds is subject to rent controls designed to make sure that rents are affordable to low-, very low- or extremely low-income households. Unless the housing is a group home or a Single Room Occupancy (SRO) unit, the maximum rents used for Competitive Grants are the *High HOME rents*. The maximum rent for a Group home or a SRO unit is defined below.

However, Grantees are encouraged, but not required, to charge tenants in a rental property assisted with Competitive Grant funds no more than 30% of gross monthly income for rent. See *Attachment Four: HOME Program Rents*.



Rents are controlled for the length of the compliance period, and are determined on an annual basis by HUD. The published rents include utilities. *The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published HOME rents to determine the maximum allowable rents.*

Each Grantee should be aware of the market conditions of the area in which the project is located. The High HOME rents are maximum rents which can be charged. Each project should show market feasibility not based upon the High HOME rents, but rather upon area housing markets and THTF occupancy requirements which require occupancy by low-, very-low-, or extremely low-income tenants. Rents shall not exceed the published High HOME rents, adjusted for utility arrangements and bedroom size. However, because these rents must also be attractive to *low-, very low-, or extremely low- income* tenants, actual rents may be lower than the High HOME rents to keep within 30% of the tenant's monthly income. Programs should be designed so they take into consideration the market feasibility of projects funded.

A Competitive Grant may assist with the development of a group home, a housing unit that is occupied by two or more single persons or families. A group home consists of common space and/or facilities for group use by the occupants and, except in the case of a shared one-bedroom unit, a separate private space for each individual or family. Group homes often house the elderly or persons with disabilities who require accompanying supportive services. The calculation of the applicable rent and tenant contributions must follow the following requirements:

- A THTF-assisted group home is treated as a single THTF-assisted housing unit with multiple bedrooms. The THTF rent limit for a group home is the HUD-published Fair Market Rent (FMR) rent limit for the total number of bedrooms in the group home.
- However, the bedrooms of live-in supportive service providers or other non-client staff are not included when calculating the total number of bedrooms for the purpose of establishing the rent. For example, if one bedroom in a four-bedroom home is occupied by a service provider, the maximum rent for the group home is the HUD-published FMR Limit for a three-bedroom unit.
- The HUD-published FMR Limit is the maximum combined rent that can be charged to all income eligible tenants residing in the group home. Each tenant pays a pro-rata share of the total rent.
- When group home tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published FMR limit in order to determine the maximum combined rent that can be charged to all tenants.
- Group homes frequently include food and/or other supportive services to its residents. Group home rents may not include food costs or the costs of supportive services. Costs for such services must be billed as separate charges. For group home units that are



developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose services from another provider. The lease must also state whether the fee-based services are optional or mandatory and must identify the amount of the additional fees or surcharges separately from the basic THTF rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

A Competitive Grant may assist with the development of Single Room Occupancy (SRO) housing, which consists of a single room dwelling unit that is the primary residence of a single occupant. The unit may or may not have food preparation and sanitary facilities. Rents for SRO units are based on the HUD Fair Market Rent (FMR) or the HUD High HOME rent depending on the characterization of the unit as described below.

IF THE SRO HOUSING IS....	THEN...
A unit with <i>neither</i> food preparation nor sanitary facilities, or with one (food preparation or sanitary facilities)	The THTF rent may not exceed 75% of the HUD-published FMR limit for a 0-bedroom (efficiency) unit.
A unit with <i>both</i> food preparation and sanitary facilities	The THTF rent cannot exceed the HUD published High HOME rent limit for a 0-bedroom unit.
A unit that receives state or Federal <i>project-based</i> rental assistance and is occupied by a very low income tenant	The THTF rent can be the applicable State or Federal project-based rent, as long as it is occupied by a very low income tenant who does not pay more than 30% of the family's monthly adjusted income for rent.

The calculation of the applicable rent and tenant contributions must follow the following requirements:

- Utility costs are included in the maximum HOME or FMR SRO rent. If SRO tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published HOME rent limit or FMR limit in order to determine the maximum rent that can be charged for the SRO unit.
- SRO units may not include food costs or the costs of any supportive services. Costs for such services must be billed as separate charges. For SRO units that are developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose services from another provider.
- Each SRO tenant's lease must clearly state whether the fee-based services are optional or required and must also identify the amount of additional fees or surcharges



separately from the basic THTF rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

6. GRANTEE'S ON-GOING OBLIGATIONS FOR RENTAL PROPERTY

During the compliance period, a Grantee shall:

- A. Conduct initial and annual income certification of tenants;
- B. Adhere to the THTF rent limits;
- C. Comply with THDA Property Standards;
- D. Comply with fair housing and affirmative marketing requirements and,
- E. Report to THDA as THDA may require;
- F. Take other actions as THDA may require

G. PROCUREMENT

It is important to keep the solicitation of bids for goods and services, materials, supplies and/or equipment open and competitive. Grantees shall develop and follow their procurement policies. At a minimum, there must be an established selection procedure. Grantees shall obtain at least three bids, and the purchase should be made from the lowest ~~and-or~~ best bidder. There must be a written rationale for selecting the successful bid or proposal.

H. MARKETING REQUIREMENTS

One goal of Competitive Grants is to raise the profile of affordable housing at the local, state and federal level, and to demonstrate that decent housing impacts all facets of community development. Each Grantee shall implement marketing and public relations plans to accentuate the achievements of the program. THDA's Communications Division will assist in the development of these plans. Grantees shall submit data and beneficiary stories to THDA as may be required by THDA.

I. FAIR HOUSING AND EQUAL OPPORTUNITY

Each Grantee receiving a Competitive Grant shall comply with both state and federal laws regarding fair housing and equal opportunity (FHEO). FHEO requirements have been developed to protect individuals and groups against discrimination on the basis of: race, color, national origin, religion, age, disability, familial status, or sex.

In particular, owners and program administrators will need to be aware of discrimination issues with regard to: housing opportunities; employment opportunities; business opportunities; and benefits resulting from activities funded in full or in part by a Competitive Grant.



Each Grantee shall establish and follow procedures to inform the public and potential tenants of FHEO and the Grantee's affirmative marketing program. Grantees shall establish and follow procedures by which Grantees will solicit applications from potential tenants. Grantees shall maintain records of efforts to affirmatively market rental units. Grantees shall provide evidence of all of the above at the request of THDA.

J. TN HOUSING SEARCH.ORG

Beginning at the start of initial lease-up through the end of the compliance period, all Grantees shall list units available for occupancy on TNHousingSearch.org or any subsequent affordable rental housing locator system sponsored by THDA and, as permitted by the locator system for the type of housing funded.

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JK. APPLICATION AND EVALUATION PROCEDURE

Applications for Competitive Grants should be limited only by imagination, availability of matching funds, availability of support services, and a demonstrated need for the proposed project in a given area.

Proposals for funding in the FY 2018 ~~Fall~~Spring Round are limited to a maximum of \$500,000. There is no minimum grant amount. THDA expects that the combination of Competitive Grant funds and the required matching funds will be sufficient to allow the proposed project to be completed in a timely manner.

Applicants may request up to 7% of the grant request in administrative funds. Administrative funds may be used to pay administrative costs incurred by the grantee in the performance of program activities. Administrative funds are not subject to the match requirement. Proposals that address the housing needs of very low or extremely low income households, including youth transitioning from foster care and ex-offenders, especially elderly offenders who are eligible for release by the Tennessee Board of Probation and Parole but who remain in custody due to no other residential options and who meet other requirements specified in the Program Description, will receive additional points in the scoring matrix. Proposals with an identified, firm commitment for the matching funds are preferred and those proposals with a firm commitment for match resources which exceeds the 50% requirement will be highly preferred.

THDA will evaluate each application to determine if the proposal meets program criteria, including, without limitation, submission of a complete application; proposal of an eligible activity serving eligible populations, proposal of a project that is ready to get underway except for the gap in financing to be provided by the Competitive Grant; and proposal of a project that in the opinion of THDA, in its sole discretion, is physically, financially and administratively feasible.

Applications will not be considered if the following threshold items are not submitted to THDA by the application due date:

- Application signed by the Chief Executive of the organization or the President/Chairman of the Board of Directors.



- Copy of the latest audit or audited financial statement of the organization.
- ~~Copy of a current resolution by the Board of Directors or governing body approving the submission of the application under the 2018 Spring Housing Trust Fund Competitive Grants Program Description.~~
- ~~If a non-profit organization, a Certificate of Existence or Certificate of Authorization from the Tennessee Secretary of State, as applicable, dated within 30 days of the application date. If the non-profit organization is organized in a state other than Tennessee, a Certificate of Existence from the Secretary of State in which the organization was organized must also be submitted.~~
- ~~If a nonprofit organization, documentation of an IRS designation under Section 501(c)3 or Section 501(c)4 of the federal tax code.~~
- ~~If a nonprofit organization, copy of the Charter and By-laws of the organization.~~
- ~~Copy of a current resolution by the Board of Directors approving the submission of the application under the 2018 Fall Housing Trust Fund Program Description.~~

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Additionally, ~~All~~ all nonprofit organizations must upload through THDA's Participant Information Management System (PIMS) those organizational documents required to be uploaded through PIMS. Copies of organizational documents that are required to be submitted through PIMS, but that are submitted through another means, will not be considered.

Additionally, as a threshold requirement, organizations seeking funding for transitional housing targeted to ex-offenders shall demonstrate approval and good standing with the Tennessee Department of Corrections (TDOC) as of the application due date. All such organizations shall be listed on TDOC's List of Approved Transitional Housing Providers.

As a threshold requirement for consideration, applications from organizations seeking Competitive Grants to provide rental housing for ex-offenders shall provide a copy of the policies and procedures guiding the operation of their program and a copy of the program's application for tenancy.

A Review Committee will score and rank all applications meeting the threshold criteria, as determined by the Review Committee in its sole discretion. Applications will be ranked in descending numerical order based on the categories in the THTF Competitive Grant Matrix. Applicants must receive a minimum score of 60 to be considered for funding. The Review Committee will present its recommendations to the Executive Director for determination of awards.



THTF COMPETITIVE GRANT MATRIX

Up to 100 Points

1. CAPABILITY

Up to 70 points

- The program design is complete, and all necessary components are identified in the application. Up to 35 points
 - The proposal demonstrates adherence to program guidelines, is well designed for the targeted population, and demonstrates an effective use of THDA resources.
 - Sites have been identified and applicant has site control of the parcel(s) on which the housing will be developed or the applicant can demonstrate a consistent and successful history for securing ownership control of property in each of the past five consecutive years that is either (1) at least double the number of single family units proposed in this THTF application or (2) if multifamily housing is proposed, at least double the number of sites proposed for acquisition in this THTF application.
 - The project is physically, administratively, and financially feasible with sufficient revenue for the on-going operation of the housing during the compliance period.
 - The feasibility worksheet is complete, correct, and demonstrates a need for a Competitive Grant.
 - The proposed rents charged to tenants are reasonable given the income of the targeted population or rental assistance is committed to lower the contribution of the tenant toward rent and utilities.
 - If new construction, the housing will include design features that meet Universal Design standards, Visitability standards, and Energy code standards.
 - For projects targeting special populations, including individuals with disabilities, homeless veterans, or youth aging out of foster care, a firm commitment for the delivery of supportive services is in place.
 - For projects targeting ex-offenders, a plan for the screening of ex-offenders and a plan for the provision and funding of support services are in place.
 - For projects targeting individuals with disabilities, the proposed housing meets the goals of the Final Rule for the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that have been established by the Centers for Medicare and Medicaid Services (CMS) on January 16, 2014. Point deductions will be assessed if the CMS qualities of settings are not met based on THDA's sole determination.
 - The applicant demonstrates the likelihood and feasibility to secure matching funds. Firm commitment letters are included in the application.



- The Applicant demonstrates sufficient capacity to successfully carry out the proposed project. Up to 35 points
 - The Applicant and its staff have experience in providing housing to the targeted population.
 - The Applicant and its staff have a demonstrated capacity to manage rental housing.
 - The Applicant's organizational budget reflects multiple sources of funding.
 - If the Applicant has previous experience with Competitive Grants or other programs, point deductions will be assessed if the Applicant has not demonstrated success in:
 - drawing down funds;
 - completing a project in a timely manner;
 - operating a program within THDA guidelines; and,
 - responding in a timely fashion to client concerns or complaints, contractor concerns or complaints, and requests by THDA staff for information and/or client stories.

2. NEED

Up to 20 points

Income Targeting

Up to 4 points

- The Applicant will set aside 25% of the units for individuals at 30% of AMI or less 3 points
- The Applicant will set aside 50% of the units for individuals at 50% of AMI or less 1 point
- The Applicant will set aside 100% of the units for individuals at 80% of AMI or less 0 points

Targeted Populations in THDA Strategic Plan

Up to 7 points

- THDA will award up to 7 points based on the proportion of units set-aside for youth transitioning out of foster care as prioritized in the THDA Strategic Plan Up to 7 points
- THDA will award up to 7 points based on the proportion of units set-aside for ex-offenders, particularly elderly ex-offenders as prioritized in the THDA Strategic Plan Up to 7 points



- THDA will award up to 4 points based on the proportion of units set-aside for homeless veterans as prioritized in the Tennessee State Plan to End Homelessness Up to 4 points

Larger Community Need

Up to 4 points

- The project meets a larger need in the community or region beyond providing housing for the targeted population, such as (but not limited to): 2 points
- (1) The project removes a major blight in the community
 - (2) The project ties into a larger community or regional effort outside the specific project scope
- The application provides a written commitment that at least 50% of the sites on which the THTF funded housing will be constructed are sites which meet one of the following criteria: 2 points
- (1) The site will be acquired through the land bank authority established within the community
 - (2) The site will be acquired and the nuisance abated through THDA's Blight Elimination Program
 - (3) The site was acquired and the nuisance abated as a demolition activity under the NSP1 or NSP3 programs and no NSP eligible use has been established on the property

Prior Funding

Up to 5 Points

A Competitive Grant has not been awarded to applicant since ~~July 1, 2013~~ January 1, 2014, for a project located in the county in which the proposed housing will be located 5 points

3. INNOVATION

Up to 10 points

The housing proposed in the application demonstrates a creative approach to affordable rental housing for low, very low income, or extremely low income households through unique partnerships, a variety of funding sources, use of alternative energy sources or energy conservation measures, inclusion of universal design elements in housing that will be rehabilitated, the addition of design elements to make the unit to be rehabilitated visitable for individuals with physical disabilities, the targeting of individuals who are homeless through a housing first approach, and other innovative means to address housing needs.





Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: January 9, 2018

RE: Request for Approval to Extend 2014 HOME Grants

THDA awarded 27 HOME grants for the 2014 HOME Program year with grant agreements effective from July 1, 2015 through June 30, 2018. The attached tables document the completion status of each grant. To date, 1 grant has expended all funds, 1 grant was extended at the November 2017 THDA Board Meeting, and 25 remain active with grant implementation scheduled to conclude under their agreement by June 30, 2018. Staff recommends that the Board authorize staff to provide a 12-month extension to the 25 grantees currently underway and which have not received a grant extension to date in order to allow for the completion of all development activities and close-out of each grant.

As with the extension provided for the 2012 and 2013 HOME grants approved by the Board in May 2017, approval of this request will allow for THDA to continue to meet its federal HOME commitment requirements for its 1992 – 2014 funds.

Additionally, implementation of certain grants were slowed as a result of THDA's request that eight of the 2012 and 2013 grantees and five of the 2014 grantees hold their programs in abeyance as THDA worked to resolve the issues associated with the inspection of units in jurisdictions which have opted out of the State's building code requirements. With passage of legislation to allow state certified inspectors to complete inspections in opt out communities at the request of a homeowner, this issue was resolved. Additionally, with the extension provided to 2012 and 2013 grantees, many administrators working on grants associated with those years have delayed implementation of the 2014 grants to complete these earlier grant programs. The requested abeyance period lasted eight months and, therefore, the 12 month extension should provide sufficient time for each to complete the activities proposed.

2014 HOME Grants Requiring an Extension

	Grant	Contract Number	Amount Approved	Total Grant Funds Spent	Balance as of 1/9/18
1	Town of Ashland City	HM-14-03	\$500,000.00	\$94,819.00	\$405,181.00
2	Town of Cedar Hill	HM-14-04	\$258,345.22	\$253,931.22	\$4,414.00
3	Town of Dandridge	HM-14-05	\$500,000.00	\$300,422.70	\$199,577.30
4	Town of Decaturville	HM-14-06	\$500,000.00	\$328,055.78	\$171,944.22
5	City of Ethridge	HM-14-07	\$258,345.23	\$1,550.00	\$256,795.23
6	Hamblen County	HM-14-08	\$375,000.00	\$122,632.40	\$252,367.60
7	Hancock County	HM-14-09	\$500,000.00	\$128,529.00	\$371,471.00
8	City of Kingston	HM-14-10	\$250,000.00	\$197,666.55	\$52,333.45
9	City of Lenoir City	HM-14-11	\$338,000.00	\$303,811.00	\$34,189.00
10	City of Loretto	HM-14-12	\$258,345.22	\$1,445.00	\$256,900.22
11	City of Manchester	HM-14-13	\$500,000.00	\$0.00	\$500,000.00
12	Maury County	HM-14-14	\$375,000.00	\$2,250.00	\$372,750.00
13	McNairy County	HM-14-15	\$375,000.00	\$24,842.00	\$350,158.00
14	City of Morristown	HM-14-16	\$375,000.00	\$369,650.00	\$5,350.00
15	Putnam County Habitat for Humanity	HM-14-17	\$236,000.00	\$12,306.00	\$223,694.00
16	Roane County	HM-14-18	\$250,000.00	\$0.00	\$250,000.00
17	City of Rockwood	HM-14-19	\$250,000.00	\$138,745.00	\$111,255.00
18	Town of Selmer	HM-14-21	\$375,000.00	\$45,634.89	\$329,365.11
19	Sevier County	HM-14-22	\$500,000.00	\$224,256.90	\$275,743.10
20	Town of Slayden	HM-14-23	\$250,000.00	\$0.00	\$250,000.00
21	City of Spring Hill	HM-14-24	\$375,000.00	\$0.00	\$375,000.00
22	Town of Vanleer	HM-14-25	\$250,000.00	\$0.00	\$250,000.00
23	Town of White Bluff	HM-14-26	\$250,000.00	\$45,545.00	\$204,455.00
24	Clinch Powell RC & D	HM-14-29	\$375,000.00	\$358,913.21	\$16,086.79
25	United Housing, Inc.	HM-14-28	\$500,000.00	\$0.00	\$500,000.00
		Total:	\$8,974,035.67	\$2,955,005.65	\$6,019,030.02

2014 HOME Grants Completed and Not Requiring a Grant Extension

	Grant	Contract Number	Amount Approved	Total Grant Funds Spent	Balance as of 1/9/18
1	Community Housing Partnership of Williamson County	HM-14-27	\$500,000.00	\$500,000.00	\$0.00

2014 HOME Grants for Which Grant Extension Already Approved

	Grant	Contract Number	Amount Approved	Total Grant Funds Spent	Balance as of 1/9/18	Grant Extended To:
1	Rutherford County Area Habitat for Humanity	HM-14-20	\$400,000.00	\$143,806.86	\$256,193.14	6/30/2019



Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: January 9, 2017
RE: 2018 Fall THTF Competitive Grants Funding Awards

Attached is the matrix of funding awards made under the 2018 Fall Competitive Grants of the Tennessee Housing Trust Fund. THDA had \$1,950,000 available for the Spring Competitive Grants. THDA received 17 applications requesting over \$6.6 million. The THDA Executive Director approved full funding for the top five applicants as shown on the attached funding matrix to complete the following activities:

- **Mending Hearts, Inc.** – (Middle TN) – New construction of a single family home in Nashville to provide transitional housing for eight females who are ex-offenders and many of whom are homeless or at risk of homelessness.
- **Hoosier Housing Group** – (East TN) – New construction of an 87-unit complex in Cleveland that will serve the elderly and individuals with disabilities. The new Cleveland Court development will replace the existing Cleveland Summit building in downtown that was constructed in 1927 as the Cherokee Hotel and converted to housing in 1976. Existing residents of Cleveland Summit will be relocated to the new Cleveland Court development with the existing project-based Housing Assistance Payment contract. The City of Cleveland will purchase the existing Cleveland Summit building as part of the city's downtown redevelopment efforts.
- **Carey Counseling Center** – (West TN) – Acquisition and rehabilitation of one duplex in Henry County and one duplex in Weakley County to provide permanent housing for persons and families diagnosed with serve, persistent mental illness, co-occurring disorders, and/or physical disabilities.
- **Case Management, Inc.** – (West TN) – Rehabilitation of a two-story multifamily complex, comprised of 8 one-bedroom apartments that will provide permanent supportive housing for

individuals who are homeless with mental illness and co-occurring and/or substance abuse disorders, youth aging out of foster care, and homeless veterans in Shelby County.

