



**Tennessee Housing Development
Agency - Board of Directors
Meeting Materials
March 27, 2018**



Tab 1 – Agenda

**Tab 2 – Memo, Svc Awards,
Quarterly Board Report**

**Tab 3 – Meeting Minutes from
November 14, 2017 and
January 23, 2018**

**Tab 4 – Bond Finance Committee
Meeting Materials**

**Tab 5 – Audit & Budget Committee
Meeting Materials**

**Tab 6 – Grants Committee
Meeting Materials**

**Tab 7 – Lending 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 | Brown, Perrey, Board Members |
|---|-------------------------------------|
| A. Opening Comments and Introductions | Brown |
| B. Staff Recognition (Directors) (Tab # 2) | Perrey |
| C. Approval of Minutes from November 14, 2017 and January 23, 2018, Meeting (Tab # 3) | Brown |
| D. Executive Director's Report (Tab # 2)..... | Perrey |
| E. Committee Reports and Committee Matters | |
| 1. Bond Finance Committee (Monday, March 26—2:00 p.m. State Capitol Room G-3) (Tab # 4)..... | Brown |
| * a. Authorization of Issue 2018-2 | Miller |
| * b. Issue 2018-2 Reimbursement Resolution | Miller |
| c. Annual THDA Volume Cap Update | Miller |
| 2. Audit & Budget Committee (Tuesday, March 27—10:00 am CT) (Tab # 5) | Lillard |
| a. FY17 Single Audit Results (Verbal) | Ridley |
| b. Audit Division Organizational Update | Oliver |
| 3. Grants Committee (Tuesday, March 27—10:15 am CT) (Tab # 6) | van Vuuren |
| * a. 2017 National Housing Trust Fund Program Description | Watt |
| * b. 2018A THDA Challenge Grant Program Description | Watt |
| * c. 2018 Weatherization Assistance Program Model Plan Submission Authorization | Watt |
| d. 2017 HOME Mini-Round 2 Award Update (verbal) | Watt |
| e. Analysis of Impediments (verbal) | Tasley |
| 4. Lending Committee (Tuesday, March 27—10:30 am CT) (Tab # 7)..... | Cleaves |
| * a. Hardest Hit Fund Reallocation | Hall |
| * b. Attorney General Repair Program Proposal | Hall |
| 5. Tax Credit Committee (Tuesday, March 27—10:45 am CT) (Tab # 8)..... | Tully |
| * a. 2018 Low-Income Housing Tax Credit Qualified Allocation Plan Exhibit Change | Duarte |
| * b. Request for 2018 Noncompetitive Low-Income Housing Credit Waivers..... | Duarte |
| * c. Request for 2018 Multifamily Tax-Exempt Bond Authority Special Request..... | Duarte |
| * d. Request for Allocation Exchange TN16-039..... | Duarte |
| e. Update on 2019-2020 Qualified Allocation Plan ("QAP") Development..... | Duarte |

* Indicates Board Action Required

? Indicates Discussion Which Might Result In Board Action

Tab # 2

Items:

Memo from Ralph M. Perrey, Executive Director
Service Award Recipients
Quarterly Board Report – 4th Quarter



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: March 15, 2018
SUBJ: THDA Board of Directors Meeting

THDA Board Members –

We look forward to welcoming you to Nashville for our board and committee meetings on March 27, with Bond Finance meeting March 26 and judging for our Innovation Round Tax Credit Award to follow on March 28.

Several action items await your attention:

- Authorization of Issue 2018-2 and the accompanying Reimbursement Resolution. Documentation on these may be found behind Tab 4 in your packet.
- Grants Committee will take up program descriptions for the first awards we will make from the National Housing Trust Fund, as well as modifications to the Challenge Grant Program we initiated last year. We also ask your authorization of our Weatherization Program plan submittal to the US Department of Energy.
- The Tax Credit Committee will take up an amendment to the 2018 QAP, shifting Sevier County to the “urban” classification. The practical effect of this change is to raise the county cap from \$2.2 million to \$3.3 million, potentially allowing for an additional development in Sevier County. We view this as part of our continuing effort to help those communities recover from the wild fire in late 2016.