- **Untied Housing, Inc.** – (West TN) – New construction of five units of scattered site, single family housing in Memphis for veterans as part of the organization’s Operation Home for Rent program.

The awarded funding amount of \$1,949,638 will create 97 units of housing, benefiting 106 households.

The following applicants submitted proposals that were determined to be ineligible for consideration:

- Fishers of Men Mentoring, Inc. – The application was substantially incomplete.
- Metropolitan Development and Housing Agency – The application did not include a resolution by the Board of Directors authorizing submission of the application.
- Project Why, Inc. – The application did not include in THDA’s Participant Information Management System (PIMS) a Certificate of Existence dated within thirty days of the application due date and by-laws for the organization. Additionally, the application did not include a resolution by the Board of Directors authorizing submission of the application.
- Sequatchie County – The application did not include authorization by the County Commission authorizing submission of the application. Additionally, the application did not provide a firm match contribution from the applicant.
- Welcome Home Chattanooga, Inc. – The application did not include in PIMS a Certificate of Existence dated within thirty days of the application due date.



Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: January 9, 2018
RE: 2017 Emergency Solutions Grant (ESG) Supplemental Funding Awards

Attached is matrix of funding awards made under the 2017 ESG Supplemental Program Description which made available \$623,912 in supplemental funding to award for eligible activities, including emergency shelter, rapid re-housing, homelessness prevention, data collection, and street outreach.

THDA set-aside up to \$35,000 in funding for Clarksville, Johnson City, Knoxville, and Murfreesboro and made the balance of funds requested available competitively to organizations which received funding under the 2017 ESG Program Description. THDA received five applications from the 26 organizations eligible.

All applicants met minimum program threshold requirements and proposed activities eligible under the program description. THDA's Executive Director approved funding awards to each organization in an amount equal to the funds requested by each applicant. As required under federal regulation, local government applicants also received 7.5% of their program requested amount to implement approved activities.

The remaining \$311,362 will be awarded in May 2018 under the 2018 ESG Program Description.

2017 EMERGENCY SOLUTIONS GRANTS SUPPLEMENTAL FUNDING AWARDS

Name of Applicant	County of Agency Main Location	E M W	Street Outreach	Shelter	Prevention	Rapid Rehousing	HMIS	Total Award	CAPABILITY			Past Performance	CoC Rating	Housing First Model	Total Score	Available Balance:	
									PROG DESIGN	AGENCY	FISCAL						
1 Buffalo Valley, Inc.	Lewis	M		\$30,000			\$5,000	\$35,000	20	24.5	23	15	5	5	92.5	\$486,362	\$451,362
2 Family Promise of Blount County	Blount	E		\$27,000		\$7,000	\$1,000	\$35,000	18	24	22	15	5	5	89	\$416,362	\$416,362
3 Ministrial Association Temporary Shelter (MATS)	Hamblen	E		\$20,000		\$15,000		\$35,000	18	24	23.5	11	5	0	81.5	\$381,362	\$381,362
4 The Journey Home	Rutherford	M			\$3,000	\$25,000	\$7,000	\$35,000	19	22.5	18	5	5	2.5	72	\$346,362	\$346,362
5 Appalachian Regional Coalition for the Homeless	Washington	E				\$35,000		\$35,000	19	18	17	9	5	4	72	\$311,362	\$311,362
Total Competitive Award by Activity Type:			\$0	\$77,000	\$3,000	\$82,000	\$13,000	\$175,000									

Name of ESG Set-Aside Community	County	Street Outreach	Shelter	Prevention	Rapid Rehousing	HMIS	Total Program Award	Administrative Allocation	Total Award
City of Clarksville	Montgomery	\$1,980	\$22,860		\$10,160		\$35,000	\$2,625	\$37,625
City of Knoxville	Knox				\$35,000		\$35,000	\$2,625	\$37,625
City of Johnson City	Washington				\$32,550		\$32,550	\$2,441	\$34,991
City of Murfreesboro	Rutherford			\$5,000	\$30,000		\$35,000	\$2,625	\$37,625
Total Set-Aside Award by Activity Type:		\$1,980	\$22,860	\$5,000	\$107,710	\$0	\$137,550	\$10,316	\$147,866

Total Award by Activity Type:	\$1,980	\$99,860	\$8,000	\$189,710	\$13,000	\$312,550	\$10,316	\$322,866
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Approved:


Ralph M. Perrey, Executive Director

12/1/17
Date

Tab # 6

Items:

Lending Committee Meeting Materials

**Tennessee Housing Development Agency
Lending Committee**

January 23, 2018

10:00 a.m. Central Time

AGENDA

1. Call to OrderCleaves
2. Approval of Minutes for September 26, 2017 MeetingCleaves
3. 2018 Housing Cost Index Arik
4. Hardest Hit Fund Program Amendment Hall
5. Attorney General Funds Update Hall
6. Adjourn.....Cleaves

LOCATION

William R. Snodgrass – Tennessee Tower
312 Rosa L. Parks Avenue, Third Floor
Nashville, TN 37243

The Nashville Room

COMMITTEE MEMBERS

Dorothy Cleaves, Chair
Regina Hubbard
Larry Martin
Todd Skelton
Mary Mac Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY
LENDING COMMITTEE
September 26, 2017

Pursuant to the call of the Chairman, the Lending Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, September 26, 2017, at 10:15 a.m., in the Second Floor Conference Room of the Bruton Smith Building at Bristol Motor Speedway in Bristol, Tennessee.

The following Committee members were present: Dorothy Cleaves (Chair), Regina Hubbard, Samantha Wilson (for Commissioner of Finance & Administration Larry Martin). Kim Grant Brown, Chair of the Board was also present.

Chairman Cleaves called the meeting to order, but postponed approval of minutes due to lack of quorum.

Chairman Cleaves called on Lindsay Hall, THDA Chief Operations Officer of Single Family Programs, to present the first item on the agenda, proposed HHF DPA Program changes. Ms. Hall presented an overview of the program since 2016 and referenced a memo included with the Board package dated September 11, 2017 from Cynthia Peraza, Director of Special Programs that describes proposed program changes. Ms. Peraza presented the staff recommendation to add 7 additional ZIP codes (37877, 37890, 37920, 37354, 37874, 38118, and 37650) as described in the referenced memo. She also indicated that staff is recommending the following modifications to the PRRPLE program to help address the needs of homeowners with fixed or limited incomes facing financial difficulties and at risk of foreclosure who would not otherwise qualify for assistance:

- Reduce allocation from \$10.7 million to \$5 million
- Reduce the pre-assistance requirement for homeowner's housing expense ratio, living on a fixed income, from 35% to 30%.
- Increase the post-assistance monthly PITI requirement for all homeowners from 30% to 38%.

Finally, Ms. Peraza described the staff recommendation of the following terms for a new Reinstatement Only Program (ROP) with the balance of the PRRPLE program allocation of \$5.7 million to provide loans for reinstatement for homeowners who are financially able to afford their loan payments, but who have not been able to bring their loan current:

- Maximum loan amount \$ 20,000;
- 0% interest, no monthly payments, due on sale;
- 10 Year term;
- Forgiven 20% per year in years 6-10; and
- No eligibility if previously participated in the Hardest Hit Fund Program.

Chairman Cleaves noted that a quorum of the Committee was present. Upon motion by Ms. Hubbard, second by Ms. Wilson, the Committee recommended the following to the Board:

- Approve the modifications to HHF-DPA and PRRPLE as presented by Ms. Peraza and as described in the referenced memo;
- Approve the creation of the ROP as presented by Ms. Peraza and as described in the referenced memo;
- Authorize staff to ratify a new or modified HFA Participation Agreement (HPA) with U.S. Treasury for the program modifications and new program on the terms specified above;
- Authorize staff to make minor changes and housekeeping changes to the programs as necessary or as directed by the U.S. Treasury; and
- Authorize all appropriate staff to do all things necessary and proper, including execution of all documents, to carry out the described programs.

Chairman Cleaves next called for consideration of minutes from the May 23, 2017 Lending Committee meeting. There were no minutes from July because the Lending Committee did not meet. Upon motion by Ms. Brown, second by Ms. Hubbard, the minutes were approved.

Next Chairman Cleaves called on Steve Fisher, Director of Mortgage Loan Servicing, to present a loan servicing update. Mr. Fisher reviewed the following highlights and accomplishments:

- 19 servicing staff members currently, with plans to hire another 10 by year end.
- More than \$2 million in mortgage payments are received and processed each month.
- Late fees equal approximately about \$4,000-\$6,000 per month.
- Staff training is continuing and is going well.

There being no further business, Chairman Cleaves adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey
Executive Director
Approved the ____ day of ____.



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243
(615) 815-2200

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

TO: Board of Directors
FROM: Dr. Hulya Arik, Economist
DATE: January 8, 2018
SUBJECT: Housing Cost Index for 2018

Attached is the calculation of the Housing Cost Index (HCI) for 2018 prepared in accordance with the formula set out in THDA's enabling legislation. Under Tennessee Code Annotated Section 13-23-114, "The housing cost index shall serve to determine what percentage of the average Tennessee household's gross monthly income is required to pay for primary fixed housing costs under then existing market conditions...". If the housing cost index exceeds 25%, the legislature determined that "...a majority of Tennessee citizens are excluded from the normal housing market..." and there is a need for THDA financial assistance programs to aid in providing adequate housing for lower and moderate income persons and families.

This HCI is calculated by dividing the median gross household income by the sum of the following cost factors: (a) a monthly mortgage loan payment for an average Tennessee household based on a thirty-year mortgage loan, at the prevailing mortgage loan interest rate on a mortgage loan amount sufficient to purchase a median priced home, (b) an average mortgage insurance premium, and (c) average property tax and hazard insurance amounts.

In the calculation of the median priced home, the House Price Index (HPI) from the Federal Housing Finance Agency (FHFA), which offers state level data, is used. The methodology is the same as was used last year.

Based on the above calculation, the housing cost index for 2018 is **29.70%**, more than one percentage point higher than last year's index of 28.19%. The increased median home purchase price eroded any improvement in the HCI that may have resulted from higher median household income. Increasing interest rates also contributed to worsening housing affordability.

THDA staff recommends adoption of the housing cost index for 2018 via the attached Board Resolution.

Attachment

ESTIMATED TENNESSEE HOUSING COST INDEX, 2018

Based On All Home Sales

	2010	2011	2012	2013	2014	2015	2016	2017	2018
(1) Median Purchase Price	\$150,450	\$147,795	\$152,582	\$153,596	\$169,669	\$173,448	\$174,864	\$186,358	\$201,021
(2) Discount Points	0.62	0.72	0.88	1.13	1.21	0.608	0.614167	0.54	0.50
(3) Market Rate	5.11%	4.84%	4.66%	3.95%	3.99%	4.41%	4.06%	3.92%	4.17%
(4) Adj. Sales Price	\$151,383	\$148,859	\$153,925	\$155,332	\$171,722	\$174,503	\$175,938	\$187,359	\$202,026
(5) FHA Mort. Amount	\$149,044	\$145,086	\$150,023	\$151,394	\$167,369	\$171,342	\$172,752	\$183,965	\$198,367
(6) Property Tax Rate	2.85	2.99	3.08	3.17	3.21	3.23	3.23	3.20	3.19
(7) Property Tax/Month	\$89.37	\$91.94	\$98.02	\$101.31	\$113.50	\$116.81	\$117.58	\$124.30	\$133.39
(8) Homeowners Insurance	\$83.20	\$84.66	\$90.32	\$92.94	\$107.07	\$115.20	\$116.12	\$116.47	\$127.45
(9) P&I/Month	\$810.15	\$764.73	\$774.47	\$718.42	\$798.08	\$859.03	\$830.98	\$869.73	\$966.29
(10) Monthly PITI	\$982.72	\$941.32	\$962.82	\$912.67	\$1,018.65	\$1,091.03	\$1,064.68	\$1,110.50	\$1,227.13
(11) Gross Income	\$44,833	\$44,915	\$42,066	\$42,907	\$42,451	\$44,379	\$45,747	\$47,275	\$49,585
Housing Cost Index (% of Gross Income)	26.30%	25.15%	27.47%	25.53%	28.79%	29.50%	27.93%	28.19%	29.70%

Sources and Methodology:

1. Median home purchase prices calculated from all home sales reported by county property assessors to Tennessee Office of the Comptroller adjusted using the Federal Housing Finance Agency (FHFA) quarterly House Price Index (HPI) for the third quarter of the year prior to index year. For 2018 HCI, 2016 median home prices are adjusted using the third quarter of 2017 HPI from FHFA.
2. Annual average of monthly discount points from Freddie Mac, Primary Mortgage Market Survey.
3. The average of monthly interest rates (2017 year to date including November) for 30-year fixed mortgages from Federal Home Finance Board.
4. Median Purchase Price adjusted with discount points.
5. Average FHA mortgage amount for 2018. Assumes a 3.5 percent downpayment and includes an upfront mortgage insurance premium financed into the final mortgage (1.75 percent of the base loan amount).
6. Property tax rate data are from the Tennessee Office of the Comptroller, Division of Property Assessment.
7. Monthly property tax represents the weighted average statewide residential effective tax rates per \$100 of assessed value; 25 percent of assessed value.
8. Monthly homeowners' insurance payments, based on insurance rates of THDA borrowers.
9. Monthly principal and interest (P&I) payments, assuming 30-year fixed payments with the average interest rate.
10. Monthly fixed housing costs including principal, interest, property tax and insurance (PITI).
11. Median family gross income figures are based on the U.S. Census Bureau, American Community Survey (ACS) 1-year estimates of 2016 median household income (MHI) are used in estimating MHI for the current year. The percentage change in HUD median family income (MFI) from 2016 to 2017 is applied to calculate the annual change in MHI.

RESOLUTION OF THE BOARD OF DIRECTORS
ADOPTING THE HOUSING COST INDEX AND
AUTHORIZING THE OPERATION OF FINANCIAL ASSISTANCE PROGRAMS
JANUARY 23, 2018

WHEREAS, pursuant to Tennessee Code Annotated Section 13-23-114, a part of the Tennessee Housing Development Agency Act (the "Act"), the Tennessee Housing Development Agency ("THDA") is directed to establish a housing cost index as defined in Section 13-23-103 of the Act; and

WHEREAS, THDA has established a housing cost index for 2018 pursuant to Section 13-23-103(7) of the Act based on calculations as of January 8, 2018, a copy of which is attached hereto and incorporated herein by this reference (the "Housing Cost Index"); and

WHEREAS, the Housing Cost Index shows that primary housing costs exceeded 25% of an average Tennessee household's gross monthly income; and, the Board, as authorized by Section 13-23-114 of the Act, wishes to approve the continued operation of THDA's financial assistance programs including, but not limited to, THDA loan programs.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY AS FOLLOWS:

1. The Housing Cost Index for 2018 which shows that primary housing costs equal approximately 29.70% of an average Tennessee household's gross monthly income is hereby adopted.
2. The continued operation of THDA's financial assistance programs including, but not limited to, THDA loan programs, is hereby authorized.
3. This resolution shall take effect immediately.

This resolution was adopted by the affirmative vote of no fewer than eight (8) members of the Board of Directors of THDA at its meeting on January 23, 2018.



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

DATE: January 3, 2018

TO: Board of Directors, Lending Committee

FROM: Cynthia Peraza, Director of Special Programs

SUBJECT: Blight Elimination Program – Proposed Changes

THDA launched its Blight Elimination Program (BEP) in January 2016. The BEP was structured to lend recaptured HHF funds to non-profit participants for the acquisition and demolition of blighted, one to four unit residential structures, based on property conditions that meet THDA's blight condition requirements. A forgivable lien is placed on the property for a three year period.

The BEP program meets the intent of foreclosure prevention through neighborhood stabilization. Properties that are selected for demolition are typically within existing viable communities yet their existence encourages criminal activity in and around the property while at the same time diminishing the value of neighboring homes.

Although the volume for this program was never expected to be high, we believe that opening up this program to address other types of blighted properties may help stabilize these counties and their communities faster.

In order to see a greater impact in neighborhood stabilization within the approved targeted counties, staff is recommending the following changes to its Blight Elimination Program:

Add the following to approved property types:

- Multi-family Structures (5+ units previously used for residential purposes)
 - Structure with more than 3 floors are not eligible
- Mobile Homes on real estate
 - Mobile homes located in a mobile home park are not eligible.

Add the following loan terms for Multi-Family Properties only:

- Maximum loan amount of \$75,000;
 - 0% Interest Rate;
 - 10 year term (forgivable 20% per year in years 6-10); and
 - Maintenance Fee of \$3,600 per demolition lot with no immediate plans to rebuild
-
- Mobile Home BEP loan terms will remain the same as a single family 1-4 unit property.

These revisions will also require the approval of the U.S. Treasury. Once the proposed changes are approved by the Board, staff will submit the suggested program changes to U.S. Treasury requesting to launch the changes mentioned above as early as May 1, 2018

RECOMMENDATIONS:

THDA staff recommends that the THDA Board take the following action:

- Approve the addition of Multi-Family structures and mobile homes as an approved property type to the BEP, as detailed above;
- Authorize staff to make minor changes and housekeeping changes to the programs as necessary or as directed by the U.S. Treasury; and
- Authorize staff to enter into and execute a new or modified HFA Participation Agreement (HPA) with U.S. Treasury to reflect this change; and
- Authorize all appropriate staff to do all things necessary and proper, including execution of all documents, to carry out the described changes.



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

DATE: January 5, 2018
TO: Board of Directors, Lending Committee
FROM: Cynthia Peraza, Director of Special Programs
SUBJECT: Attorney General Foreclosure Prevention Funds

In 2012, Tennessee Housing Development Agency (THDA) received \$34.5 million from the National Mortgage Servicer Settlement through the Tennessee Attorney General's Office (AG) to help fund foreclosure prevention activities. THDA allocated \$27.5 million of those funds to assist homeowners in danger of foreclosure, \$5 million to fund foreclosure prevention counseling activities and \$2 million to fund a free legal assistance program. THDA's foreclosure prevention programs have been successful in saving homeowner's across the state from default and foreclosure.

In the past few years, the State of Tennessee has seen a substantial change in its housing market. The real estate market has improved and the rate of foreclosure filings has decreased. With this housing rebound comes the issue of affordability. Homeowners of lower means cannot afford to move up or make necessary repairs on their aged home. This results in homeowners living in substandard housing, incurring excessive healthcare costs, or falling into default, which later results in foreclosure. These homeowners are faced with the option of selling their home in order to live in sound housing or abandoning a home that has no equity in its current condition. Unfortunately, the cost to purchase a replacement home has increased to an unaffordable rate and the cost to rent in some areas is more expensive; leaving the aged housing inventory to deteriorate even more, creating a blight problem in the future.

In order to help low-income homeowners retain their homes and prevent foreclosures, THDA is proposing to re-appropriate \$3.5 million from the AG funds to fund a home repair program. These funds have been recaptured from the AG funded mortgage assistance program through early payoffs for the sale of homes, refinance of properties, de-obligating funds for homeowners who were no longer occupying a home or are no longer eligible for assistance.

THDA has experienced success with its existing repair program, the Appalachian Renovation Loan Program (ARLP), which was created to improve homeownership for the residents of the Appalachian counties located in East Tennessee. If approved, THDA would utilize the AG funds to expand this program across the state and match funding awarded through the Appalachian Regional Commission (ARC) if grant funds are awarded to THDA in fiscal year 2018.

AG funds would be allocated in the following manner:

- \$2 million would be made available to low-income homeowners across the state, not to include the ARC Distressed or At-Risk Counties.
- \$1 million would be used to match grant funds from the Appalachian Regional Commission. These funds would provide assistance to homeowners who reside in the ARC Distressed or At-Risk Counties. **
- \$500,000 would be utilized to cover administrative costs, such as: counseling fees, non-profit administrative fees, and the difference would be used to cover operational expenses to administer this program.

**If grant funding is not awarded to THDA, the full \$3 million would be made available to homeowners for repairs across the state.

Staff proposes the following terms for the repair loans:

- Subordinate mortgage loan
- Minimum allocation of \$5,000 and maximum allocation \$25,000 per household
- Homeowners would have to meet 80% AMI household limits
- 0% interest rate
- 5 year loan (forgivable 20% per year)
- Deferred payment

RECOMMENDATIONS:

In an effort to expend the AG Program funds, staff recommends that the THDA Board take the following actions:

- Authorize staff to ratify a new or modified Agreement with the Office of the Attorney General, if necessary, with the terms specified above;
- Approve the reallocation of AG Program funds as described in this memo;
- Approve the creation of a statewide repair program as described in this memo;
- Authorize staff to make minor changes and housekeeping changes to the programs as necessary or as directed by the Office of the Attorney General; and
- Authorize all appropriate staff to do all things necessary and proper, including execution of any documents, to carry out the described programs.

Similar to the ARLP, THDA would provide assistance to homeowners through approved non-profit partners with experience in repair activities across the state. The non-profit partner would take applications, process loans, and coordinate repair work.

The reallocation of funds would not negatively impact the original purpose intended for the AG funding. By improving the quality of homes, THDA will help homeowners retain their homes, increase their property's market value, and decrease foreclosures.

Tab # 7

Items:

Rental Assistance Committee Meeting Materials

Tab # 8

Items:

Tax Credit Committee Meeting Materials

Tennessee Housing Development Agency
Tax Credit Committee
January 23, 2018
10:30 a.m. Central Time

AGENDA

1. Call to Order Tully
2. Approval of Minutes from November 14, 2017
 (will be sent under separate cover) Tully
3. THOMAS Presentation Hamilton
4. 2018 Low-Income Housing Tax Credit Qualified Allocation Plan Amendments Duarte
5. 2018 Multifamily Tax-Exempt Bond Authority Program Fee Structure Duarte
6. Allocation Exchange Request (TN-16-039, Flats at Fifty-Eight) Duarte
7. 2019-2020 Low-Income Housing Tax Credit Qualified Allocation Plan Discussion ..Duarte
8. Adjourn Tully

LOCATION

William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue, Third Floor
Nashville, TN 37243

The Nashville Room

COMMITTEE MEMBERS

Lynn Tully, Chair
David Lillard
Larry Martin
Todd Skelton
Pieter van Vuuren

Tax Credit Committee

Tab # 8

Agenda Item No.

2. Committee Meeting Minutes from November 14, 2014 will be sent under separate cover

.



Tennessee Housing Development Agency


Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors, Tax Credit Committee

FROM:  Donna Duarte
Director of Multifamily Programs

SUBJECT: Tax Credit Committee Agenda

DATE: January 10, 2018

The January Tax Credit Committee agenda is short but informative.

First, we will update the THOMAS efforts on competitive and noncompetitive housing credits and multifamily tax-exempt bonds as we “go live”.

The next three items include approval of the Multifamily Tax-Exempt Bond program fee schedule, approval of technical changes to the 2018 Qualified Allocation Plan and consideration of an allocation exchange request for TN16-039; The Flats at Fifty-Eight which was brought to your attention in November. These items may require further discussion and action by the Board of Directors.

We will conclude with a recap on ideas we have been discussing in conjunction with the 2019-2020 Qualified Allocation Plan.

If you have any questions, please contact me.



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM:  Donna Duarte
Director of Multifamily Programs

SUBJECT: Amendments to the Low-Income Housing Tax Credit 2018 Qualified Allocation Plan

DATE: January 10, 2018

Staff are requesting and recommending several amendments to the Low-Income Housing Tax Credit ("LIHTC") 2018 Qualified Allocation Plan ("QAP"). The amendments are described below and, with the exception of item 3 (a deletion), are reflected in the highlighted/shaded portions of the attached QAP. If you wish to receive a redline version of the QAP including the amendments, please contact Shannen Cross at SCross@thda.org. Please note that the page numbers in this summary refer to the footer page number in the following QAP and may differ from page numbers in the redline version.

1. Part III-C [page 4] has been modified to reflect that the "basis boost" as described in Section 42(d)(5)(b)(i) is available to developments seeking **noncompetitive** LIHTC in conjunction with THDA Multifamily Tax-Exempt Bond Authority if the development is located in a HUD-defined Qualified Census Tract or a HUD-defined Difficult Development Area.
 - a. Background: this amendment corrects a drafting error which prohibited such developments from receiving the "basis boost".
2. Part III-C [page 4] has been modified to reflect that the "basis boost" as described in Section 42(d)(5)(b)(i) is available to developments seeking **competitive** LIHTC if the development is located within Sevier County.
 - a. Background: this amendment reflects THDA's continued efforts to address the need for affordable rental housing in the wake of the November 2016 wildfires.
3. Part IV-A-4-b-(iv) [page 17] has been deleted due to being redundant.
 - a. Background: The deleted language is: "(iv) Developments involving, either directly or indirectly, individuals (all as identified on relevant **Ownership Organization Breakdown and Developer Organization Breakdown**) who are currently prohibited from

TENNESSEE HOUSING DEVELOPMENT AGENCY

Low-Income Housing Tax Credit

2018 QAP

Amended January 23, 2018

TENNESSEE HOUSING DEVELOPMENT AGENCY
LOW-INCOME HOUSING TAX CREDIT
QUALIFIED ALLOCATION PLAN
2018

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Part I: Introduction

The Tennessee Housing Development Agency (“THDA”) administers the Low-Income Housing Tax Credit program in Tennessee. The Low-Income Housing Tax Credit program was created by the Tax Reform Act of 1986 under Section 42 of the Internal Revenue Code of 1986, as amended (“Section 42”), to encourage the construction and rehabilitation of rental housing for low-income individuals and families. Under Section 42(m), THDA is required to develop a Qualified Allocation Plan (“QAP”) to define the process by which it will allocate an annual amount of Low-Income Housing Tax Credits (“Tax Credits”) in Tennessee.

This document is the QAP required by Section 42. This QAP incorporates all requirements of Section 42 unless more stringent requirements, as permitted under Section 42, are included. A public hearing was held to solicit comments. “**Exhibits**” are documents which accompany this QAP and which provide additional information. “**Attachments**” are forms or documents which must be submitted as part of the Initial Application. Exhibits, the Initial Application Form, and Attachments are collectively part of the “Application” and all are considered part of the QAP. The QAP has been approved by the THDA Board of Directors and adopted by the Governor of Tennessee.

When this QAP calls for some THDA action including but not limited to a determination, adjustment, review, evaluation, or exercise of discretion, all such actions shall be at THDA’s sole discretion, whether specifically so stated or not.

No person or entity who submits an Initial Application shall have any right to an allocation of Tax Credits under this QAP based solely on the score assigned to their Initial Application.

Part II: Goals and Objectives

The goal of this QAP is to use the Tax Credits allocated to Tennessee for 2018 to create, maintain, and preserve affordable rental housing for low-income households. Specific objectives of this QAP are to:

1. Make rental units affordable, in the areas of greatest need, to households with as low an income as possible and for the longest time period possible;
2. Encourage development of appropriate housing units for persons with special needs, including the elderly, the homeless and the disabled;
3. Allocate only the minimum amount of Tax Credits necessary to make a development financially feasible and viable throughout the credit period;
4. Encourage Non-Profit entities to develop rental housing for low-income households;
5. Encourage fair distribution of Tax Credits among counties and developers; and
6. Allocate Tax Credits fairly.

Part III: Tax Credits Available

A. Total Tax Credits

The total amount of Tax Credits available for allocation in Tennessee for 2018 is the total of the following:

1. \$2.35, (which includes any cost of living adjustment specified in Section 42(h)(3)(H)), multiplied by Tennessee's population;
2. Any unallocated credits from previous year;
3. Any returned credit from previous years; and
4. Any amount allocated to Tennessee by the IRS from the National Pool.

For purposes of calculating the initial Non-Profit Set-Aside, the amount against which the percentages will be applied will be the sum of items 1, 2, and 3 above.

B. Set-Asides

1. Non-Profit Set-Aside
 - a. Qualified Non-Profit applicants (as specified in Part VII-A-2-a of this QAP) will be considered for an allocation of Tax Credits from the Non-Profit Set-Aside.
 - b. Not less than ten percent (10%) of the total amount of Tax Credits available for allocation in Tennessee in 2018 is reserved for qualified Non-Profit applicants as required by Section 42(h)(5).
 - c. **THDA reserves the right to make additional allocations of Tax Credits to qualified Non-Profit applicants as needed to meet the requirements of Section 42(h)(5).**
2. Public Housing Authority Set-Aside
 - a. No more than fifteen percent (15%) of the sum of Part III-A-1, -2, and -3 will be set aside for developments involving a public housing authority (as specified in Part VII-A-2-b).
3. Preservation Set-Aside
 - a. No more than twenty two and one half percent (22.50%) of the sum of Part III-A-1, -2, and -3 will be set aside for developments involving preservation (as specified in Part VII-A-2-c).
4. Qualified Census Tract and Contributing to a Community Revitalization Plan Set-Aside (the "QCT/CRP Set-Aside")
 - a. No more than one (1) eligible development located in a Qualified Census Tract and contributing to/covered by a Community Revitalization Plan (as specified in Part VII-A-2-d) shall receive an allocation of Tax Credits from the QCT/CRP Set-Aside, subject to the requirements of Part VIII-E.
5. Rural Set-Aside
 - a. No more than two (2) eligible developments located in a rural county (as specified in **Exhibit 1**) shall receive an allocation of Tax Credits from the Rural Set-Aside, subject to the requirements of Part VIII-E.

6. Innovation Set-Aside

- a. Allocations from the Innovation Set-Aside to developments involving innovation (as specified in Part VII-A-2-f) shall be limited to the lesser of two (2) eligible developments or an aggregate of one million one hundred thousand dollars (\$1,100,000) in Tax Credits, subject to the requirements of Part VIII-E.

C. Basis Boost

A proposed development may receive, in THDA's sole discretion, an increase in eligible basis of up to 30%. The provisions of Part III-C-1-c, Part III-C-1-d, Part III-C-1-e, Part III-C-1-f, and Part III-C-1-g do not apply to proposed developments with tax-exempt financing as described in Section 42(h)(4).

1. The following types of developments are eligible for the increase in eligible basis:
 - a. Developments wholly located within a HUD-designated QCT; or
 - b. Developments wholly located within a HUD-designated Difficult Development Area; or
 - c. Developments qualified for the Rural Set-Aside; or
 - d. Developments that have a Choice Neighborhoods Initiative ("CNI") Implementation Grant; or
 - e. Developments that have a Rental Assistance Demonstration ("RAD") Commitment to Enter into a Housing Assistance Payments Contract; or
 - f. Developments receiving an allocation from the Innovation Set-Aside; or
 - g. Developments wholly located in Sevier County.

Part IV: Limits on Amount of Tax Credits Available

A. By County

1. The maximum amount of Tax Credits that may be allocated to developments in any one **urban** county shall not exceed **three million three hundred thousand dollars (\$3,300,000)**. The maximum amount of Tax Credits that may be allocated to developments in any one **suburban** county shall not exceed **two million two hundred thousand dollars (\$2,200,000)**. The maximum amount of Tax Credits that may be allocated to developments in any one **rural** county shall not exceed **one million one hundred thousand dollars (\$1,100,000)**. Allocations to developments involving the HUD Choice Neighborhoods Initiative (CNI) or the HUD Rental Assistance Demonstration ("RAD") program **will count against** the per-county limits. **Exhibit 1** to this QAP identifies urban, suburban and rural counties.
2. If, following the allocation of Tax Credits to a proposed development, the local jurisdiction in which the proposed development is located takes action that THDA, in its sole discretion, determines to be for the primary purpose of preventing the proposed development from satisfying applicable program requirements, THDA may lower the amount of Tax Credits available to that jurisdiction in future Low-Income Housing Tax Credit Qualified Allocation Plans. Examples include, without limitation, "downzoning", action regarding utilities or utility connections, action regarding required public roads, or action to prevent issuance of Certificates of Occupancy.

B. By Development

The maximum amount of annual Tax Credits that may be allocated to a single development shall not exceed **one million one hundred thousand dollars (\$1,100,000)**. In making this determination, THDA will consider the physical location of developments; the relationships among owners, developers, management agents, and other development participants; the structure of financing; and any other information which might clarify whether Initial Applications reflect a single development or multiple developments.

C. By Developer or Related Parties

1. The maximum amount of Tax Credits that may be allocated to a single applicant, developer, owner, or related parties shall not exceed two million two hundred thousand dollars (\$2,200,000).
2. An applicant, developer, owner, or related party may not submit more than one Initial Application or be involved in more than one development per county with respect to 2018 Tax Credits. THDA reserves the right to determine whether related parties are involved for the purpose of applying this limitation.
3. The following list includes, without limitation, related parties:
 - a. Any person or entity who has a right to (i) replace the developer, (ii) act as co-developer, (iii) replace any individuals or entities who comprise a developer or co-developer, or (iv) otherwise direct the activities of the developer will be considered a developer for purposes of applying this limit.
 - b. Any person or entity who has a right to (i) replace the general partner of the owner or applicant, (ii) act as co-general partner of the owner or applicant, (iii) replace any individuals or entities who comprise a general partner or co-general partner of the owner or applicant, or (iv) otherwise direct the activities of the general partner of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.

- c. Any person or entity who has a right to (i) replace the controlling stockholder of the owner or applicant, (ii) act as controlling stockholder of owner or applicant, (iii) replace any individuals or entities who comprise a controlling stockholder of the owner or applicant, or (iv) otherwise direct the activities of the controlling stockholder of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.
- d. Any person or entity who has a right to (i) replace the managing member of the owner or applicant, (ii) act as co-managing member of the owner or applicant, (iii) replace any individuals or entities who comprise a managing member or co-managing member of the owner or applicant, or (iv) otherwise direct the activities of the managing member of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.
- e. Any person who is a signatory or guarantor of construction financing documents, permanent financing documents, and/or equity syndication documents.
- f. This limit will also apply to any person or entity that is related to any person or entity specified above.

D. Aggregate Qualified Census Tract Limit

No more than forty percent (40%) of the of the total amount of Tax Credits available for allocation in Tennessee for 2018 will be allocated to developments located completely and wholly within a Qualified Census Tract.

E. Total Development Cost Per Total Unit Limit

- 1. Davidson County: **\$225,000.**
- 2. Knox, Sevier, and Shelby counties: **\$220,000.**
- 3. Cheatham, Maury, Montgomery, Robertson, Rutherford, Sumner, Williamson, and Wilson counties: **\$200,000.**
- 4. Blount, Cumberland, Loudon, Sullivan, and Washington counties: **\$185,000.**
- 5. Other urban and suburban counties (as described in **Exhibit 1**) not listed in Part IV-E-1 through Part IV-E-4 of this QAP: **\$180,000.**
- 6. Other rural counties (as described in **Exhibit 1**) not listed in Part IV-E-1 through Part IV-E-4 of this QAP: **\$160,000.**

F. Second Allocation

A developer entity or related parties will not be considered for a **second** allocation of Tax Credits in Tennessee prior to the issuance of the IRS Form(s) 8609 for the development associated with that developer entity's or related parties' **first** allocation of Tax Credits in Tennessee.

G. For Financial Feasibility

Section 42(m)(2) requires that THDA not allocate more Tax Credits than necessary for the financial feasibility of a development and its viability as a qualified low-income housing development. THDA may reject or require modifications to Initial Applications for Tax Credits when THDA determines that the proposed development is not financially feasible or does not need Tax Credits. THDA may also reserve or allocate an amount of Tax Credits less than the amount requested in an Initial Application, in a Carryover Allocation Application or in a Final Application. THDA's determination under Section 42(m)(2) shall not be construed to be a representation or warranty by THDA as to the financial feasibility, viability, or lack thereof, of any development.

**Part V: Limits On Developer and Consultant Fees, Contractor Profit,
Overhead, and General Requirements**

A. Limit on Developer Fees and Consultant Fees

1. The combined total of developer and consultant fees (**Development Costs**; #10, columns B & C) which may be included in the determination of the amount of Tax Credits for a particular development cannot exceed fifteen percent (15%) of that portion of THDA determined eligible basis attributable to acquisition (before the addition of the developer and consultant fees), and cannot exceed fifteen percent (15%) of that portion of THDA determined eligible basis attributable to new construction or to rehabilitation (before the addition of the developer and consultant fees). Construction Advisory or Construction Supervision fees listed separately from the maximum allowed Contractor Fees will be considered as a Consultant Fee.
2. If the developer and contractor are related persons as defined in Section 42(d)(2)(D)(iii), then the combined total of developer fees, consultant fees, and contractor profit, contractor overhead, and general requirements, which may be included in the determination of the amount of Tax Credits for a particular development, cannot exceed fifteen percent (15%) of THDA determined eligible basis of that portion of the development attributable to acquisition (before the addition of the fees), and cannot exceed twenty-five percent (25%) of that portion of THDA determined eligible basis attributable to new construction or to rehabilitation (before the addition of the fees).

B. Limit on Contractor Fees, Profit, Overhead and General Requirements

1. The total contractor fees, including contractor profit, contractor overhead and general requirements shall be limited to fourteen percent (14%) of total THDA determined site work costs, plus accessory buildings plus either new building hard costs or rehabilitation hard costs. The structure of this fee is limited to the following:

Contractor profit:	may not exceed six percent (6%)
Contractor overhead:	may not exceed two percent (2%)
Contractor general requirements (includes payment and performance bonds):	may not exceed six percent (6%)
Total Contractor fees	may not exceed fourteen percent (14%)
2. If the developer and contractor are related persons as defined in Section 42(d)(2)(D)(iii), then the combined total for contractor profit, overhead, and general requirements, developer fees and consultant fees which may be included in the determination of the amount of Tax Credits for a particular development, cannot exceed fifteen percent (15%) of THDA determined eligible basis on that portion of the development attributable to acquisition (before the addition of the fees), and cannot exceed twenty-five percent (25%) of that portion of THDA determined eligible basis attributable to new construction or to rehabilitation (before the addition of the fees).

Part VI: Application Submission

A. Electronic Application Requirements

1. THDA is utilizing an on-line electronic application process for submission of 2018 Initial Applications for Tax Credits. Electronic Initial Applications will be submitted on-line through an electronic application system.
2. For assistance with the electronic application system, contact THDA as follows:
 - (i) Felita Hamilton, Multifamily Programs Allocation Manager
Phone (615) 815-2145 Email FHamilton@thda.org
3. If THDA determines that the electronic application system malfunctions to a degree and in a way that renders users unable to submit electronic Initial Applications on-line, THDA will provide alternative instructions to the users that THDA determines to have been affected.
4. To be considered complete, an electronic Initial Application must meet ALL of the following requirements **no later than the Initial Application Deadline specified in Part VI-B:**
 - a. Be completely and correctly submitted through the electronic application system;
 - b. All required Attachments and supporting documentation required to be submitted in electronic form within the electronic application system must be organized as required by the electronic application system; and
 - c. Have no missing information or any information that is erroneous, incomplete or inconsistent.
 - f. Include a check in the amount of all fees required with the electronic Initial Application as specified in Part XV-B; and
 - g. Unless otherwise specifically directed by THDA, all electronic Initial Application materials, including Attachments and supporting documentation, must be formatted in accordance with the requirements of the electronic application system.