We will also offer several program updates and progress reports.

Please feel free to contact me with any questions or concerns you have regarding these or other items in your packet. As always, Cindy Ripley is ready to assist you with travel logistics. We look forward to seeing you later this month.

Celebrating *Years of Service*

5 Years

Jack Thomas

Contract Operations Specialist
Section 8 Contract Administration and
Compliance
THDA Hire Date: March 1, 2013

15 Years

Tasheka Verser

Rental Assistance Specialist
Section 8 Rental Assistance
THDA Hire Date: December 4, 2016
State Hire: March 3, 2003

15 Years

Julie Burnette

Hearings Officer
Internal Audit
THDA Hire Date: October 10, 2007
State Hire: December 1, 2000

THDA QUARTERLY BOARD REPORT

October 1, 2017 – December 31, 2017

Summary of Quarterly Activities

Finances and Resources

| | | |
|---|---------------|-----------------|
| Available Volume Cap (December 31, 2017) | | \$1,656,496,576 |
| Bonds Outstanding (December 31, 2017) | | \$1,967,035,000 |
| | <i>2017</i> | <i>2016</i> |
| Operating Income (3 Months ended September 30, 2017) | \$13,771,000 | \$13,040,000 |
| Net Assets (3 Months ended September 30, 2017) | \$514,357,000 | \$514,774,000 |

Homeownership Activities

| | | |
|--------------------------------|-----------------|---------------------|
| | <i>Number</i> | <i>Value</i> |
| Loans Committed During Quarter | 750 | \$93,062,228 |
| Loans Funded During Quarter | 751 | \$94,027,487 |
| | <i>Q4, 2017</i> | <i>Q4, 2016</i> |
| Loans Serviced | 23,477 | 23,083 |
| Value of Loans (in millions) | \$1,984 | \$1,886 |
| Loans Paid Off during Quarter | 548 | 622 |
| Loans 60-days Delinquent | 2.43% | 2.26% |
| Loans 90-days Delinquent | 6.30% | 6.35% |
| Loans in Foreclosure | 0.44% | 0.97% |
| | <i>Q4, 2017</i> | <i>Total Served</i> |
| Foreclosure Counseling (AG) | 154 | 17,706 |

Section 8 Housing Choice Voucher Program

| | |
|------------------------|----------------|
| Rental Vouchers | 6,016 |
| Homeownership Vouchers | 44 |
| Total HAP Payments | \$8,915,186.66 |

Project Based Section 8

| | |
|--------------------|-----------------|
| Properties | 382 |
| Units | 28,696 |
| Total HAP Payments | \$45,537,599.86 |

Multifamily Tax Exempt Bond Authority

| | | |
|--------------------|---------------|----------------|
| 2017 Applications | | |
| Bond Authority: | \$210,000,000 | |
| | Applications | Bond Authority |
| Received/Requested | 17 | \$251,600,000 |
| Committed | 0 | \$0 |
| Closed | 14 | \$198,100,000 |

Low Income Housing Tax Credit Program

| | | |
|--|--------------|--------------|
| 2017 Applications | | |
| <i>Noncompetitive (4%)</i> | | |
| | Applications | Credits (\$) |
| Received/Requested | 17 | \$16,219,179 |
| Allocated | 14 | \$12,239,872 |
| <i>Competitive (9%)</i> | | |
| | Applications | Credits (\$) |
| Received/Requested | 42 | \$35,338,083 |
| Allocated | 22 | \$17,020,329 |
| <i>Developments Under Construction</i> | | |
| | Properties | Units |
| Noncompetitive LIHTC | 32 | 5,134 |
| Competitive LIHTC | 33 | 5,639 |

Placed in Service/Compliance

| | | |
|----------------|--------|--|
| As of 12/31/17 | | |
| Properties | 581 | |
| Units | 48,911 | |