B. Initial Application Deadline

No Initial Applications will be accepted after 11:59 PM Central Time on Thursday, March 1, 2018.

- **After the Initial Application deadline, no erroneous, missing, incomplete or inconsistent supporting documentation or Attachments, or clarifications to the Initial Application, supporting documentation, or Attachments, or any other materials required in the Initial Application or in support of the Initial Application will be accepted except as specified in Part VIII-B or as requested by THDA.**

C. Innovation Set-Aside

1. THDA will accept proposals for consideration in the Innovation Set-Aside (“Innovation Set-Aside Proposal”) by email to Innovation@thda.org.
2. **The deadline for submission of an Innovation Set-Aside Proposal is 11:59 PM Central Time on Wednesday, November 1, 2017.**
3. To be considered for the Innovation Set-Aside, an Innovation Set-Aside Proposal must satisfy ALL of the following:
 - a. Be submitted by the deadline in Part VI-C-2 above;
 - b. Contain no more than 5 single-sided, single spaced pages (including all attachments and exhibits, if any) describing each of the following:
 - (i) Clearly identify the uniqueness and innovative nature of development concept (i.e. among other things, has a development of this type been done before, does this proposal recommend a method of construction or financing not previously used, will this housing serve a group or population currently unserved, and how this proposal will result in a development that is different from “regular” Tax Credit developments);
 - (ii) Ability of the proposed development to address an unmet need by population to be served, services provided, or geographic location;
 - (iii) The proposed development’s contribution to THDA mission and goals;
 - (iv) Reasonableness of the proposed development’s scope as identified in the unmet need;
 - (v) Proposed development’s proposed sources and uses of funds;
 - (vi) Extent to which the proposed development would be at a competitive or financial disadvantage relative to developments considered in the regular competitive round; and
 - (vii) Demonstrated capacity of the applicant to complete the proposed development; and
 - (viii) Certification of compliance with all applicable requirements of Section 42, Treasury Regulations, and this QAP.
 - c. Include contact information for the applicant, proposed development name, and number of units and bedroom mix.
4. THDA will evaluate each Innovation Set-Aside Application for financial feasibility, extent of uniqueness and/or innovation, and compliance with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, and this QAP.
5. If THDA, in its sole discretion, determines that an Innovation Set-Aside Application is financially feasible, sufficiently unique and/or innovative, and is fully compliant with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, and this QAP, the applicant will be invited to present the proposed development to the Innovation Set-Aside Selection Group.
6. If THDA, in its sole discretion, determines that an Innovation Set-Aside Application is not financially feasible, or is not sufficiently unique and/or innovative, or is not fully compliant with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, or this QAP, the Innovation Set-Aside Application will not receive further consideration in the Innovation Set-Aside.

7. **The Innovation Set-Aside is discretionary.** THDA, in its sole discretion, may select no more than three (3) Innovation Set-Aside Proposals as Innovation Set-Aside Finalists. THDA, in its sole discretion, may not select any Innovation Set-Aside Finalists.
8. Innovation Set-Aside Finalists, if any, will be notified on or before Thursday, November 15, 2017 and invited to submit a full Initial Application (“Innovation Set-Aside Application”) by the deadline specified in Part VI-B.
9. **The selection of Innovation Set-Aside Finalists shall not be appealable to the THDA Board or the Tax Credit Committee of the THDA Board.**

<p style="text-align: center;">DISQUALIFICATION UNDER THIS PART VI-E-9 SHALL BE AT THE SOLE DISCRETION OF THDA STAFF AND SHALL NOT BE APPEALABLE TO THE THDA BOARD, THE TAX CREDIT COMMITTEE OF THE THDA BOARD, OR THE INNOVATION SET-ASIDE SELECTION GROUP.</p>

D. Local Government Notification

Following receipt of Initial Applications, THDA will notify the chief executive officer (or the equivalent) of the local government in whose jurisdiction a development proposed in an Initial Application is to be located. Such individual will have an opportunity to comment on the development proposed in the Initial Application to be located in the jurisdiction, as required by Section 42(m)(1)(A)(ii).

Part VII: Initial Application Eligibility and Scoring

A. Eligibility Determination

THDA will evaluate each Initial Application that meets the requirements of Part VI to determine whether the following eligibility requirements are met:

1. Minimum Score Required

To be eligible, an Initial Application must obtain a **minimum score of 44 points** as determined by THDA in accordance with Part VII-B.

2. Special Set-Asides

a. Non-Profit Set-Aside: To be eligible for Tax Credits from the Non-Profit Set-Aside, an Initial Application must contain information satisfactory to THDA demonstrating that the development proposed in the Initial Application involves a qualified non-profit organization. To be qualified, a non-profit organization must meet ALL of the following:

(i) The organization must be a *bona fide* non-profit organization, as evidenced by the following:

(A) The organization must be an IRS 501(c)(3) or 501(c)(4) entity;

(B) The organization must be organized and existing in the State of Tennessee or if organized and existing in another state, must be qualified to do business in Tennessee;

(C) The organization must: (i) not be formed by one or more individuals or for-profit entities for the principal purpose of being included in the Non-Profit Set-Aside; (ii) not be controlled by a for-profit organization; and (iii) not have any staff member, officer or member of the board of directors who will materially participate, directly or indirectly, in the proposed development as or through a for-profit entity; and

(D) The organization must be engaged in the business of developing **AND** building low-income rental housing in Tennessee and must have been so engaged at all times since January 1, 2016.

(ii) The organization must, prior to the reservation of Tax Credits: (i) own all of the general partnership interests of the ownership entity of the development; or (ii) own, alone or with other non-profits who meet all of the requirements of this Part VII-A-2-a, one hundred percent (100%) of the stock of a corporate ownership entity of the development; or (iii) own, alone or with other non-profits who meet all of the requirements of this Part VII-A-2-a, one hundred percent (100%) of the stock, 100% of the partnership interests, or 100% of the membership interests of an entity that is the sole general partner or sole managing member of the ownership entity of the development proposed in the Initial Application;

(iii) The organization must be materially participating (regular, continuous and substantial on-site involvement) in the development and operation of the development throughout the “compliance period” (as defined in Section 42(i)(1)).

(iv) To demonstrate eligibility under this Part VII-A-2-a, ALL of the following must be submitted as part of the Initial Application:

(A) A copy of the IRS determination letter clearly stating the organization’s status as an IRS 501(c)(3) or 501(c)(4) entity; and

- (B) (i) if organized and existing under the laws of the State of Tennessee, a Certificate of Existence from the Tennessee Secretary of State's Office dated not more than thirty (30) days prior to the date of the Initial Application.
 - (ii) if organized and existing under the laws of another state, a certificate of existence from the secretary of state of the state in which the organization was organized and is existing, together with other documentation from such secretary of state indicating that the organization is in good standing under such laws and a certificate from the Tennessee Secretary of State indicating that the organization is qualified to do business in Tennessee, all dated not more than thirty (30) days prior to the date of the Initial Application; and
 - (C) A certification in the form of **Attachment 28**; and
 - (D) **Attachment 29**.
- b. Public Housing Authority ("PHA") Set-Aside: To be eligible for the PHA Set-Aside, an Initial Application must contain information satisfactory to THDA demonstrating that the development proposed in the Initial Application involves a qualified PHA.
 - (i) To be considered a qualified PHA, the following requirements must be met:
 - (A) The PHA must materially participate (regular, continuous and substantial on-site involvement) in the development and operation of the development throughout the "compliance period" (as defined in Section 42(i)(1)); and
 - (B) The PHA must be acting solely within the geographic area of its jurisdiction; and
 - (C) To demonstrate eligibility under this Part VII-A-2-b, a certification, in the form of **Attachment 26**, must be submitted as part of the Initial Application.
 - (ii) To be eligible for a RAD/CNI basis boost as described in Part III-C of this QAP, and to be eligible for the priority described in Part VIII-E-2-a of this QAP, the Initial Application must satisfy the requirements of Part VII-A-2-b(i) above **and** include the following:
 - (A) A copy of the RAD Commitment to Enter into a Housing Assistance Payments Contract or CNI Implementation Grant for the development proposed in the Initial Application; and
 - (B) A letter from the Executive Director of the identified PHA in the form of **Attachment 27** certifying that: (1) the development proposed in the Initial Application is identified in the PHA's RAD Commitment to Enter into a Housing Assistance Payments Contract or CNI Implementation Grant; (2) the housing units are an essential element of that Plan; and (3) the Tax Credits for the development proposed in the Initial Application are an essential component of the PHA's RAD or CNI Program.
- c. Preservation Set-Aside: The Initial Application must propose preservation of a development with existing income and rent restrictions through programs such as the Low-Income Housing Tax Credit, Multifamily Tax-Exempt Bonds, or programs administered by USDA or HUD. The Initial Application must include documentation, acceptable to THDA, in its sole discretion, verifying the existing income and rent restrictions. A minimum of 90% of the units in the development must be subject to the existing income and rent restrictions. Following rehabilitation, 100% of the units subject to the existing income and rent restrictions must continue to be income and rent restricted.

- d. QCT/CRP Set-Aside: The Initial Application must propose a development located completely and entirely in a Qualified Census Tract (identified on **Exhibit 4**, excluding Difficult to Develop Areas), the development of which contributes to an approved concerted community revitalization plan, as certified in the form of **Attachment 13** executed by the City Mayor or City Attorney if the development is located within the applicable city limits, or the County Mayor or County Attorney if the development is located within the relevant county but is outside all city limits. For developments which are located in a city without a community revitalization plan, but are covered by the relevant county revitalization plan, the County Mayor or County Attorney may sign the **Attachment 13**, but the City Mayor or City Attorney must sign the acknowledgement of said situation at the bottom of **Attachment 13**.
 - e. Rural Set-Aside: The Initial Application must propose a development located completely and entirely in a county listed as “Rural” in **Exhibit 1**.
 - f. Innovation Set-Aside: To be eligible for Tax Credits from the Innovation Set-Aside, an Innovation Set-Aside Application must satisfy ALL of the following:
 - (i) The Innovation Set-Aside Application must be submitted by an Innovation Set-Aside Finalist as described in Part VI-C; and
 - (ii) The Innovation Set-Aside Application must be financially feasible, sufficiently unique and/or innovative, and fully compliant with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, and this QAP as described in Part VI-C, all as determined by THDA in its sole discretion.
3. Non-compliance
- a. To be eligible, individuals involved (either directly or indirectly) with the developer or the ownership entity (whether formed or to be formed) identified in the Initial Application must not have any involvement (either directly or indirectly) with the developer or the ownership entity of any prior Tax Credit development which has failed to fully satisfy all compliance monitoring requirements or which has an uncured event of noncompliance under (i) Section 42; (ii) the restrictive covenants recorded in connection with such development or (iii) an IRS form 8823. Ineligibility due to noncompliance shall be in effect for the calendar year in which the non-compliance was identified and for the following calendar year.
 - b. Notwithstanding a. above, if the noncompliance identified by THDA is capable of cure, but has not been cured within the periods identified in a. above, ineligibility shall continue beyond those periods and shall end with the Initial Application cycle that follows the delivery of documentation demonstrating to the satisfaction of THDA that the identified noncompliance has been cured.
 - c. **Attachment 20** must be submitted as part of the Initial Application to demonstrate eligibility under this Part VII-A-3.
4. Developments
- a. The Initial Application must propose an eligible development. To be eligible, a development proposed in the Initial Application must meet ALL of the following:
 - (i) The development must be a qualified low-income housing development as defined in Section 42(g), containing qualified low-income buildings as defined in Section 42(c)(2) and low-income units as defined in Section 42(i)(3). THDA may require opinions from relevant counsel regarding transitional housing for the homeless, single room occupancy units, service provision or other matters in connection with a determination of eligibility;

- (ii) One hundred percent (100%) of the units in buildings with elevators in the development and all ground floor units in non-elevator buildings in the development are “covered multifamily dwellings” (as defined in the Fair Housing Act). All covered multifamily dwellings must meet all accessible design requirements under the Fair Housing Act and must otherwise be designed and built in accordance with the Fair Housing Act (including one of the eight safe harbors recognized by HUD as shown on **Exhibit 7**) and all other areas in the development open to the public are “public accommodations” as defined in the Americans with Disabilities Act and must be designed and built in accordance with the Americans With Disabilities Act. An architect’s certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609;
- (iii) Energy Efficiency

The developments must use the energy efficiency items below. An architect’s certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609.

(A) Electrical - Lighting:

- (i) All light fixtures in units and common areas to be initially fitted with Energy Star rated light bulbs, compact fluorescent or LED; and
- (ii) If ceiling fans are provided, the fan must be an Energy Star rated ceiling fan with light fixture (the light fixture is not required to be Energy Star rated) and must connect to wall switches.

(B) Water Conservation – Plumbing:

- (i) Use of at least of one (1) high efficiency or dual flush toilet per unit; and
- (ii) All faucets, shower heads, and toilets must be EPA “Watersense” rated.

(C) HVAC Upgrades:

- (i) HVAC systems, including the air handler and line sets, must be rated at 14 SEER and properly sized for the units in all buildings with fewer than six stories; and
- (ii) For buildings with six stories or more, all PTAC systems must be rated between 9.6 and 12.0 EER; and
- (iii) Electronic programmable temperature control thermostats in each unit.

(D) Energy Efficient Appliances:

- (i) Energy Star rated frost free refrigerator with freezer in all units; and
- (ii) Energy Star rated Dishwashers in all units; and
- (iii) All other appliances provided in the unit, including in unit washers and dryers, must be Energy Star rated (this requirement does not apply to ovens, ranges, or microwaves).

(E) Building Construction:

- (i) Use of double glazed, insulated energy efficient windows for all windows in all units; and
- (ii) Attic insulation must meet R-30 minimum value; and
- (iii) Metal-clad wood, fiberglass, or hollow metal construction exterior doors with a minimum R-11 rating in all units.

- (iv) The development must have and be operated in accordance with marketing plans, lease-up plans, and operating policies and procedures which are fully compliant with the Fair Housing Act, The Americans with Disabilities Act, and THDA Affirmative Fair Housing Marketing Plan.
- (v) All newly constructed single family units, duplexes, triplexes, and townhomes must meet the visitability requirements as set forth in the THDA Flexible Home Concepts Program. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609;
- (vi) Proposed developments that request acquisition Tax Credits must satisfy the requirements of Section 42(d)(2) (10-year rule), except for federally assisted buildings such as Section 8, 221(d)(3), 221(d)(4), 236 or 515;
- (vii) If the development proposed in the Initial Application is located on scattered sites, then the Initial Application must reflect that all sites are included under a common plan of financing and the scattered sites must be appraised as a single proposed development, using appraisal methodology appropriate for rental property as described in Part VII-A-10;
- (viii) If the development proposed in the Initial Application will have vinyl siding on all or any part of the exterior, all such vinyl siding must meet a 15-year maintenance free standard. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609;
- (ix) The development must meet all applicable local building codes or in the absence of such codes, the development must meet the following, as applicable: new construction of multi-family apartments of 3 or more units must meet the 2012 International Building Code; new construction or reconstruction of single-family units or duplexes must meet the 2012 International Residential Code for One- and Two-Family Dwellings; and rehabilitation of rental units must meet the 2012 International Existing Building Code and the 2012 International Property Maintenance Code. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609.
- (x) To the extent not otherwise required, the development must have hardwired smoke detectors, with battery backup, in the bedroom areas of all units. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609.

b. The following types of developments are not eligible for Tax Credits:

- (i) Developments that have been part of "Bargain Sales" with a "step-up" in sales price paid to an intervening Non-Profit;
- (ii) Developments containing units that are not for use by the general public, including, but not limited to, hospitals, nursing homes, sanitariums, life care facilities, trailer parks, or intermediate care facilities for persons with mental and physical disabilities; or

- (iii) Developments in which continual or frequent nursing, medical, or psychiatric services are provided. Examples include, but are not limited to, hospitals, nursing homes, sanitariums, life care facilities, or intermediate care facilities for persons with mental and physical disabilities.
- c. In the event that any of the following triggering events occur with regard to a proposed development or a development that has received an allocation of Tax Credits from THDA, all individuals identified on **Ownership Organization Breakdown and/or Developer Organization Breakdown** of the relevant development will be prohibited from participating in the Low-Income Housing Tax Credit program in Tennessee for a period of five (5) years commencing with the year in which THDA becomes aware of the occurrence of the triggering event:
 - (i) General Partner/Managing Member/Sole Stockholder entity being removed from the ownership entity of a previous development due to poor performance and/or malfeasance. THDA staff will communicate with other parties involved in the development (e.g. lender and syndicator) to determine the circumstances surrounding the removal; or
 - (ii) Uncured event of default under the Section 1602 or Tax Credit Assistance Program; or
 - (iii) Fair Housing Act violations involving a finding of discrimination by an adverse final decision from a federal court or a judgment enforcing the terms of a consent decree; or
 - (iv) Foreclosure involving loss of units to the affordable housing stock or failure to notify THDA of foreclosure (including a deed in lieu of foreclosure transaction); or
 - (v) Claiming Tax Credits by submitting to the IRS an IRS Form 8609 that was not created by THDA or that contains information that is not consistent with the Form 8609 created by THDA; or
 - (vi) Misrepresentation of any item, as determined by THDA in its sole discretion, in the Initial Application, Carryover Application, or Final Application, as determined by THDA in its sole discretion; or
 - (vii) Failure to fulfill commitments made in the Initial Application for points; or
 - (viii) Failure to respond to any written request from THDA for information and/or documentation within thirty (30) days of the date of such request; or
 - (ix) Failure to fully satisfy all applicable compliance monitoring requirements; or
 - (x) Being placed in “No Further Monitoring” status.
- d. Prohibition of an individual’s participation in the Low-Income Housing Tax Credit program in Tennessee pursuant to Part VII-A-4-d shall be determined by THDA staff. Any individual so prohibited may appeal the determination to the THDA Executive Director and the THDA Board Chair. The determination of prohibition shall be at the sole discretion of the THDA Executive Director and the THDA Board Chair and shall not be appealable to the THDA Board or the Tax Credit Committee of the THDA Board.
 - (i) There will be no prohibition if the triggering event occurred prior to October 29, 2012.
 - (ii) There will be no prohibition if THDA becomes aware of the triggering event more than five (5) years after its occurrence.
 - (iii) No prohibition will be imposed on a development or proposed development involving the prohibited individuals that received an allocation of Tax Credits

between the occurrence of the triggering event and the time THDA becomes aware of the triggering event.