THDA QUARTERLY BOARD REPORT

October 1, 2017 – December 31, 2017

Summary of Grant Programs

| <u>Program</u> | <u>Funds Awarded / Allocated</u> | <u>Paid this Quarter</u> | <u>Paid to Date</u> | <u>Awarded Funds Remaining</u> | <u>Unallocated Program \$</u> | <u>Percent Expended</u> |
|--|--------------------------------------|--------------------------|---------------------|------------------------------------|-----------------------------------|-------------------------|
| <i>Housing Trust Fund (active grants)</i> | | | | | | |
| Home Modification and Ramps | \$600,000 | \$15,219 | \$315,215 | \$284,785 | | 53% |
| Emergency Repair | \$4,350,000 | \$582,682 | \$2,284,112 | \$2,065,888 | | 53% |
| Competitive Grants | \$18,278,202 | \$731,601 | \$10,181,544 | \$8,096,658 | | 56% |
| Habitat for Humanity | \$1,000,000 | \$16,686 | \$516,686 | \$483,314 | | 52% |
| <i>HOME</i> | | | | | | |
| 2017 | \$10,750,000 | \$114,276 | \$114,276 | \$10,635,724 | | 1% |
| 2016 | \$7,328,292 | \$381,465 | \$708,872 | \$6,619,420 | | 10% |
| 2015 | \$9,171,000 | \$497,456 | \$1,161,419 | \$8,009,581 | | 13% |
| 2014 | \$9,855,611 | \$682,880 | \$3,566,907 | \$6,288,704 | | 36% |
| 2012 & 2013 | \$17,451,373 | \$798,096 | \$11,701,810 | \$5,749,563 | | 67% |
| <i>Emergency Solutions Grant</i> | \$7,380,038 | \$525,333 | \$4,707,654 | \$2,672,384 | | 64% |
| <i>Weatherization</i> | \$14,638,681 | \$1,331,742 | \$7,163,728 | \$7,474,953 | | 49% |
| LIHEAP Set-Aside | \$8,523,721 | \$1,211,502 | \$3,953,720 | \$4,570,001 | | 46% |
| <i>LIHEAP (excluding Weatherization Set-Aside)</i> | \$103,777,153 | \$11,484,044 | \$59,861,819 | \$43,915,334 | | 58% |
| <i>Recovery Programs</i> | | | | | | |
| Blight Elimination Program | \$273,381 | \$25,000 | \$273,381 | | \$9,726,619 | 3% |
| Principal Reduction Program | \$14,650 | \$14,650 | \$14,650 | | \$10,685,350 | 0% |
| Downpayment Assistance | \$25,035,000 | \$6,915,000 | \$22,095,000 | | \$34,965,000 | 37% |
| Keep My TN Home (HHF) | \$185,764,431 | \$66,164 | \$182,766,479 | \$2,997,952 | | 98% |
| Keep My TN Home (Medical Hardship Program) | \$22,631,287 | \$77,847 | \$21,605,575 | \$1,025,711 | | 95% |

Notes:

Finances and Resources

Available Volume Cap: This is the total tax-exempt bond volume THDA currently has available to use for housing purposes.

Bonds Outstanding: This is the current value of bond volume outstanding. Pursuant to TCA 12-23-121(a), THDA has a maximum bonding authority of \$2,930,000,000.

Operating Income: This number reflects THDA's operating income for the most recent time period as provided by Accounting (not including changes in the fair value of investments).

Net Assets: This number reflects THDA's net assets from the end of the previous quarter.

Multifamily Programs

LIHTC projects are stated in terms of the annualized amount of credit a project applies for and receives. Over the life of a LIHTC award, the dollar totals shown are granted each year for ten years.

Homeownership Activities

Loans Delinquent/In Foreclosure: The numbers used here reflect those loans funded with bonds outstanding, matching up with THDA's quarterly bond disclosure reports posted on THDA.org.

Summary of Grant Programs

Housing Trust Fund: This includes all active grants (those with funds available to be drawn) since the start of the Housing Trust Fund.

Keep My TN Home (Hardest Hit Fund & Medical Hardship Programs): Funds are expended from these programs as needed, thus an additional column is included to show federal or Board awarded funds that are currently uncommitted. The total uncommitted dollars plus the funds awarded column for each program is equal to the total Board or federally awarded funding amounts.

Downpayment Assistance: During Q4 of 2017, THDA committed \$6,945,000 in downpayment assistance, but as of December 31, had funded \$6,915,000 of loans.

Keep My Tennessee Home (HHF): Administrative funds are deducted from the funds award and not included in the report. THDA approved the last borrower for the Keep My Tennessee Home Program in November 2014, but continued disbursing funds on behalf of the borrowers approved previously. Disbursed dollar amounts show the payments that were made during the current quarter. The numbers shown in the Q4 2017 report reflect THDA's 100% allocation and commitment of KMTH funds at the current HHF Participation Cap of \$185,764,430.93, as well as to-date expenditures.

Medical Hardship Program (AG): Totals allocated and expended have been modified from the Q1 2017 total, having updated both totals to reflect lien recoveries from borrowers who sold their home and repaid funds.

Tab # 3

Items:

Board Meeting Minutes from November 14, 2017
and January 23, 2018

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
November 14, 2017

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Tuesday, November 14, 2017, at 1:00 p.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Board members were present: Kim Brown (Chair); Dorothy Cleaves; Secretary of State Tre Hargett; Ron Jones; Treasurer David Lillard; Samantha Wilson for Commissioner Larry Martin; Austin McMullen; John Snodderly; Lynn Tully; and Todd Skelton (participated via telephone). Ann Butterworth for Comptroller Justin Wilson joined the meeting at 1:27 p.m. Central Time. Members of the Board who were absent: Daisy Fields; Regina Hubbard; Pieter van Vuuren, and Mary Mac Wilson.

Ralph Perrey, Executive Director, recognized the following THDA staff members for their years of service:

| | | |
|------------------|-------------------------------|----------|
| Tim Robichaud | Operations | 5 years |
| Sarah Sisler | Single Family Loan Operations | 5 years |
| Annette Rader | Human Resources | 10 years |
| Terry Montgomery | Multifamily | 10 years |
| Rhonda Ellis | Single Family | 10 years |
| Evelyn Finch | Single Family | 15 years |
| Zelinka Randle | Executive | 15 years |
| Bruce Balcom | Executive | 15 years |
| Gwendolyn Coffey | Contract Admin & Compliance | 15 years |
| Laura Swanson | Executive | 20 years |
| Jackie Sanders | Section 8 Rental Assistance | 20 years |
| Linda Foulks | Information Technology | 25 years |
| Trent Ridley | Executive | 25 years |

Chair Brown recognized Ralph Perrey for his 10 years of service to the State of Tennessee and THDA.

Seeing a quorum present, Chair Brown called the meeting to order and noted this is the annual THDA Board meeting. Ms. Brown acknowledged that Mr. Skelton was participating by phone and read the following statement:

"Certain Board 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 could be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Board today require timely action and the physical presence of a sufficient number of Board 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. Board members participating by telephone were sent documents relevant to today's meeting."

Chair Brown noted that since Mr. Skelton is participating via telephone, roll call vote will be taken for each action item.

Chair Brown called for consideration of minutes from the September 26, 2017, Board meeting. Upon motion by Mr. Jones, second by Ms. Cleaves, and the following roll call vote, motion carried to approve the referenced minutes:

| | |
|--------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| Martin (S. Wilson) | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |

Chair Brown proceeded to the annual election of the Board's Vice Chair. Upon motion by Ms. Tully, second by Mr. Snodderly, and the following roll call vote, motion carried to elect Ms. Cleaves as Vice Chair:

| | |
|--------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| Martin (S. Wilson) | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |

Chair Brown reviewed the following Committee assignments:

Tax Credit Committee: Lynn Tully (chair), Treasurer David Lillard, Commissioner Larry Martin, Todd Skelton and Pieter van Vuuren.

Grants Committee: Pieter van Vuuren (chair), Secretary of State Tre Hargett, Ron Jones, Lynn Tully, Comptroller Justin Wilson and Austin McMullen.

Lending Committee: Dorothy Cleaves (chair), Regina Hubbard, Todd Skelton, Commissioner Larry Martin and Mary Mac Wilson.

Rental Assistance Committee: John Snodderly (chair), Regina Hubbard, Todd Skelton, Daisy Fields and Ron Jones.