- e. Any prohibition of participation in the Multifamily Tax-Exempt Bond Authority Program under Part I-C-5 of the 2018 Multifamily Tax-Exempt Bond Authority Program Description shall constitute a prohibition of participation in the Low-Income Housing Tax Credit Program pursuant to Part VII-A-4-d of the QAP.
 - f. A certification in the form of **Attachment 21** must be submitted as part of all Initial Applications to demonstrate eligibility under this Part VII-A-4.
 - g. A certification in the form of **Attachment 22** must be submitted as part of any Initial Application that requests acquisition Tax Credits to demonstrate eligibility under Part VII-A-4-a-(vi).
5. Existing, Incremental, and New Developments
- a. Developments which received reservations/allocations of Tax Credits under QAPs at any time during the prior fifteen (15) years and which are not proposing additional housing units will be considered “existing” developments. Developments which have received reservations/allocations of Tax Credits under the 2017 QAP, but which are proposing additional housing units will be considered “incremental” developments. All other developments will be considered “new” developments.
 - b. Initial Applications proposing “incremental” developments will be reviewed, evaluated and scored based solely on the costs, characteristics, and other elements of the development attributable to the housing units added pursuant to the Initial Application submitted for 2018 Tax Credits. None of the costs, characteristics, or other elements attributable to the existing development will be considered, evaluated, or scored. If Tax Credits are allocated to an “incremental” development, the limitations specified in Part IV, and the limitations specified in Part V will apply, based on the cumulative amount of Tax Credits allocated to the entire development for 2017 and 2018 and the cumulative costs of the development as proposed in 2017 and 2018.
 - c. If there are sufficient qualified Initial Applications for “new” developments and/or “incremental” developments, Initial Applications for “existing” developments will not be reviewed or scored, and the application fee will be returned.
 - d. If Tax Credits are allocated to an “existing” development, the limitations specified in Part IV and the limitations specified in Part V will apply, based on the cumulative amount of Tax Credits reserved for the entire development in 2018 and allocated to the development at any time during the prior fifteen (15) years and the cumulative costs of the development as proposed in 2018 and for the prior fifteen (15) years.
6. Development Participants
- a. All development participants must be identified in Sections 3, 4, and 5 of the Initial Application and on the **Contacts Page of the electronic application system**.
 - b. **Ownership Organization Breakdown** must be fully completed and submitted with the Initial Application for the Ownership Entity identified in Section 3 of the Initial Application. Provide the required information for all entities and individuals at each layer of the organizational structure of the Ownership Entity. **TRACE THE PROPOSED OWNERSHIP ENTITY THROUGH ALL LAYERS OF ITS ORGANIZATIONAL STRUCTURE REGARDLESS OF THE TYPE OF ENTITY AT ANY PARTICULAR LAYER.** Applicants are encouraged, but not required, to submit an organizational chart when the proposed Ownership Entity is complex and contains multiple layers.
 - c. **Developer Organization Breakdown** must be fully completed and submitted with the Initial Application for the Developer Entity identified in Section 4 of the Initial

Application. Provide the required information for all entities and individuals at each layer of the organizational structure of the Developer Entity. **TRACE THE PROPOSED DEVELOPER ENTITY THROUGH ALL LAYERS OF ITS ORGANIZATIONAL STRUCTURE REGARDLESS OF THE TYPE OF ENTITY AT ANY PARTICULAR LAYER.** Applicants are encouraged, but not required, to submit an organizational chart when the proposed Developer Entity is complex and contains multiple layers.

- d. In the event any entity identified in **Ownership Organization Breakdown** and/or **Developer Organization Breakdown** is a corporation that is publicly traded on a nationally recognized stock exchange or similar entity, the information required in **Ownership Organization Breakdown** and/or **Developer Organization Breakdown** need not be provided for that entity. An opinion of counsel in the form of **Attachment 24** must be provided with the Initial Application for this exception to apply.
- e. In the event any entity identified in **Ownership Organization Breakdown** and/or **Developer Organization Breakdown** is a trust, information must be provided in the relevant Attachment about the trustee and beneficiary of each trust at each layer of organizational structure. Information about trustees and beneficiaries must be traced through all levels of organizational structure.
- f. An **Attachment 23** (Disclosure Form) is required for each individual identified in **Ownership Organization Breakdown** for the Ownership Entity and for each individual identified in **Developer Organization Breakdown** for the Developer Entity. Each Disclosure Form must include responses to each question and must bear the original signature of the individual, in their individual capacity. Provided, however, **Attachment 23** is NOT required for individuals who are officers, directors of shareholders of a corporation that is publicly traded on a nationally recognized stock exchange or similar entity which is identified in **Ownership Organization Breakdown** and/or **Developer Organization Breakdown**.
- g. An Initial Application is ineligible if any of the following apply:
 - (i) **Attachment 23** for any required individual shows that any one of the following is true for that individual:
 - (A) A felony conviction of any type within the last ten (10) years;
 - (B) A fine, suspension or debarment involving financial or housing activities within the last five (5) years imposed by any federal agency;
 - (C) The individual currently in bankruptcy or a bankruptcy discharged within the last four (4) years or any organization or entity in which the individual had significant control currently is in bankruptcy or had a bankruptcy discharged within the last four (4) years;
 - (i) Individual bankruptcy of a member of the board of directors of an entity that is, or is wholly controlled by, a government entity will not be grounds for ineligibility under this Part VII-A-6-g-(i)-(C) provided that the individual certifies that he/she will not have substantial decision-making authority with regard to the proposed development; or
 - (D) Any suspensions of required state licenses (Tennessee or any other state) within the last ten (10) years.
 - (ii) The Initial Application is disqualified or deemed ineligible pursuant to any other provisions of this QAP.

(iii) The Initial Application involves, either directly or indirectly, any individual involved, either directly or indirectly, with any development that previously received an allocation of Tax Credits from THDA and which is the subject of a qualified contract request pursuant to Section 42(h)(6)(E)(i)(II) of the Code.

7. Property Control

- a. THDA will not accept multiple Initial Applications for the same site.
- b. To be eligible, an Initial Application must demonstrate control of the property on which the development proposed in the Initial Application is to be located (the "Property"). A copy of any one of items (i)-(iv) below must be part of the Initial Application:
 - (i) Recorded instrument of conveyance (warranty deed, quitclaim deed, trustee deed, court order) evidencing title to the Property vested in (A) the currently existing Ownership Entity identified in the Initial Application or (B) a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed;
 - (ii) Acceptable evidence demonstrating the ability to acquire the Property through the power of eminent domain by (A) the currently existing Ownership Entity identified in the Initial Application or (B) a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed;
 - (iii) Contract for sale or a contract for a 50-year ground lease, which contract must show that the ground lease, when executed, will meet the requirements specified in Part VII-A-7-b-(v), executed by (A) the owner of record of the Property and (B) the currently existing Ownership Entity identified in the Initial Application or a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed; or
 - (iv) An option to purchase or an option for a 50-year ground lease, which option must show that the ground lease, when executed, will meet the requirements specified in Part VII-A-7-b-(v), executed by (A) the owner of record of the Property and (B) the currently existing Ownership Entity identified in the Initial Application or a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed.
 - (v) A ground lease for the Property must have a minimum term of 50 years with no provisions for termination or reversion prior to the expiration of the extended use period as defined in Section 42(h)(6)(D). Proposed developments which are the subject of a Payment In Lieu of Taxes ("PILOT") agreement may be exempt from this minimum term requirement subject to THDA's review of and satisfaction with the terms of the PILOT.
- c. Documentation required as part of the Initial Application to demonstrate eligibility under this Part VII-A-7:
 - (i) A copy of one of the items identified in Part VII-A-7-b above, **AND**
 - (A) A commitment for title insurance evidencing that title to the Property is vested in the person or entity who executed the document required in Part VII-A-7-b above as owner, which must include a valid legal description of the property. The commitment for title insurance must be dated no more than 60 days prior to the Initial Application Deadline.
- d. Copies of assignments of contracts or options without copies of the underlying contract or option that meets the requirements set forth above will not be accepted.

- e. All documentation must be in full force and effect, fully executed, and include a correct legal description for the Property.
 - f. The legal description included with the documentation pursuant to Part VII-A-7-b and the legal description included with the documentation pursuant to Part VII-A-7-c must be consistent with each other.
 - (i) If the legal descriptions required pursuant to Part VII-A-7-b and Part VII-A-7-c do not match exactly, the applicant may submit a sworn affidavit from an individual listed in **Ownership Organization Breakdown** or an individual listed on **Developer Organization Breakdown** stating that the legal description included with the documentation pursuant to Part VII-A-7-b and the legal description included with the documentation pursuant to Part VII-A-7-c both refer to the Property.
 - g. The purchase price must be clearly stated in the documentation submitted pursuant to Part VII-A-7-b.
 - h. If the property identified in an Initial Application under this QAP includes land for which the purchase cost has already been taken into account in connection with a prior allocation of Tax Credits, no cost for the purchase of the land will be permitted in connection with the property identified in the Initial Application under this QAP.
8. Market Study
- a. A Market Study (the "Market Study"), performed by an independent third party selected from **Exhibit 9** and prepared in accordance with the requirements of **Exhibit 8**, must be submitted with the Initial Application for all proposed developments. The Market Study, in a form and with content acceptable to THDA, in its sole discretion, must support the need and demand for the proposed development.
 - b. The Market Study must be less than six months old at the time of submission.
 - c. A Market Study performed by an analyst or firm not listed in **Exhibit 9** will not be accepted. This includes any Market Study performed on behalf of an analyst or firm listed in **Exhibit 9** by an analyst or firm not listed in **Exhibit 9** (i.e. a "subcontracted" Market Study).
 - d. Based on the information and analysis presented in the Market Study, and based on other information available to THDA, THDA may determine that market demand is not sufficient to support the proposed development.
 - e. ***The determinations of the market analyst as reflected in the Market Study are determinative as to eligibility.***
9. Physical Needs Assessment
- For Initial Applications proposing adaptive reuse, preservation, or rehabilitation, the Initial Application must include a Physical Needs Assessment (the "Physical Needs Assessment") conducted by an independent third party and prepared in accordance with the requirements of **Exhibit 11**. The Physical Needs Assessment must be in a form and with content acceptable to THDA, in its sole discretion, and must include a complete and detailed work plan showing all necessary and contemplated improvements and the projected cost. The Physical Needs Assessments must be less than six months old at the time of submission. The Physical Needs Assessment must be based on a physical inspection of the building(s) occurring no more than 6 months prior to the effective date of the Physical Needs Assessment.
10. Appraisal

- a. For Initial Applications proposing adaptive reuse, preservation, rehabilitation, or requesting acquisition Tax Credits for five or more units, an “as is” market rate appraisal (the “Appraisal”) not including Tax Credit benefits must be included with the Initial Application. The Appraisal must be performed by a Certified General Appraiser licensed in Tennessee and prepared in accordance with the requirements of **Exhibit 12**. The Appraisal must be in a form and with content acceptable to THDA, in its sole discretion. The Appraisal cannot be based solely or largely on a cost approach to value, but must also consider market and income approaches to value. If the development is proposed for scattered sites, the scattered sites must be appraised as a single rental development, using appraisal methodology appropriate for rental property as described here. The acquisition cost for Tax Credit purposes shall not exceed the lesser of the purchase price or the appraised value. The Appraisal must be less than six months old at the time of submission.
- b. For all other Initial Applications that include land cost, a land appraisal (the “Land Appraisal”) must be included with the Initial Application. The Land Appraisal must be in a form and with content acceptable to THDA, in its sole discretion. The Land Appraisal must be performed by a Certified General Appraiser licensed in Tennessee and prepared in accordance with the requirements of **Exhibit 12**. If the development is proposed for scattered sites, the scattered sites must be appraised as a single rental development, using appraisal methodology appropriate for rental property. The land cost for Tax Credit purposes shall not exceed the lesser of the purchase price or the appraised value. The Land Appraisal must be less than six months old at the time of submission.

11. 100-Year Flood Plain

No portion of the improvements associated with the proposed development (other than parking lots) may be within a 100-year flood plain unless covered by flood insurance. Certification in the form of **Attachment 25** will be required with the 10% Carryover Cost Certification. Proof of flood insurance, if applicable, must be submitted with the Final Application.

B. Scoring Initial Applications

Only Applicants, Initial Applications and developments that meet all application requirements specified in Part VI and all eligibility requirements specified in Part VII-A will be evaluated according to the scoring criteria specified below based on the information provided in each Initial Application. **A minimum of 44 points of the 100 points available is required for an Initial Application to be eligible for further consideration** under this QAP.

Points will not be awarded for any scoring category that is incomplete, erroneous, inconsistent with Attachments, other required supporting documentation, the Initial Application itself, or any other type of inconsistency.

1. Development Location and Housing Needs: Maximum 20 Points

- a. Developments located in counties with the greatest rental housing need (**Exhibit 2**): **Maximum 20 points**

2. Development Characteristics: Maximum 25 Points

- a. New Construction Only
 - (i) Written documentation from the appropriate local governmental authority demonstrating that current zoning and other local land use regulations permit the development as proposed or that no such regulations currently apply to the proposed development: **5 points**
 - (ii) Designed and built using brick, stone, cement fiber siding, or vinyl to meet a 15-year maintenance-free exterior standard. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609: **5 points**
 - (iii) Designed and built with **a minimum of 65%** of the exterior wall surfaces below the plate line covered with brick, stone, or cement fiber siding. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609: **5 points**
- b. Preservation or Rehabilitation Only
 - (i) Developments involving **substantial preservation or rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation as described in the Physical Needs Assessment, the major building components and systems will not require further substantial rehabilitation for a period of at least fifteen (15) years from the required placed in service date. Major building components and systems are roof structures, wall structures, floor structures, foundations, plumbing systems, central heating and air conditioning systems, electrical systems, interior and exterior doors, windows, parking lots, elevators, and fire/safety systems. Rehabilitation hard costs must be no less than the greater of thirty percent (30%) of building acquisition costs or eleven thousand dollars (\$11,000) per unit. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609: **13 points**
 - (ii) Developments involving **moderate preservation or rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greater of twenty-five percent (25%) of building acquisition cost or seven thousand dollars (\$7,000) per unit. The rehabilitation scope of work must include, at a minimum, all appliances in all units being Energy-Star compliant (this requirement does not apply to ovens, ranges, or microwaves), and all work specified in the Physical Needs Assessment with

regard to drywall, carpet, tile, interior and exterior paint, the electrical system, heating and air conditioning systems, roof, windows, interior and exterior doors, stairwells, handrails, and mailboxes. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609: **8 points**

- (iii) Developments involving **limited preservation or rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greater of twenty percent (20%) of building acquisition cost or six thousand dollars (\$6,000) per unit. The rehabilitation scope of work must include, at a minimum, all work specified in the Physical Needs Assessment with regard to interior and exterior common areas, interior and exterior painting and/or power washing, gutters, parking areas, sidewalks, fencing, landscaping, and mailboxes. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609: **3 points**
- (iv) All rehabilitation expenditures must satisfy the requirements of Section 42(e)(3)(A)(ii) of the Code.
- (v) All rehabilitation work associated with costs reflected in the Initial Application must be fully completed no later than the required Tax Credit placed in service date.
- (vi) Developments involving the use of existing housing as part of a community revitalization plan as certified, in the form of **Attachment 13**, executed by the City Mayor or City Attorney if the development is located within the applicable city limits, or the County Mayor or County Attorney if the development is located within the relevant county but is outside city limits. For developments which are located in a city without a community revitalization plan, but are covered by the relevant county revitalization plan, the County Mayor or County Attorney may sign the **Attachment 13**, but the City Mayor or City Attorney must sign the acknowledgement of said situation at the bottom of **Attachment 13: 1 point**

c. Historic Nature

Developments exclusively involving a structure (or structures) that is listed individually in the National Register of Historic Places, or is located in a registered historic district and certified by the Secretary of the Interior as being of historical significance to the district, and all proposed work will be completed in such a manner as to be eligible for historic rehabilitation tax credits. An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609. **Developments seeking to combine historic nature and adaptive reuse will be treated as new construction: 1 point**

d. Enterprise Green Community Certification

Developments fully certified as compliant with Enterprise Green Community requirements. Certification documentation will be required prior to issuing the IRS Form 8609: **10 points**.

e. Combination of New Construction and Preservation or Rehabilitation

For developments involving a combination of new construction and rehabilitation, points will be prorated based on the percentage of units in each category.

f. Adaptive Reuse/Conversion

Developments involving adaptive reuse/conversion will be treated as new construction. Adaptive reuse/conversion is defined as the change in use of a major

building to residential use. Without limitation, the reuse of hotels, motels, buildings formerly used for residential purposes, slabs, sheds, trailers/mobile homes, barns, garages or single-family homes are not considered to be adaptive reuse/conversion.

3. Sponsor and PHA Sponsor Characteristics: Maximum 19 Points

- a. Points will be awarded as designated below if the described event **has occurred in Tennessee since March 1, 2013** with respect to the developer, ownership entity, or individuals involved (either directly or indirectly) with the developer or the ownership entity (whether formed or to be formed) identified in the Initial Application: ***maximum 19 points***
 - (i) A reservation of Tax Credits was issued and accepted for a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, and a Carryover Allocation (or, for allocations of noncompetitive Tax Credits, a Noncompetitive Low-Income Housing Tax Credit Firm Reservation Notice) was obtained: ***maximum 5 points***
 - (ii) A Carryover Allocation was made (or, for allocations of noncompetitive Tax Credits, a Noncompetitive Low-Income Housing Tax Credit Firm Reservation Notice was issued) to a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, and an IRS Form 8609 was obtained: ***maximum 6 points***
 - (iii) An allocation of Tax Credits was made to a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, and the development met the minimum set-aside for low-income tenants as specified in the Land Use Restrictive Covenant: ***maximum 8 points***
 - (iv) **Initial Applications involving a Public Housing Authority will be ineligible for points under this Part VII-B-3-a.**
- b. Initial Applications involving a PHA must demonstrate eligibility under Part VII-A-2-b: ***maximum 19 points.***
- c. Initial Applications will be ineligible for points referenced in Part VII-B-3-a and Part VII-B-3-b above if, with respect to the developer, ownership entity, PHA, or individuals involved (either directly or indirectly) with the developer, the ownership entity (whether formed or to be formed), or the PHA identified in the Initial Application, any of the following has occurred:
 - (i) any such individual has been involved with a development which received a reservation of tax credits but returned the tax credits prior to the development placing in service and an IRS Form 8609 was not obtained for the buildings in the development; or
 - (ii) any such individual has been determined to be or have been involved in any prior Initial, Carryover Allocation, or Final Application that has been determined to be in violation of the requirements of the applicable QAP regarding developer or related party issues; or
 - (iii) any such individual has been determined to be or have been involved in any prior Initial, Carryover Allocation, or Final Application that has been determined to involve a “broker” who does not remain involved in the Initial Application through placed in service; or
 - (iv) any such individual has been determined to be or have been involved in any prior Final Application that has been determined to be in violation of the requirements

of the applicable QAP regarding submission of permanent financing documentation; or

- (v) any such individual has been determined to be or to have been involved in any prior Initial, Carryover Allocation, or Final Application as a consultant, but who is a signatory or guarantor of construction financing documents, permanent financing documents, and/or equity syndication documents with respect to the development reflected in such prior Initial, Carryover Allocation, or Final Application; or
- (vi) any such individual has been determined to be or have been involved in any Multifamily Tax Exempt Bond Authority Application that received an allocation of bond authority but failed to meet established deadline for issuance and sale of the tax-exempt bonds. Voluntary withdrawal of a Multifamily Tax Exempt Bond Authority Application in accordance with all applicable program requirements will not cause ineligibility for points under Part VII-B-3-a or Part VII-B-3-b above; or
- (vii) any such individual has been determined to be or have been involved in any Section 1602 or Tax Credit Assistance Program (“TCAP”) development that accepted a conditional commitment letter, but failed to meet deadlines established for the submission of documentation to THDA or failed to close on the Section 1602 or TCAP assistance or failed to achieve 100% completion of construction of the development by the relevant deadline (voluntary withdrawal of a Section 1602 or TCAP Application in accordance with all applicable program requirements will not cause ineligibility for points under Part VII-B-3-a or Part VII-B-3-b above); or
- (viii) any such individual has been determined to be or have been involved in any development for which Section 1602 or TCAP assistance closed, but is in default thereunder or for which events have occurred that with the passage of time will become a default; or
- (ix) any such individual has been determined to be or have been involved in any development for which a building has an uncured event of noncompliance under Section 42, the restrictive covenants recorded in connection with the development, or an outstanding IRS Form 8823; or
- (x) any such individual has been determined to be or have been involved in any development which has been placed in a “no further monitoring” status with THDA.

Ineligibility for points as described in this Part VII-B-3-c shall be in effect during the year in which THDA identifies the circumstances causing the ineligibility and for the following two (2) calendar years.

- d. All individuals identified in this Initial Application on **Ownership Organization Breakdown or Developer Organization Breakdown** must remain involved in the 2018 development until all the buildings have placed in service, IRS Form 8609s have been issued for every building in the development, and the minimum set-aside for low-income tenants as specified in the Land Use Restrictive Covenant has been satisfied.