Audit & Budget Committee: Treasurer David Lillard (chair for 2018), Kim Brown, Austin McMullen, Dorothy Cleaves, Secretary of State Tre Hargett and Pieter van Vuuren.

Chair Brown recognized Lynn Miller, Chief Legal Counsel, who reviewed the most recent THDA Official Statement and noted the obligation of Board members to review the information contained in the

THDA official statements. Chair Brown announced the 2018 THDA Board of Directors meeting schedule and called attention to certain information Board members need to provide. She recognized Lorrie Shearon, Chief Strategy Officer, who presented Strategic Plan updates.

Chair Brown recognized Bruce Balcom, Assistant Legal Counsel, to present the Public Records Policy Amendments as described in his memo dated November 1, 2017. Upon motion by Mr. McMullen, second by Mr. Snodderly, and the following roll call vote, motion carried to approve the recommended amendments:

| | |
|----------------------|------------------------------|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | (Stepped out of the meeting) |
| Lillard | Yes |
| Martin (S. Wilson) | Yes |
| Wilson (Butterworth) | Yes |

Chair Brown recognized Mr. Perrey who provided the following report:

- The successful sale of Issue 2017-4 will allow THDA to create \$10 million in zeros and reduce the interest rate on the Great Choice Loan Program to 4.25% effective November 27, 2017.
- Loan production remains strong. THDA may reach \$250,000 in loan production for 2017.
- Volunteer Mortgage Loan Servicing (VMLS) has been in operation for approximately one calendar year. Delinquency rate of loans serviced by VLMS is just over 8%, which is lower than when the servicing of these loans came to VLMS and is better than the performance of the portfolio as a whole.
- Staff is requesting authorization for Issue 2017-5, Convertible Option Bonds. This will allow THDA to adjust to federal tax reform proposals that THDA learned about approximately ten days ago. Authorization will insure that THDA remains in business as of January 1, 2018.
- Leadership Academy Graduation is December 1, 2017, and all Board members are invited to attend. Deputy Governor Jim Henry will be the guest speaker.
- THDA will be a sponsor for the Tennessee Government Leadership Conference scheduled for December 6, 2017.

Chair Brown called for the report from the Bond Finance Committee and recognized Ms. Miller who noted that the U.S. House tax reform proposal would eliminate private activity bonds, including the single family housing bonds that THDA sells. She explained that if the proposal becomes law, then THDA will be unable to fund and purchase loans the same way it has for over 40 years. She indicated staff is examining options and opportunities and noted that issuance of Issue 2017-5 bonds as convertible option bonds will give staff time to develop alternatives for a business model going forward. Ms. Miller referenced the following documents in the Board materials:

- a memorandum regarding Issue 2017-5 from Ms. Miller, dated November 9, 2017, that described the documents to be considered and how the authorization for Issue 2017-5 complied with THDA's Debt Management Policy;

- a revised Plan of Financing based on the Bond Finance Committee specific direction that the Issue 2017-5 short term convertible option bonds be issued via direct placement in an aggregate principal amount not to exceed \$900 million (the “Plan of Financing”);
- a revised Resolution of the Board of Directors which stemmed from the changes that the Bond Finance Committee made to the Plan of Financing (the “Authorizing Resolution”);
- a memorandum from CSG Advisors Incorporated, financial advisor for THDA, dated November 9, 2017, that describe convertible option bonds and how they can be used.

Ms. Miller noted that Issue 2017-5 would be sold as short term, variable interest rate bonds with direct placement and that over the next 24 months portions of Issue 2017-5 can be converted into long term bonds to generate proceeds to continue THDA loan programs while staff examines other options. Tim Rittenhouse with CSG Advisors, THDA’s financial advisor, provided an overview of convertible option bonds and answered questions. Ms. Miller noted that the size of the bond issue will be set by the Bond Finance Committee based on expected production for the next two years. Upon motion by Treasurer Lillard, second by Mr. Snodderly, and the following roll call vote, motion carried to approve the Authorizing Resolution:

| | |
|----------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Martin (S. Wilson) | Yes |
| Wilson (Butterworth) | Yes |

Chair Brown recognized Ms. Miller to describe the underwriter selection process approved by the Bond Finance Committee. She referenced a memo dated November 1, 2017, from herself and Sandi Thompson, Director of the Office of State & Local Finance, that describes the process. She noted that a request for qualifications will be used and responses will be due December 19, with staff review and recommendation to the Bond Finance Committee in January, 2018. No Board action was required.

Chair Brown recognized Ms. Miller for the report on THDA Debt Issuance and Underwriter Performance Analysis. Ms. Miller referenced a report prepared by CSG titled “Underwriter Performance Review: January 2017 through October 2017” included in the Board packet and noted that this report fulfills the requirement in THDA’s Debt Management Policy for underwriter performance to be reviewed at least annually. No Board action was required.

Chair Brown recognized Ms. Miller to present the THDA Debt Limit Analysis. Ms. Miller noted there is a statutory debt limit placed on THDA and referenced a memo dated November 1, 2017, containing the analysis required by the Debt Management Policy. She indicated that at the time the analysis was prepared, THDA had little potential to reach the statutory debt limit within the next 24 months. She explained that even with the proposed COB issuance of \$900 million, THDA debt is not likely to exceed the statutory debt limit because bonds are regularly being redeemed, the amount of the COB is likely to be less than the full authorized amount and no other bond issues will occur over the next two years if the COB is issued. No action Board was required.

Chair Brown called on Ms. Miller to provide the review of the State Form CT-0253, Report on Debt Obligation (the “Report”) for Issue 2017-3. Ms. Miller explained that the Report was statutorily required for every bond sale and must be filed with the Board of Directors, with a copy filed with the Comptroller’s office. She noted the Report was filed with the Office of the Comptroller within the required time period on October 23, 2017. She referenced her memo dated November 1, 2017, for a comparison of costs for Issue 2017-3 and the three prior bond issues. No Board action was required.

Chair Brown indicated the next item on the agenda was the Five-Year Financial Plan (“Plan”). She recognized Trent Ridley, Chief Financial Officer, who referenced a memo dated November 2, 2017, containing a Plan summary and other information used in preparing the Plan. Mr. Ridley explained that staff worked with CSG on the assumptions used to produce the Plan. He indicated that in FY 2017, \$109 million of bonds were refunded; the debt that carries the State’s moral obligation continued to be reduced; over \$299 million in mortgage loans were purchased; and the overall program asset-to-debt ratio across all THDA bond resolutions at June 30, 2017, was 1.25. Looking ahead, he noted that there is slightly more than \$1 billion in tax-exempt bond authority for single family bonds available; annual average mortgage loan production is estimated at approximately \$320 million per year; approximately \$85.25 million of bond proceeds are available to be used at 0% interest; all bonds that carry the moral obligation of the State are expected to be redeemed by June 30, 2022; and assets from the 1985 Resolution are expected to be moved to the 2013 General Resolution over time to further strengthen the PADR of the 2013 General Resolution, as needed. He indicated that the Plan shows current THDA programs can be continued, however, he pointed out that the Plan was developed before proposed federal tax reform was announced. No Board action was required.

Chair Brown called on Ms. Tully to report on the Tax Credit Committee meeting. Ms. Tully noted the first item is the 2018 Multifamily Tax-Exempt Bond Authority Program Description (“2018 Program Description”). She explained that the Committee recommended approval of the 2018 Program Description except for the fee amounts that the Committee will consider in January. Mr. Jones recused himself from any discussion or voting on this matter. Upon motion by Ms. Tully, second by Ms. Wilson, and the following roll call vote, motion carried to approve the 2018 Multifamily Tax-Exempt Bond Authority Program Description, except for the fee amounts:

| | |
|----------------------|-----------|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Abstained |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Martin (S. Wilson) | Yes |
| Wilson (Butterworth) | Yes |