4. Lowest Income Preference: Maximum 12 Points

Election to set aside up to twenty percent (20%) of the units (which number shall be rounded up to the next whole unit) for households with incomes no higher than fifty percent (50%) of the area median income with rents maintained at or below the 50% of area median income maximums. Units occupied by households with Section 8 Housing Choice Vouchers count toward this requirement:

<u>Percent of units</u>	<u>Points</u>
At least 5%	6 points
At least 10%	8 points
At least 15%	10 points
At least 20%	12 points

5. Extended Use Preference or Eventual Tenant Ownership: Maximum 7 points

Choose only one below, a. OR b.

a. Extended Use Preference: Maximum 7 Points

A binding commitment to defer the point in time at which the written request specified in Section 42(h)(6)(I) (the "Opt Out Request") may be given:

<u>Number of Years</u>	<u>Points</u>
Waive ability to submit Opt Out Request	7 points
5 years	5 points
4 years	4 points
3 years	3 point

OR

b. Eventual Tenant Ownership: **1 point**

A binding commitment to offer the tenant of a single family building at the end of the fifteen-year tax credit compliance period a right of first refusal to purchase the property. The owner must provide to THDA a detailed plan with the Initial Application, specifically including how the owner will set aside a portion of the rent beginning in year two (2) of the compliance period to provide sufficient funds to the tenant at the end of the compliance period for the down payment and the closing costs to purchase the unit. The plan will be required to be updated and submitted to THDA again for approval in year 13 of the compliance period. The Restrictive Covenant Agreement will contain provisions ensuring enforcement of this provision.

6. Public Housing Priority: 6 points

Marketing plans, lease-up plans, and operating policies and procedures which will give a priority to persons on current Public Housing waiting lists. Initial Applications with proposed developments in areas reflected on **Exhibit 6** are eligible for these points.

7. Residency Priority: Maximum 6 Points

Choose only one below, a. OR b.

- a. Residency Priority for Households with Children: An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609: **6 points**

A minimum of 20% of the units in the development, rounded up to the nearest whole unit, must have 2 or more bedrooms.

The development must include a playground with permanent playground equipment and at least 1 of the following on-site amenities:

- (i) Appropriately sized, dedicated space with appropriate furniture and fixtures for and agreements with providers of after-school tutoring or homework help programs; or
- (ii) Appropriately sized computer room containing at least 1 computer with free internet access for each 50 total units; or
- (iii) Ball court, separate from all parking areas, incorporating permanent fixtures and a minimum of 1,600 square feet of concrete or paved surface.

OR

- b. Residency Priority for Households with Special Housing Needs: The Initial Application must propose a development that serves households with special housing needs. Special needs housing is housing that has been constructed or rehabilitated with special features (e.g. location, design, layout, on-site services) to help people live at the highest level of independence in the community. For example, the unit may be adapted to accommodate special physical or medical needs; or provide on-site services such as staff support for the elderly, individuals with mental health issues, developmental, or other social needs. **In order to qualify for points pursuant to this Part VII-B-7-b, the proposed development must include on-site services for the targeted tenant population. The Initial Application must include a comprehensive service plan that identifies each service to be provided; the anticipated source of funding for each service; the physical space that will be used to provide each service; and the anticipated supportive service provider for each service and their experience in providing service to the targeted population. Verification of tentative agreements with providers of on-site services throughout the first two (2) years following the required placed in service date must be included with the Initial Application. Final agreements with providers of on-site services throughout the first two (2) years following the required placed in service date must be included with the Final Application.** An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609: **6 points**

The development must include an appropriately sized, dedicated space with appropriate furniture and fixtures for, and agreements with, providers of services relevant to special housing needs residents and at least 1 of the following on-site amenities:

- (i) Appropriately sized computer room containing at least 1 computer with free internet access for each 50 total units; or
- (ii) Exercise facility for appropriate group activity for special housing needs residents (space must be at least 900 square feet, if indoor); or
- (iii) Gazebo with outdoor shaded sitting area with ornamental flowers and shrubs.

8. Tennessee Growth Policy Act: 5 points

Initial Applications with proposed developments located completely and wholly in a county or municipality with a growth plan approved by the local government planning advisory committee as determined by the Tennessee Advisory Commission on Intergovernmental Relations and reflected on **Exhibit 3**. Initial Applications with proposed developments in counties not subject to the Tennessee Growth Policy Act, as shown on **Exhibit 3**, will receive these points.

Part VIII: Initial Application Eligibility and Scoring Review

A. Notice to Applicants

1. THDA will notify each applicant when the eligibility determination and scoring of their Initial Application is complete. THDA will send this notice to the contact person and the address specified in the Initial Application. Failure to receive any notice specified in this Part VIII will not extend deadlines or modify requirements in this Part VIII. All applicants shall immediately notify THDA, in writing, of changes in the name and/or address of the contact person specified in the Initial Application. Such notification by the applicant will not be deemed to be an amendment to the Initial Application.
2. If THDA determines that an Initial Application meets all of the eligibility requirements of this QAP and if the score assigned by THDA in each scoring category is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. At no time during the process set forth in this Part VIII may applicants submit additional items for the purpose of increasing the scores in a particular scoring category if the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application. The provisions of Part VIII-B do not apply.
3. If THDA determines that an Initial Application does not meet one or more of the eligibility requirements of this QAP or if the score assigned by THDA in any scoring category is less than the score assigned by the applicant in the Initial Application, THDA will so notify the applicant. THDA will also notify applicants if THDA determines that (i) any two or more developments proposed in two or more Initial Applications constitute a single development for purposes of applying the development limit specified in Part IV-B or (ii) developers or related parties reflected in two or more Initial Applications constitute a single entity for purposes of applying the developer or related party limitation specified in Part IV-C. This notice to applicants from THDA is referred to herein as the “Cure Notice”.
4. **No rankings or scoring summaries with respect to Initial Applications received by THDA will be available until all cure periods have expired and the review process is complete.**

B. Cure Period

1. Applicants receiving a Cure Notice may, in compliance with the requirements of this Part VIII-B, correct erroneous items, supply missing or incomplete items and/or may clarify any inconsistencies related to the specific items identified by THDA during a cure period which shall begin on the date of the Cure Notice and shall end at the time and date specified in the Cure Notice. The Cure Notice shall specify the means and methods by which identified issues may be remedied. Applicants may not submit additional items for the purpose of increasing the score in a particular scoring category where the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application.
2. If additional documentation to address items specified in the Cure Notice is not submitted in accordance with the requirements contained in the Cure Notice, then the determination as to eligibility and scoring made by THDA is determinative. The review process described in Part VIII-C is not available to applicants who do not submit additional documentation, **in writing**, in accordance with the Cure Notice (including, without limitation, the time deadlines specified therein.).
3. The cure provisions of this Part VIII-B **do not apply** to Initial Applications that are not submitted in accordance with the requirements of Part VI.

4. THDA will review all documentation submitted in accordance with the Cure Notice for each relevant Initial Application. If THDA determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, meets all of the eligibility requirements of this QAP and if the score assigned by THDA in each scoring category is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. The provisions of Part VIII-C will not apply.
5. If THDA determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, still does not meet any one of the eligibility requirements of this QAP or if the score assigned by THDA in any scoring category is still less than the score assigned by the applicant in the Initial Application, THDA will notify the applicant of the determination (the "Review Notice"). The Review Notice will specify the time period within which a request for review may be made.

C. Review Process

1. Applicants who receive a Review Notice may submit, **in writing**, a request for review to the THDA Executive Director. This request for review must be submitted in accordance with the Review Notice. A request for review will not be considered if no documentation was submitted or if documentation was not submitted in accordance with the Cure Notice (including, without limitation, the time deadlines therein). If no written request for review is submitted or if the written request submitted does not meet all requirements of the Review Notice or this QAP, no review will occur and the THDA determination prior to the issuance of the Review Notice will be final.
2. The request for review must identify the eligibility item or scoring category to be reviewed, **the information in the Initial Application OR the documentation submitted during the cure period relevant to the eligibility item or scoring category in question**, and the reason the applicant thinks that the eligibility determination or scoring was in error. The request for review must contain no more than two 8 1/2 X 11 inch pages, with print on one side of each page, typed in 12 point font or larger. Requests not meeting this format will not be considered.
3. No additional documentation may be submitted in connection with this request for review. No information submitted after the expiration of the relevant cure period specified in the Cure Notice for an Initial Application will be considered. Requests for review that were not submitted in accordance with the Review Notice will not be considered. The provisions of Part VIII-C-4, -5, and -6 will not apply.
4. The Tax Credit Committee of the Board of Directors of THDA (the "Tax Credit Committee") will meet in regular or special session in June 2018, to evaluate the Initial Application, documentation submitted during the cure period, the Review Notice, the request for review and THDA staff analysis thereof (the "Review Meeting"). The Tax Credit Committee will consider only documentation submitted in compliance with this Part VIII, regardless of whether the applicant or a representative thereof are present at the Review Meeting. The Tax Credit Committee will consider whether documentation submitted as a result of the Cure Notice, taking into account the THDA staff analysis, is sufficient to meet the requirements of this QAP or is otherwise consistent with the spirit and intent of this QAP. **Any contact with THDA Executive Director, any member of the Tax Credit Committee or any member of the THDA Board by any person or entity on behalf of any Initial Application between the date of the Review Notice and the date of the Review Meeting will be grounds for dismissal of the review request.**
5. Applicants or representatives thereof may contact THDA Multifamily Development staff regarding procedural matters only between the date of the Review Notice and the date of

the Review Meeting, which contact, if limited as specified herein, will not constitute grounds for dismissal of a review request. Applicants or representatives thereof may, but are not required to, appear at the Review Meeting. Notice of the decision of the Tax Credit Committee will be provided to the applicant.

6. The final score for all Initial Applications will be determined after the Review Meeting. By adoption of this QAP, the THDA Board of Directors specifically delegates full authority to the Tax Credit Committee to make the determinations specified in this Part VIII-C. The THDA Board of Directors will not consider requests to review decisions of the Tax Credit Committee. All decisions of the Tax Credit Committee are final. No matters with respect to eligibility under Part VII-A or with respect to scoring under Part VII-B will be considered after the adjournment of the Review Meeting.

D. Final Scoring and Ranking of Initial Applications

After the completion of the cure period and completion of the review process set forth above, the final score for each Initial Application will be determined by THDA. Each Initial Application will be listed in order of score and such rankings will be made available to all applicants. This ranking is not confirmation of a reservation of Tax Credits. Reservations will not be made until all set-asides have been applied and all limits have been applied.

E. Application of Various Limits/Final Ranking

Following the final scoring of each Initial Application, THDA will make reservations in the Non-Profit Set-Aside, in the Public Housing Authority Set-Aside, in the Preservation Set-Aside, in the QCT/CRP Set-Aside, and in the Rural Set-Aside, based on the final scores assigned to each Initial Application, the amount of Tax Credits determined by THDA to be appropriate, the application of all other priorities, caps, and limits contained in this QAP, and according to the following procedures and provisions:

1. Non-Profit Set-Aside:

- a. Based on the final scoring of Initial Applications, THDA will list, in ranking order, all developments qualifying for the Non-Profit Set-Aside. THDA will reserve Tax Credits beginning with the highest ranking Initial Application in the Non-Profit Set-Aside proposing new construction and the highest ranking Initial Application in the Non-Profit Set-Aside proposing preservation (as described in Part VII-A-2-c) or rehabilitation in the initial Non-Profit Set-Aside and, following that, will proceed down the ranking, without regard to development activity, until the point is reached where the last complete reservation can be made from the Non-Profit Set-Aside. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-8.** (The limitations specified in Part IV will apply.) If there are not enough Tax Credits remaining in the initial Non-Profit Set-Aside to reserve the full amount requested for the next Non-Profit Initial Application in line, the difference between the balance remaining in the initial Non-Profit Set-Aside and the amount needed to make a full reservation will be added to the Non-Profit Set-Aside.
- b. If a development receives a reservation from the Non-Profit Set-Aside and is also qualified for the QCT/CRP Set-Aside and/or the Rural Set-Aside, the reservation from the Non-Profit Set-Aside will count against the QCT/CRP Set-Aside and/or the Rural Set-Aside, as applicable.
- c. After the initial Non-Profit Set-Aside is completely reserved, other qualified Non-Profit applications that did not receive a reservation will be included and considered, along with other qualified applications, in the Public Housing Authority Set-Aside, the Preservation Set-Aside, the QCT/CRP Set-Aside (subject to b. above), the Rural Set-Aside (subject to b. above), and the General Pool, (subject to b. above) and Part IV, as applicable.

2. PHA Set-Aside:

- a. Qualified Initial Applications with a CNI Implementation Agreement or a RAD Commitment to Enter into a Housing Assistance Payments Contract (as described in Part VII-A-2-b of this QAP) will receive priority within the PHA Set-Aside.
- b. THDA will list, in ranking order, qualified Initial Applications in the PHA Set-Aside, and will make reservations beginning with the highest ranking Initial Application in the PHA Set-Aside and will proceed down the ranking until the point is reached where the last complete reservation has been made from the PHA Set-Aside. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-8.** (The limitations specified in Part IV will apply.)
- c. If a development receives a reservation from the PHA Set-Aside and is also qualified for the QCT/CRP Set-Aside and/or the Rural Set-Aside, the reservation from the PHA Set-Aside will count against the QCT/CRP Set-Aside and/or the Rural Set-Aside, as applicable.
- d. After the last complete reservation has been made from the PHA Set-Aside, other qualified PHA applications that have not received a reservation **will be** included and considered, along with other applications, in the Preservation Set-Aside, the QCT/CRP Set-Aside, the Rural Set-Aside, and the General Pool, as applicable.

3. Preservation Set-Aside

- a. THDA will list, in ranking order, qualified Initial Applications in the Preservation Set-Aside, and will make reservations beginning with the highest ranking Initial Application in the Preservation Set-Aside and will proceed down the ranking until the point is reached where the last complete reservation has been made from the Preservation Set-Aside. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-8.** (The limitations specified in Part IV will apply.)
- b. If a development receives a reservation from the Preservation Set-Aside and is also qualified for the QCT/CRP Set-Aside and/or the Rural Set-Aside, the reservation from the Preservation Set-Aside will count against the QCT/CRP Set-Aside and/or the Rural Set-Aside, as applicable.
- c. After the last complete reservation has been made from the Preservation Set-Aside, other qualified preservation applications that have not received a reservation **will not** receive further consideration for 2018 Tax Credits in any other set-aside or in the General Pool unless necessary to satisfy the requirements of Part VIII-E-4, Part VIII-E-5, or Part VIII-E-8.

4. QCT/CRP Set-Aside

- a. If steps 1 through 3 above have not produced a reservation to a development qualified for the QCT/CRP Set-Aside, THDA will list, in ranking order, qualified Initial Applications in the QCT/CRP Set-Aside and will reserve Tax Credits beginning with the highest ranking Initial Application in the QCT/CRP Set-Aside proposing new construction until the point where steps 1 through 4 include a reservation to one (1) development proposing new construction that is qualified for the QCT/CRP Set-Aside. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-8.** (The limitations specified in Part IV will apply.)
- b. After the last complete reservation has been made from the QCT/CRP Set-Aside, other qualified applications for QCT/CRP developments that have not received a reservation **will be** included and considered, along with other applications, in the General Pool, as applicable.

5. Rural Set-Aside

- a. If steps 1 through 4 above have included reservations to less than two (2) developments qualified for the Rural Set-Aside, THDA will list, in ranking order, qualified Initial Applications in the Rural Set-Aside and will reserve Tax Credits beginning with the highest ranking Initial Application(s) in the Rural Set-Aside until the point where steps 1 through 5 include reservations to two (2) developments that are qualified for the Rural Set-Aside. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-8.** (The limitations specified in Part IV will apply.)
- b. After the last complete reservation has been made from the Rural Set-Aside, other qualified applications for developments proposed for counties listed as “Rural” in **Exhibit 1** that have not received a reservation **will not** receive further consideration for 2018 Tax Credits in any other set-aside or in the General Pool unless necessary to satisfy the requirements of Part VIII-E-7-b.

6. Innovation Set-Aside

- a. Applicant presentations to the Innovation Set-Aside Selection Group shall take place in 2018, at a time and location determined by THDA and shall be limited to one (1) presentation per Innovation Set-Aside Application, no more than sixty (60) minutes in length.
- b. The Innovation Set-Aside Selection Group, in its sole discretion, may select Innovation Set-Aside Application(s) to receive a Reservation Notice from the Innovation Set-Aside. The selected Innovation Set-Aside Application(s) will be notified at the same time the ranking for the regular competitive round is released.
- c. **The determination of Innovation Set-Aside Selection Group shall not be appealable to the THDA Board or the Tax Credit Committee of the THDA Board.**

7. General Pool

- a. Any Tax Credits remaining after steps 1 through 5 above are complete will be combined with any other Tax Credits that are unallocated for any reason (from Part III-A above).
- b. Throughout the remainder of the reservations, THDA will ensure that at least ten percent (10%) of the total amount of Tax Credits available for allocation in Tennessee for 2018 have been reserved to Initial Applications that are qualified for the Non-Profit Set-Aside, even if a lower ranking Initial Application qualified for the Non-Profit Set-Aside must be reserved Tax Credits before a higher-ranking Initial Application that is not qualified for the Non-Profit Set-Aside.
- c. Except as necessary to satisfy the requirements of Part VIII-E-7-b, all reservations of Tax Credits from the General Pool will be made only to eligible Initial Applications that propose new construction.
- d. THDA will reserve any remaining Tax Credits to the remaining qualified Initial Applications beginning with the highest ranking Initial Application, subject to the priority for Non-Profit Initial Applications, the priority for Initial Applications proposing new construction, the priority for CNI Initial Applications, and subject to all other caps and limits contained in this QAP and proceed down the ranking until the point is reached where the last complete reservation is made. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-8.** (The limitations specified in Part IV will apply.)

- e. (i) If the steps above leave THDA with insufficient Tax Credits to make a complete reservation to the next highest ranking eligible Initial Application proposing new construction, THDA will hold the Tax Credits remaining until enough Tax Credits have been recaptured or returned for a complete reservation to be made to the next highest ranking eligible Initial Application proposing new construction, taking into account all applicable priorities, caps and limits. THDA will then make a complete reservation to the next highest ranking eligible Initial Application proposing new construction (The limitations specified in Part IV will apply.)
 - (ii) If the Tax Credits remaining are likely to exceed one percent (1%) of the total Tax Credits available for reservation, any remaining Tax Credits may be offered pursuant to Part VIII-E-8 below, taking into account all applicable priorities, caps, and limits. The limitations in Part IV will apply.
8. If the Tax Credits remaining are likely to exceed one percent (1%) of the total Tax Credits available for reservation, any remaining Tax Credits may be offered as a partial reservation to the next highest ranking eligible Initial Application proposing new construction, taking into account all applicable priorities, caps, and limits, until the Tax Credits are accepted. (The limitations in Part IV will apply.) Acceptance of a partial reservation according to this provision would not classify a development as an “existing” application in subsequent years, but any limitation on Tax Credits per development in subsequent years would apply to any such partial reservation.
9. **Tax Credits remaining in the Non-Profit Set-Aside after all qualified Non-Profit Initial Applications have received reservations of Tax Credits cannot be reserved to other Initial Applications.**

10. Tie Breaker

In the event there is a scoring tie between two or more Initial Applications at the cutoff for receipt of a Tax Credit Reservation Notice, the tie shall be broken as follows:

- a. If the tie is between two or more Initial Applications, **all of which propose new construction**, the Initial Application requesting the least Tax Credits per square foot of heated, low-income, **residential** floor space as measured “paint to paint” (**not including** common areas) will be given priority.
- b. If the tie is between two or more Initial Applications, **at least one of which proposes preservation or rehabilitation**, the Initial Application requesting the least Tax Credits per low-income unit will be given priority.
- c. In applying the tie breaker, THDA will carry out the calculation to as many digits to the right of the decimal point as needed to break the tie.