Ms. Tully noted the Committee recommended waivers for Radnor Towers (TN16-204), Robinson Flats (TN17-214), and Haynes Garden (TN17-208), all as further described in memos dated November 1 and November 8, 2017, from Ms. Duarte, and subject to the conditions recommended by staff as described in the referenced memos. She also noted that an allocation exchange for Forest Creek Townhomes (TN15-025) was recommended by the Committee subject to the conditions specified in the memo from Ms. Duarte dated November 9, 2017, including specific, hard deadlines for recapture of the tax credits should there be a lack of performance. Upon motion by Ms. Tully, second by Mr. McMullen, and the

following roll call vote, motion carried to approve the recommended waivers for Radnor Towers, Robinson Flats, and Haynes Garden and the recommended exchange for Forest Creek Townhomes:

| | |
|----------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Martin (S. Wilson) | Yes |
| Wilson (Butterworth) | Yes |

Ms. Tully noted that during the Tax Credit Committee meeting, a member of the public requested an exchange for the Flats at Fifty Eight (TN16-039). She explained that the Committee agreed to hear the request and determined that materials and information describing all changes in circumstance that occurred since the July meeting should be submitted to the staff. She further explained that the Committee recommended that the Board grant the Committee authority to hold a special meeting, if needed, to handle the request. Upon motion by Ms. Tully, second by Ms. Cleaves, and with the following roll call vote, motion carried to allow the developer to resubmit the materials by December 19, 2017, talk to staff and to present this resubmission at the next scheduled Committee/Board meeting.

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Chair Brown noted that the Lending Committee did not meet due to a lack of a quorum, so the Lending Committee items will be heard by the Board with no recommendation from the Committee. Ms. Cleaves called on Ms. Miller who referenced her memo dated November 1, 2017, regarding the Mortgage Credit Certificate ("MCC") Election. Ms. Miller noted that in order to preserve 2014 volume cap for use in the MCC program for the next several years, staff is requesting approval to submit the Mortgage Credit Certificate Election to the IRS prior to the end of the year, the authorization of appropriate THDA staff to do what is necessary to cause the submission to occur, and to continue the MCC program in 2018 and 2019. Ms. Miller explained that it is unclear as to whether Mortgage Credit Certificates will remain viable given federal tax reform efforts, but staff wishes to proceed in case they do remain viable. Upon motion by Ms. Cleaves, second by Treasurer Lillard, and with the following roll call vote, motion carried to approve the continuation of the MCC program and authorize staff to submit the various documentation to the commissioner of department of economic and community development and to the IRS:

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Ms. Cleaves next called on Lindsay Hall, THDA Chief Operating Officer of Single Family Programs, to present an overview of the status of the HUD Counseling Application, approved at the March, 2017 Board meeting. Ms. Hall distributed an updated memo dated November 10, 2018, describing the responsibilities of THDA HUD Certified Counselors, and referenced her memo included in the board package dated November 3, 2017, in requesting approval to provide housing counseling services. Ms. Hall noted that to meet a requirement of the HUD Housing Counseling application, staff recommends that THDA provide comprehensive housing counseling services. Upon motion by Ms. Cleaves, second by Secretary Hargett, and with the following roll call vote, motion carried to authorize THDA to provide comprehensive housing counseling services and to continue the HUD Counseling Application process as noted in the referenced memo:

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Ms. Cleaves again called on Ms. Hall who gave the following update on the Hardest Hit Fund Program:

- Since the November 1 effective date, THDA has received loan applications in the seven new ZIP codes added to the Hardest Hit Fund Down Payment Assistance (HHF-DPA) Program.
- In the 62 zip codes now eligible for HHF-DPA, over \$22 million of the \$60 million available for HHF-DPA has been funded and staff expects to allocate the remaining HHF-DPA funds by August, 2018.
- \$168 million of THDA year to date loan production of just over \$357million is tied directly to HHF-DPA.
- Changes to eligibility criteria for the Principal Reduction with Recast Program and the Reinstatement Only Program approved by the Board were also approved by Treasury and are now in effect.
- Two west Tennessee participants, Frayser, CDC, and Blight Authority of Memphis, were added to the Blight Elimination Program (BEP).

- 25 BEP loans have been closed and funded with an average loan amount of \$11,000.
- The Keep My Tennessee Home (KMTH) program stopped taking applications in 2014, and staff is finishing up the mortgage assistance piece of that program with final payments to those borrowers expected by the end of the first quarter of 2018.