Part IX: Reservation of Tax Credits

A. Reservation Notice

THDA will notify, in writing, each successful applicant of an initial reservation of Tax Credits (the "Reservation Notice"). In determining the initial amount of Tax Credits to be reserved, THDA will use the costs, incomes and expenses submitted in the Initial Application, as determined by THDA to be reasonable. **The final amount of Tax Credits allocated to each successful applicant may be less than, but will not be more than, the amount requested in the Initial Application, the amount specified in the Reservation Notice or the amount reflected in a Carryover Allocation Agreement.** Allocations will be determined in connection with a Carryover Allocation Application and in connection with an evaluation at the time the development is placed in service, in accordance with Section 42(m)(2) and this QAP.

B. Status Reports

All developments with a Reservation Notice shall provide status reports outlining progress toward completion by dates, in a form and with substance as specified by THDA. Information requested will be development specific and may include such items as construction progress.

C. Recapture of Tax Credits During Reservation Period

1. THDA will cancel a Reservation Notice for failure to fully satisfy conditions imposed in connection with the Reservation Notice and for failure to provide satisfactory information or documentation required by the Reservation Notice by the deadlines specified in the Reservation Notice. This means that the Tax Credits referred to in the Reservation Notice are not available for the development specified in the Reservation Notice and will be made available to other qualified developments. Deadlines specified in the Reservation Notice are the dates upon which Tax Credits are deemed recaptured by THDA unless the conditions related to each deadline have been met on or before such deadline or unless an extension has been granted under Part XIV-C.
2. Tax credits made available through a Reservation Notice may be voluntarily returned. Any such return means Tax Credits are not available for the development referenced in the Reservation Notice.
3. Any Tax Credits recaptured either by cancellation of a Reservation Notice under Part IX-C-1 above or by voluntary return under Part IX-C-2 above will be reserved to the fullest extent practical to other qualified Initial Applications for Tax Credits as provided in this QAP.

Part X: Carryover Allocation

A. Qualifying for a Carryover Allocation

A development with a Reservation Notice that will not be placed in service by December 31, 2018, may be eligible for a carryover allocation of Tax Credits (“Carryover Allocation”). In order to qualify for a Carryover Allocation, the ownership entity identified in the Initial Application must have ownership of the property identified in the Initial Application and must have spent a minimum of ten percent (10%) of the reasonably expected basis in the development on or before the dates specified in the Carryover Allocation Agreement.

B. Submission of Additional Information and Documentation

The Carryover Allocation Application (submitted through the electronic application system) will specify the additional information and documentation required and will specify a date by which such information and documentation must be submitted to THDA.

At a minimum, a qualified applicant shall provide the following information and documentation, which information and documentation shall be in a form and with substance acceptable to THDA, **by the date(s) specified in the Carryover Allocation Application**:

1. Firm commitment letters for construction financing and competitive state or Federal loans or grants (i.e.: AD-622 for USDA/RD [formerly FmHA]), executed as specified in the letter and otherwise in a form and with substance acceptable to THDA;
2. Most recent utility allowance documents (from USDA/RD [formerly FmHA], HUD, local PHA, or utility company) demonstrating the basis for calculations of utility costs for the size and type of units proposed;
3. Written documentation from each service provider that all necessary utilities (i.e.: electricity, gas (if proposed development utilizes gas), sewer, and water) are available at the site;
4. Written documentation from the appropriate local governmental authority demonstrating that current zoning and other local land use regulations permit the development as proposed or that no such regulations currently apply to the proposed development (as new construction, acquisition and rehabilitation, or rehabilitation only);
5. Detailed information about the syndication transaction including, without limitation, a firm commitment letter from the purchaser of the tax credits executed as specified in the Carryover Allocation Application;
6. For Initial Applications subject to Part VII-A-4-a-(ii), Part VII-A-4-a-(iii), Part VII-A-4-a-(v), Part VII-A-4-a-(viii); Part VII-A-4-a-(ix), Part VII-A-4-a-(x), Part VII-B-2-a-(ii); Part VII-B-2-a-(iii); Part VII-B-2-b; Part VII-B-2-c; and/or Part VII-B-7, an architect’s certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609; and
7. Other information or documentation as THDA may deem necessary to fully evaluate the proposed developments and the applicant’s ability to proceed.

C. Other Carryover Allocation Requirements

1. To request a Carryover Allocation, the owner must, no later than the dates specified in the Carryover Allocation Application:
 - a. Complete a Carryover Allocation Application (submitted through the electronic application system); and
 - b. Submit any other development specific materials THDA may require.

2. The owner must execute a Carryover Allocation Agreement (**Form furnished by THDA**) and return the executed Carryover Allocation Agreement to THDA no later than the dates specified in the Carryover Allocation Agreement.
3. To meet the Carryover Allocation requirements, the owner must submit the Cost Certification (**Form furnished by THDA**) for the ten percent (10%) test no later than the date specified in the Carryover Allocation Agreement.
4. To meet the Carryover Allocation requirements, the owner must submit a copy of the recorded warranty deed showing ownership by the ownership entity identified in the Initial Application, a fully executed 50-year ground lease (subject to the provisions of Part VII-A-7-b-(v) of this QAP) showing the Ownership Entity as identified in the Initial Application as the lessee, or a copy of a PILOT agreement showing ownership by the ownership entity identified in the Initial Application no later than the date specified in the Carryover Allocation Agreement.

D. Tax Credits Available

The amount of Tax Credits to be allocated by a Carryover Allocation Agreement will be determined by THDA in connection with an evaluation at the time a Carryover Allocation is requested and in accordance with Section 42(m)(2). **This amount may be less than, but will not be more than, the Tax Credit amount in the Reservation Notice.**

E. Status Reports

All developments with a Carryover Allocation shall provide status reports outlining progress toward completion by dates, in form and substance specified by THDA in the Carryover Allocation Application.

F. Recapture of Tax Credits During Carryover Period

1. THDA will cancel a Carryover Allocation for failure to fully satisfy conditions imposed in connection with the Carryover Allocation. This means that the Tax Credits referred to in the Carryover Allocation Agreement are not available for the development specified in the Carryover Allocation Agreement and will be made available to other qualified developments. Deadlines specified in the Carryover Allocation Agreement are the dates upon which Tax Credits are deemed recaptured by THDA unless the conditions related to each deadline have been met on or before such deadline. Such Tax Credits are recaptured by THDA, without further notice, effective as of the deadline established in the Carryover Allocation Agreement which was not met.
2. Tax Credits allocated by a Carryover Allocation Agreement may be voluntarily returned. Any such return means that Tax Credits are not available for the development referenced in the Carryover Allocation Agreement.
3. Any Tax Credits recaptured either by cancellation of a Carryover Allocation Agreement under Part X-F-1 above or by voluntary return under Part X-F-2 above will be made available as follows:
 - a. Any Tax Credits returned before October 1, 2018, will be reserved to other qualified Initial Applications for Tax Credits as provided in this QAP;
 - b. Any Tax Credits returned on or after October 1, 2018, will be reserved pursuant to a QAP for 2019, if available.

Part XI: Placed In Service

A. Placed In Service Requirements

1. After all units in a development are placed in service, THDA will make a final allocation of Tax Credits and will issue IRS Form(s) 8609 only after receipt of the following, in form and substance satisfactory to THDA:
 - a. Final Application (submitted through the electronic application system);
 - b. Applicant's Verification Form for each building in the development (submitted through the electronic application system);
 - c. Final Cost Certification of actual costs, incomes and expenses, including actual syndication proceeds, from an independent CPA licensed in Tennessee **(Form furnished by THDA)**;
 - d. Original Recorded Land Use Restrictive Covenant **(Form furnished by THDA)**;
 - e. Copy of the recorded warranty deed indicating ownership by the ownership entity identified in the Initial Application, if applicable;
 - f. Certifications as may be required under Part VII-A and Part VII-B of this QAP;
 - g. Certificate of Occupancy for each building or, if the jurisdiction in which the development is located does not issue Certificates of Occupancy for the type of development involved, a letter from an authorized official of the local jurisdiction stating that the jurisdiction does not issue Certificates of Occupancy;
 - h. Required Compliance Monitoring Fee;
 - i. Verification from THDA Construction Analyst of fulfillment of all construction inspection requirements as reflected in **Exhibit 13**;
 - j. Detailed information about the syndication transaction including, without limitation, a firm commitment letter from the purchaser of the tax credits executed as specified in the Final Application;
 - k. Verification from THDA Program Compliance Division of Owner's Compliance Training attendance in accordance with Part XIII-L of this QAP;
 - l. Verification from THDA Program Compliance Division of a current, valid certification for the management company under the THDA Certified Property Manager/Agent Program; and
 - m. Other documentation as THDA may require.
2. THDA must receive a copy of the promissory note and recorded deed of trust for permanent financing of the development within sixty (60) days of the date of recording of the deed of trust. Failure to provide such documentation shall be deemed an event of noncompliance hereunder. THDA reserves the right to issue revised IRS Form(s) 8609 following receipt of the copy of the promissory note and recorded deed of trust if the terms of the promissory note and/or deed of trust vary from the terms specified in the Final Application.

B. Tax Credits Available

The amount of Tax Credits allocated when a development is placed in service will be determined by THDA based on an evaluation of the above required information and documentation and in accordance with Section 42(m). **This amount may be less than, but will not be more than, the amount reserved in the Reservation Notice or allocated in the Carryover Allocation. THDA reserves the right to make downward adjustments in the final amount of Tax Credits based on the information submitted and Section 42 requirements.**

Part XII: Developments to be Financed With Tax Exempt Bonds

A development financed with tax-exempt bonds may be eligible for an allocation of Tax Credits outside the competitive process described in this QAP. The development must meet the following conditions:

- A. If fifty percent (50%) or more of the aggregate basis of a development is financed with tax-exempt bonds, the development is eligible to apply for Tax Credits outside the competitive allocation process described in this QAP. If less than fifty percent (50%) of the aggregate basis of a development is financed with tax-exempt bonds, the competitive allocation process described in this QAP applies. Either counsel or a Certified Public Accountant licensed in Tennessee must certify to THDA that this financing requirement is met.
- B. Developments which are not subject to the competitive allocation process must, nevertheless, make application for Tax Credits to THDA in accordance with the terms of the THDA tax-exempt bond Commitment Letter based on bonds issued as a result of an allocation of 2018 volume cap by THDA. All such developments must meet all eligibility requirements of this QAP (with the exception of the requirements of Part VII-A-4-a-(iii)) and attain the minimum score required in Part VII-B. Developments which are not subject to the competitive allocation process must submit required attachments and supporting documentation as required by the electronic application system. THDA will determine the appropriate amount of Tax Credits to be allocated, and will issue a Reservation Notice. In determining the initial amount of Tax Credits to be reserved, THDA will use the costs, incomes and expenses submitted in the Initial Application, as determined by THDA to be reasonable. Allocations will be determined in connection with an evaluation at the time the development is placed in service, in accordance with Section 42(m)(2) and this QAP. Any such allocation of Tax Credits will not count against the limits on Tax Credits by county or by developer specified in Part IV. All requirements of Section 42 and this QAP apply to such developments.**
- C. Initial Applications for developments pursuant to this Part XII will be subject to the eligibility requirements in Part VII-A and to the minimum scoring requirements in Part VII-B.
- D. Developments receiving Tax Credits pursuant to this Part XII will be subject to all fees and compliance requirements and procedures as described in this QAP.
- E. Initial Applications for developments pursuant to this Part XII may be submitted to THDA outside the initial application deadlines stated in this QAP.
- F. If a development or proposed development is the subject of a pending competitive Tax Credit Initial Application and becomes the subject of a Multifamily Tax Exempt Bond Authority Application, the issuance of a bond Commitment Letter by THDA shall constitute the withdrawal of the competitive Tax Credit Initial Application.

Part XIII: Compliance Monitoring

Compliance monitoring procedures and requirements that apply to all buildings placed in service in Tennessee that have received Tax Credits allocated under Section 42 include, but are not limited to, the following:

- A. Owners must certify each year of the compliance period and the extended use period (“Owner’s Annual Certification of Compliance”), under penalty of perjury that, for all times during the prior calendar year:
 1. The development meets the minimum requirements of the appropriately selected test (i.e. 40/60 or 20/50) consistent with the irrevocable election made at the time of the initial application under the relevant QAP and Section 42(g)(1);
 2. There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the development or that there was a change and a description, satisfactory to THDA, of that change;
 3. The owner has received an annual income certification from each low-income tenant and has documentation to support the certification, including certify that tenant income has not increased above 140% of the income limitation required under Section 42(g)(2)(D)(ii);
 4. Each low-income unit is rent restricted under Section 42(g)(2);
 5. All units in the project were for use by the general public;
 6. There were no findings of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619 for the development;
 7. Each building in the development is suitable for occupancy, taking into account UPCS standard and local health, safety, and building codes (or other habitability standards) and the state or local government unit responsible for making local, health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the development;
 8. There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the development or, if there was a change, the nature of the change;
 9. All tenant facilities included in the eligible basis under Section 42(d) of any building in the development, such as a swimming pool, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants of the development;
 10. If a low-income unit became vacant during the year, reasonable attempts were made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the development were rented to tenants not having a qualifying income and while the unit was vacant, no units of comparable or smaller size were rented to tenants not having a qualifying income;
 11. If the income of tenants of a low-income unit in the development increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of a comparable or smaller size was rented to residents having a qualifying income;
 12. An extended low-income housing commitment, as described in Section 42(h)(6), was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicants holds a voucher under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f;
 13. All low-income units in the development were used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii) or single-room occupant units rented on a month-by-month basis under Section 42(i)(3)(B)(iv);

14. If the owner received Tax Credits from the Non-Profit Set-Aside, the “qualified non-profit organization” materially participated (regular, continuous and substantial on-site involvement) in the on-going operation of the development;
 15. If the building is financed by USDA/RD (formerly FmHA) under the Section 515 program, that the building complies with the requirements for USDA/RD assistance;
 16. All requirements associated with items for which points were taken at the time of initial application were met;
 17. An extended low-income housing commitment was in effect for the development;
 18. If Owner cannot truthfully certify to one or more of the above items, a detailed explanation of the situation must be provided to THDA with the Owner’s Annual Certification of Compliance.
- B. THDA will review all Owner’s Annual Certifications of Compliance for compliance with Section 42, relevant regulations and the relevant QAP. THDA will also conduct yearly on-site inspections of no less than 33% of developments receiving Tax Credits.
1. For the selected developments, THDA will review at least 20% of the tenant files for compliance with applicable occupancy and rent restrictions.
 2. For the selected developments, THDA will conduct physical inspections of at least 20% of the units to evaluate suitability for occupancy, taking into account UPCS and local, health, safety, and building codes (or other habitability standards).
 3. As a part of the on-site inspection, a review will be conducted of the owner’s marketing efforts to attract special needs populations and Section 8 applicants as outlined in the extended low-income housing commitment.
 4. Developments financed by the USDA/RD Section 515 loan program may be, but are not required to be, exempt from annual on-site file reviews and physical inspections.
- C. THDA shall provide prompt written notice to an owner if any of the following occur:
1. THDA does not receive the Owner’s Annual Certification of Compliance;
 2. THDA does not receive or is not permitted to inspect tenant income certifications, supporting documentation or rent records;
 3. THDA discovers by inspection, review or in some other manner that the development is not in compliance with Section 42, the relevant regulations, or the relevant QAP.
- D. Owners shall pay fees, as determined by THDA, to cover the administrative expenses of monitoring compliance and other expenses incurred in carrying out its duties as the Housing Credit Agency including but not limited to reasonable fees for legal and professional services.
- E. Owners shall have a ninety (90) day period to provide missing documentation or to correct noncompliance (the “Correction Period”). The Correction Period begins on the date THDA sends written notice to the owner specifying the missing documentation or the noncompliance via regular mail or via e-mailed to the address specified for the Owner or Owner’s contact in the files held by the Compliance Division of THDA. The Correction Period may be extended up to an additional 90 days for a total Correction Period not to exceed six (6) months upon a showing of good cause by the owner, all as determined by THDA in its sole discretion. Notwithstanding the foregoing, THDA will not grant extensions for items that are immediate health and safety issues.
- F. Owners shall have a seventy-two (72) hour period to provide missing documentation or to correct noncompliance with regard to immediate health and safety issues (the “Health and Safety Correction Period”). The Health and Safety Correction Period begins at the time THDA notifies the owner specifying the missing documentation or the noncompliance via on-site

letter, via telephone, or via e-mail to the telephone number or to the address specified for the Owner or Owner's contact in the files held by the Compliance Division of THDA.

- G. THDA shall file an IRS Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance, with the Internal Revenue Service to show an owner's noncompliance or failure to certify compliance no later than 45 days after the end of the Correction Period and no earlier than the end of the Correction Period, whether or not the noncompliance or failure to certify compliance is corrected.
- H. THDA has the right to inspect any low-income development at any time during the compliance period and the extended use period, including, but not limited to, on-site inspections and review of all records relating to compliance with Section 42 requirements. Owner shall promptly deliver copies of tenant certifications and supporting documentation as may be required by THDA.
- I. Owners are responsible for complying or ensuring compliance of the development they own with Section 42, relevant regulations and the relevant QAP throughout the compliance period and the extended use period. THDA's obligation to monitor compliance with Section 42, relevant regulations and the relevant QAP does not make THDA or the State of Tennessee liable for an owner's noncompliance.
- J. THDA shall be entitled to amend the compliance monitoring provisions of this QAP and its Tax Credit Program as required by applicable federal statutes or regulations or from time-to-time. Such amendment is expressly permitted by this QAP, and the making of such amendment will not require further public hearings. THDA, in accordance with Section 42, may impose additional requirements in order to fulfill the objectives of its housing initiatives.
- K. Any development receiving an allocation of Tax Credits must be managed, during the compliance period and the extended use period, by a management company/agent that has a current, valid, certification from the THDA Certified Property Manager/Agent Program as described in Exhibit 10.
- L. Owners and managers shall attend THDA provided training as follows:
 - 1. Owners shall attend owner's compliance training sessions provided by THDA within the 12 months prior to the issuance of the (8609) final allocating document. Only attendees who are listed on Ownership Organization Breakdown or the attachment to the initial applications with the same information or who are employees of the owner may meet this requirement
 - 2. Property managers and staff shall attend Manager's compliance training sessions provided by THDA in accordance with the requirements for the THDA Certified Property Manager/Agent Program.
- M. Owners shall maintain records for each qualified low income building in the development for each year of the compliance period and the extended use period sufficient to meet the requirements of 26 C.F.R. Section 1.42-5(b). All first year files shall be maintained as paper records and shall be maintained within Tennessee until THDA conducts the first inspection of the development. Thereafter, files may be maintained in electronic format. Any tenant records or other records maintained in an electronic format shall be accessible to THDA at THDA's request.
- N. Owners shall submit Owner's Annual Certification of Compliance and required tenant data via THDA's Housing Credit Monitoring System.
- O. Owners shall submit, not less than annually during the compliance period and the extended use period, information concerning the race, ethnicity, family composition, age, income, use of rental assistance under Section 8(o) of the United States Housing Act of 1937 or other similar assistance, disability status, and monthly rental payments of households residing in the development in a form and with substance as THDA may require.

- P. In the event of a sale, transfer, or exchange of a development or any change with respect to the general partner/managing member of the ownership entity (including, without limitation, sale of any or all general partner interests, removal of any general partner, or admission of any general partner), the owner shall notify THDA in writing at least 30 days prior to the closing of such a transaction and shall provide information about the proposed new owner or proposed new general partner/managing member of the ownership entity as THDA may request. THDA may require the proposed new owner or proposed new general partner/managing member of the ownership entity to meet with THDA Multifamily Programs staff prior to closing.
- Q. The requirements of Part XIII-P do not apply when a development is sold following the completion of the qualified contract process when THDA has not identified a purchaser.
- R. THDA shall carry out its monitoring responsibilities in accordance with Section 42, relevant regulations, the relevant QAP and applications submitted thereunder. THDA will also rely on its compliance manual as well as guidance from the IRS via the “Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition”, Revenue Procedures, Revenue Rulings and other similar guidance, all as modified from time to time.
- S. All monitoring and compliance activities referenced herein are required for the compliance period and the extended use period, whether specifically stated or not. All monitoring and compliance activities referenced herein are required for all developments subject to compliance monitoring.

Part XIV: Amendments/Modifications/Deadlines

A. QAP Amendments

THDA may amend any part of this QAP following public notice and approval by the THDA Board of Directors.

B. Modifications

1. Eligibility for Tax Credits and reservations of Tax Credits are based solely on the information contained in the Initial Application, including without limitation, elections made or points claimed in the Initial Application.
2. Modifications to an Initial Application will not be considered or approved after the Initial Application Deadline but before the issuance and acceptance of a Reservation Notice, except as requested by THDA or for changes or modifications identified by THDA during the Initial Application Cure Period and Review Process, which changes or modifications may be made only in accordance with the requirements of Part VIII-B or as requested by THDA.
3. Subject to Part XIV-B-2 above, THDA will consider other changes or amendments, including, without limitation, site changes, ownership changes, developer changes or other changes, only after a Reservation Notice has been issued by THDA and executed by the proper party as identified in the Initial Application and only after the Initial Application Cure Period and Review Process is complete. In addition, THDA will not consider proposed changes or modifications unless all requirements contained in the Reservation Notice, including the payment of the Reservation Fee, are met to THDA's sole satisfaction and a Modification Fee as specified in Part XV-D is received by THDA.
4. Once a Carryover Allocation Agreement is issued by THDA, no further changes or modifications, including, without limitation, site changes, ownership changes, developer changes or other changes that would affect eligibility or scoring of the Initial Application are permitted until after all units in the development as proposed in the Initial Application are placed in service.
5. Modifications permitted under this Part XIV-B may be made only with the express written approval of THDA, which approval may be granted or withheld.

C. Deadlines/Extension of Deadlines

1. No extensions or changes to timetables stated in this QAP, in any Reservation Notice, in any Carryover Allocation, in any Placed in Service documentation, or in any other documentation distributed or sent by THDA may be made without the express written approval of THDA, which approval may be granted or withheld.
2. Due to the competitive nature of the Tax Credit reservation and allocation process, time is of the essence of this QAP.
3. Deadlines established in Section 42 cannot be waived or extended.
4. **Tax Credits will be recaptured if there is a failure to meet requirements by established deadlines.**
5. No person or entity shall be entitled to rely on any waiver or extension previously granted for the purpose of obtaining subsequent waivers or extensions.

6. Process for Requesting Extension of a Deadline

An extension of deadlines established in the Reservation Notice, the Carryover Allocation Agreement, or in any other THDA documentation may be requested, **in writing**, in form and substance satisfactory to THDA. Any such deadline extension request shall be submitted to the THDA Executive Director on or before the deadline for which an extension is requested, together with a fee in an amount as specified in Part XV-H. Deadline extension requests will not be considered if they are not received by THDA on or before on or before the deadline for which an extension is requested or if the appropriate fee is not included with such a request. In the sole discretion of the Executive Director, such requests may be granted if the applicant documents good cause for the request and demonstrates that new deadlines can be met. Deadlines established in Section 42 cannot be waived or extended.

Part XV: PROGRAM FEES

A. Effective Date

The fee schedule reflected in this Part XV shall be in effect as of January 1, 2016.

B. Application Fee

<u>Number of Tax Credit Units</u>	<u>Application Fee</u>
1-4	\$395
5-50	\$1,575
51-100	\$2,210
101+	\$40 per unit

The Application Fee must be submitted with the Initial Application, and is **not refundable**, except as provided in Part VII-A-5-c.

C. Reservation Fee

1. A Reservation Fee equal to 6.25% of the total annual Tax Credit amount approved by THDA is due by the date specified in the Reservation Notice.
2. **The Reservation Fee is not refundable.**

D. Modification Fee

1. A **nonrefundable** modification fee in an amount equal to the greater of \$750 or six hundred and twenty five one-thousandths of one percent (0.625%) of the total amount of Tax Credits specified in the Reservation Notice must be received by THDA **prior to any evaluation of proposed modifications or changes** as specified in Part XIV-B.
2. Payment of this fee does not guarantee approval of proposed changes or modifications.
3. Only proposed changes or modifications that meet the requirements of Part XIV-B, as determined by THDA, may be approved.
4. Subsidy Layering Review required or requested after submission of the Initial Application will be deemed a modification under this Part XV-D and under Part XIV-B.

E. Fee to Amend IRS Form(s) 8609

An amendment fee in an amount equal to \$50 per IRS Form(s) 8609 to be amended, with a minimum fee of \$250, must be received by THDA prior to the release of the Owner's copies of **amended** IRS Form(s) 8609, if amended IRS Form(s) 8609 are requested by the Owner and THDA determines that the previously generated IRS Form(s) 8609 for the development were generated in accordance with information provided to THDA by the Owner.

F. Monitoring Fee

1. When the development is placed in service, a compliance Monitoring Fee is due to THDA, payable in the form of a certified check (this fee also applies to USDA/RD [formerly FmHA] developments). The Monitoring Fee must be delivered to THDA prior to the release of IRS form 8609 for the development. The Monitoring Fees for developments receiving Tax Credits according to this Plan are as follows: \$600 per **Tax Credit** unit.
2. Owners seeking to correct non-compliance will be charged additional fees to cover additional costs which may be incurred by staff to document and inspect corrections of the non-compliance issue.

- a. Reinspection of a file or reinspection of a unit: \$200
 - b. Reinspection of a property:
 - (i) Standard mileage rate in effect by the State of Tennessee at the time of the reinspection from Nashville to the property and back to Nashville;
 - (ii) applicable state allowed per-diem for one staff person;
 - (iii) Lodging expenses as allowed under State of Tennessee travel regulations; and
 - (iv) Any other expenses incurred by THDA relating to the property reinspection.
 - c. Fees will be due to THDA prior to issuance of reinspection findings.
3. **At any time following the fifth year of monitoring for each development, THDA will evaluate the need for an additional Monitoring Fee. THDA may charge a single additional Monitoring Fee not greater than the initial Monitoring Fee stated above. THDA will charge this additional Monitoring Fee only if the costs of monitoring for Tax Credit compliance, in the aggregate, appear likely to exceed the aggregate amount of initial Monitoring Fees collected. A decision by THDA to charge any such additional fee shall not constitute an amendment to this Plan.**

G. Late Fee for Failing to Submit Timely Compliance Certification Forms

Owners failing to submit the required Owner's Annual Certification of Compliance forms and supporting documentation by the date required by THDA will be charged a late fee of \$100 per month, for each month, or portion of a month, until the Certification and supporting documentation is received and considered satisfactory by THDA, or until an IRS Form 8823 is filed with the Internal Revenue Service. This fee will be due upon submission of the forms required. Receipt of Certification without the applicable late fee will be considered incomplete.

H. Deadline Extension Fee

Deadlines established in this QAP, in a Reservation Notice, in a Carryover Allocation Agreement, or in other documentation from THDA may be extended only as specified in Part XIV-C. and only with the prior written approval of THDA, which approval may be granted or withheld. A deadline extension request must be submitted in accordance with Part XIV-C-6 and must be accompanied by a fee in the following amount:

<u>Number Of Calendar Days</u>	<u>Extension Fee</u>
1-5	\$500
6+	\$200 per day

The maximum deadline extension fee for any single extension request is \$6,000. This deadline extension fee applies to the deadlines established for the following items:

- Deadline to provide supporting information in response to a Reservation Notice
- Carryover Allocation Application deadline
- Carryover 10% test certification
- Final Application deadline
- Other deadlines established in THDA documentation

PART XVI: MISCELLANEOUS PROVISIONS

A. Cost Certifications, Physical Needs Assessment, and Appraisals

Cost certifications, physical needs assessments, and appraisals must be completed by independent and unrelated third parties with **no** interest in any application or development except for an agreement to be paid reasonable fees for preparing the cost certification, physical needs assessment or appraisal. Persons or companies who serve or who have served as consultants or advisors to any parties identified in the Initial Application or related parties will not be considered to be independent. THDA will not accept cost certifications, physical needs assessments and appraisals prepared by parties THDA has determined are not independent.

B. Document Review

1. THDA will review and evaluate only those materials submitted in compliance with the requirements of this QAP. THDA will not evaluate any materials submitted outside the deadlines established for submission of such materials and will assume no obligation to request additional information from applicants for any purpose. THDA may require additional information and/or documentation if THDA determines that additional information and/or documentation is necessary for clarification and/or explanation. Review by THDA of documents submitted with Initial Applications or other documents submitted in connection with Tax Credits reserved or allocated under this QAP is for THDA's own purposes and is not for the purpose of advising, certifying, representing or warranting to others as to the feasibility or viability of any proposed development.
2. The completeness, correctness, and consistency of the Initial Application, Attachments, and all supporting documentation, including, without limitation, all materials required to demonstrate eligibility pursuant to Part VII-A, all materials required for scoring pursuant to Part VII-B, and all third party reports are the sole responsibility of the applicant.
3. THDA makes no representations or warranties to applicants, developers, owners or anyone else as to compliance with Section 42, Treasury regulations, or any other laws or regulations applying to Tax Credits or Tax Credit developments or as to the feasibility or viability of any proposed Tax Credit development.

C. No THDA Liability

No member, officer, agent, or employee of THDA shall have any personal liability with respect to any matters arising out of, or in relation to, Tax Credits reserved or allocated under this QAP or the monitoring of properties which have received Tax Credits.

D. Enforcement

In the event THDA seeks enforcement of the representation and warranties made by virtue of the submission of an Initial Application for Tax Credits or any other matter connected with any reservation, allocation or monitoring of Tax Credits, THDA shall be entitled to recover all damages, costs, expenses and fees, including without limitation, court costs, attorney's fees and staff time, from the applicant or any other party connected with Tax Credits reserved or allocated under this QAP.

E. False Statements

1. Tennessee Code Annotated, Section 13-23-133, makes it a Class E felony for any person to knowingly make, utter, or publish a false statement of substance or aid or abet another person in making, uttering, or publishing a false statement of substance for the purpose of influencing THDA to allow participation in the Tax Credit Program. Any and all statements contained in any materials, including without limitation, an Initial Application and any other applications, documents, letters, opinions, or certifications, submitted to THDA in connection with Tax Credits reserved or allocated under this QAP or otherwise

made by an applicant or other person connected in any way with Tax Credits reserved or allocated under this QAP are statements of substance made for the purpose of influencing THDA to allow participation in the Tax Credit Program.

2. By submitting any materials, including without limitation, an Initial Application and any other applications, documents, letters, opinions, or certifications, to THDA in an effort to obtain Tax Credits, the applicant and all parties connected with the development proposed in the Initial Application acknowledge and agree (1) they are entering into a contract with THDA; and (2) they intend for THDA to rely on and seek enforcement of these representations with respect to any reservation or allocation of Tax Credits by any and all means available, including specific performance of all such representations and warranties; and (3) they are knowingly making, uttering or publishing or aiding and abetting others in making, uttering or publishing statements of substance for the purpose of influencing THDA to allow participation in the Tax Credit program.

Part XVII: Adoption and Approval by the Governor

As provided in Executive Order No. 37, dated May 22, 2014 (the “Executive Order”), I, Bill Haslam, the Governor of the State of Tennessee, do hereby designate the Tennessee Housing Development Agency to be the housing credit agency for this State and, by my execution of this Qualified Allocation Plan, I hereby adopt this Qualified Allocation Plan as my plan for the distribution and administration of Tax Credits in the State of Tennessee, in conformance with Section 42 of the Internal Revenue Code of 1986, as amended and the Executive Order. As also provided in the Executive Order, this Qualified Allocation Plan shall be incorporated, by this reference, into and encompassed by the Executive Order as if set forth in the Executive Order verbatim.

Bill Haslam, Governor

Date



Tennessee Housing Development Agency


Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM:  Donna Duarte
Director of Multifamily Programs

SUBJECT: Fees for Multifamily Tax-Exempt Bond Authority Program

DATE: January 10, 2018

Given the recent uncertainty regarding the future (or lack thereof) of private activity bonds, I am pleased to have the opportunity to present the following staff proposal for the fee structure for the 2018 Multifamily Tax-Exempt Bond Authority ("MTBA") Program. In preparing this proposal, staff reviewed fees associated with MTBA in Alabama, North Carolina, South Carolina, and Virginia. The following fee structure will, in staff's judgement, position Tennessee to be reasonable or competitive with other southeastern states.

Please let me know if you have questions.

2018 THDA MTBA PROPOSED FEE STRUCTURE

Fee	No Change	New	Description
Application	\$1,500.00		Due upon submission of application and non-refundable
Special Request Application		\$5,000.00	Due upon submission of application and non-refundable
Resubmission	\$750.00		Due upon submission of application and non-refundable
Conditional MTBA Commitment/42(m) Letter		\$5,000.00	Due upon submission of application (if requesting Conditional Commitment/42(m) Letter) and non-refundable.
Firm MTBA Commitment/42(m) Letter			Due the earlier of (a) submission of application [if no Conditional Commitment/42(m) Letter requested] or (b) submission of 45 or 60 day notification and partially refundable if conditions are met.
a) 90-day term:	1.0% of MTBA plus 0.625% of NLIHTC		
b) 120-day term		1.33% of MTBA plus 0.625% of NLIHTC	
Firm MTBA Commitment/42(m) Letter			Incentive Fee for Timely Closing – <u>REMOVED</u>
Extension – <u>Increased in Proportion to Length of Extension</u>		\$4,500.00	Due upon submission of Extension Request and non-refundable.

MTBA Fee Information from Other Southeastern States

Application Fee

Alabama	\$7,500.00
North Carolina	\$1,340.00 preliminary application fee, \$1,340.00 nonrefundable application fee, and \$5,740.00 required market study fee
South Carolina	Greater of \$1,000.00 or \$20.00 per unit and \$50.00 per unit administrative fee
Tennessee	\$1,500.00
Virginia	\$10,000.00

Commitment Fee

Alabama	1.0% of MTBA or \$75,000.00 and fully refundable
North Carolina	N/A
South Carolina	.75% of the principal amount of the bond issue
Tennessee	1.0% of MTBA plus 0.625% of NLIHTC
Virginia	7% of MTBA

Extension Fee

Alabama	N/A
North Carolina	N/A
South Carolina	\$1,000.00 plus 25 bp of MTBA
Tennessee	\$4,500.00
Virginia	\$500.00 per calendar day

Resubmission or Amendment Fee

Alabama	N/A
North Carolina	\$2,000.00 for failure to comply with written request fee
South Carolina	\$1,000.00
Tennessee	\$750.00
Virginia	N/A



Tennessee Housing Development Agency


Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors, Tax Credit Committee

FROM:  Donna Duarte
Director of Multifamily Programs

SUBJECT: Request for Allocation Exchange of 2016 Low-Income Housing Tax Credits
TN16-039 – Flats at Fifty-Eight

DATE: January 10, 2018

Alex Trent, on behalf of Flats at Fifty-Eight, LP, requests approval to return a competitive allocation of 2016 Low-Income Housing Tax Credit (“LIHTC”) and receive in return an allocation of competitive 2018 LIHTC in an amount equal to the returned 2016 LIHTC.

Staff **does not** recommend approving this allocation exchange for the following reason.

In response to the equity pricing decrease in late 2016, the Multifamily Programs Division recommended to the Tax Credit Committee that all 2016 competitive allocation new construction developments be afforded a one-time reduction in units/buildings. After speaking with developers and syndicators, we agreed this one-time reduction in units/buildings would provide additional strength to the financial feasibility of the developments and allow developers to secure syndication and begin construction on their 2016 competitive allocations. In February 2017, Multifamily Programs began approving reductions for 2016 competitive allocation new construction developments.

In April 2017, we became aware that the US Department of Housing and Urban Development was experiencing approval delays impacting 2016 competitive allocations with Rental Assistance Demonstration (“RAD”) grants. During the May 2017 Tax Credit Committee meeting, we modified the policy to allow a one-time allocation exchange for 2016 RAD competitive allocations. No other modifications have been made to this policy.

In August 2017, this competitive allocation new construction development was allowed to restructure and downsize the number of units by nearly 50%. In November 2017, the developer’s legal counsel appeared before the Tax Credit Committee suggesting this development was a RAD development and requesting an

allocation exchange. We have spoken with the Chattanooga Housing Authority and they have confirmed it is not a RAD development. Therefore we are not recommending an allocation exchange.

The list below chronologically details development events since allocation in 2016.

1. During 2016, a site modification was requested and approved due to property control problems with the original site.
2. The developer anticipated receiving a Payment in Lieu of Taxes (“PILOT”) from Hamilton County and the initial application was underwritten with the PILOT in place. The developer has been unable to secure a PILOT from Hamilton County, which negatively affects the financial feasibility of the development.
3. The developer has pursued a relationship with Chattanooga Housing Authority (“CHA”) in order to obtain project based vouchers. The rents for the project based vouchers are much higher than regular tax credits rents however, there is no formal documentation supporting the project based vouchers or increased rents. Also, a relationship with CHA could provide additional impetus for a PILOT with Hamilton County due to CHA’s quasi-governmental status and protection from property taxes, however, a PILOT is still not forthcoming.
4. In August 2017, a modification was approved to reduce the number of units from 120 to 64, a 50% decrease in size. The developer has not closed on syndication or begun construction.
5. In September 2017, while the project based vouchers transaction was being contemplated, CHA received notice of Housing Choice Voucher cuts which caused continued delays. Later in 2017, there was a letter of understanding was negotiated under which CHA would issue project based vouchers in exchange for:
 - a. The right to acquire the property after the compliance period,
 - b. a percentage of the developer fee at closing,
 - c. the right to approve the review and design of units on the development site,
 - d. the right to assume property management if approved by lender, investor and THDA, and
 - e. property easement to share facilities and amenities for a proposed future development.

At this time, there is no formal contract between CHA and the developer for this transaction.

6. Syndication has dropped to \$0.89 from a confirmed \$1.05 during 2016 due to development delays.
7. There is no evidence of pre-application submission for permanent financing. The current financing amount appears to be \$4,600,000.00 utilizing a HUD product. Based on THDA’s experience and knowledge of the HUD financing timelines, the developer’s timetable of 60-90 days to issue a commitment following the submission of an application, then a 60 day window to close sound reasonable. However prior to submission of an application, HUD requires a pre-application submission that HUD must approve before an application can be submitted and the timeframe from the HUD pre-application submission until HUD’s approval to submit an application ranges from nine to twelve months.

If you have any questions, please contact me.

participating in the Low-Income Housing Tax Credit program in Tennessee as described in Part VII-A-4-d below.

4. Part VII-A-6-g-(iii) [page 20] has been inserted to prohibit individuals involved in developments that are participating in the Qualified Contract Process from involvement in the LIHTC application/allocation process during 2018.
 - a. Background: Section 42(h)(6)(E)(i)(II) references the Qualified Contract process. This allows developments to “opt-out” and remove the 30 year income and rent restrictions contained in the extended use agreement on the property and begin conversion to “market rate” housing. Staff’s position is that individuals involved in a development participating in the Qualified Contract Process request should be prohibited from participating in the LIHTC application/allocation process during 2018. This position is consistent with the December 2017 update of the *National Council of State Housing Agencies Recommended Practices in Housing Credit Administration*.
5. Part VII-B-3-a [page 25] has been modified to allow applicants that have previous successful Tennessee experience with noncompetitive LIHTC to qualify for Sponsor and PHA Sponsor Characteristics points.
 - a. Background: this amendment corrects a drafting error which prohibited such applicants from receiving the points.
6. Conforming changes as required.

Please let me know if you have questions.