Chair Brown then called on Secretary Hargett to report on the Audit & Budget Committee meeting. Secretary Hargett noted the disclosure analysis report for THDA Board members and THDA staff described in memos dated November 1, 2017. Upon motion by Secretary Hargett, second by Treasurer Lillard, and with the following roll call vote, motion carried to approve the Board and the Staff disclosure analysis reports as set out in the referenced memos:

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Secretary Hargett next discussed the performance evaluation of the Executive Director. He noted that Mr. Perrey had an overall average evaluation of outstanding performance. Upon motion by Secretary Hargett, second by Ms. Cleaves, and with the following roll call vote, motion carried for an annual increase in salary of 4.5% for Mr. Perrey to be effective January 1, 2018:

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Secretary Hargett noted that while it is not a Board action item, the Director of Internal Audit received an outstanding performance evaluation and a raise in the evaluation process conducted by the Committee.

Chair Brown recognized Mr. McMullen to report on the Grants Committee meeting. Mr. McMullen called on Don Watt, Director of Community Programs, who referenced his memo dated October 30, 2017, regarding the 2018 Emergency Solutions Grants (ESG) program description. Mr. Watt explained that, pending final approval of the 2018 federal budget, THDA expects to receive approximately \$3,000,000 in Federal FY2018 ESG funds. Upon motion by Mr. McMullen, second by Secretary Hargett, and with the following roll call vote, motion carried to approve the 2018 ESG Program Description and to

authorize the Executive Director or his designee to award ESG funds, all as described in the referenced memo:

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Mr. McMullen referenced the 2018 HOME Program Description as described in a memo dated November 9, 2017, and noted that approximately \$9,500,000 in federal 2018 HOME funds is anticipated. Upon motion by Mr. McMullen, second by Mr. Snodderly, and with the following roll call vote, motion carried to approve the 2018 HOME Program Description and authorize the Executive Director or his designee to award HOME funds, all as described in the referenced memo:

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Mr. McMullen next referenced a memo dated October 24, 2017 which describes the request by Habitat for Humanity of Rutherford County to extend their 2014 HOME Grant by one year through June 20, 2019. He noted that the Committee heard from Ms. Regina Harvey, Development Specialist, and Terri Shultz, Executive Director, and recommended approval of the extension. Upon motion by Mr. McMullen, second by Ms. Butterworth, and the following roll call vote, motion carried to approve a one year extension to June 30, 2019, for the Rutherford County Habitat for Humanity 2014 HOME Grant:

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Mr. McMullen finished the Grants Committee report with an update on the Sumner County HOME Grant. Mr. McMullen noted that the homeowner's motion was denied and the county's motion was approved creating a lien on the property for \$77,850 for 15 years.

Chair Brown recognized Mr. Snodderly to report on the Rental Assistance Committee Meeting. Mr. Snodderly noted the Committee did not have quorum present, but that updates were presented by Jeboria Scott, Director of Rental Assistance Programs and Mr. Ridley.

With no further business, upon motion by Mr. McMullen, second by Mr. Jones, and with the following roll call vote, the meeting was adjourned:

| | |
|--------------------------|-----|
| Brown | Yes |
| Cleaves | Yes |
| Jones | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Snodderly | Yes |
| Tully | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Wilson (for Martin) | Yes |
| Butterworth (for Wilson) | Yes |

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 27th day of March 2017.

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
January 23, 2018

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Tuesday, January 23, 2018, at 1:00 p.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Board members were present: Chair Kim Brown (participated via telephone); Dorothy Cleaves (Chair); Secretary of State Tre Hargett; Treasurer David Lillard; Austin McMullen; Todd Skelton; Lynn Tully; Pieter van Vuuren and Ann Butterworth for Comptroller Justin Wilson. Members of the Board who were absent: Daisy Fields; Regina Hubbard; John Snodderly; Commissioner Larry Martin; and Mary Mac Wilson.

Ralph Perrey, Executive Director, recognized the following THDA staff members for their years of service:

| | | |
|----------------|------------------------|----------|
| Carla Bourdeau | Internal Audit | 5 years |
| Nicole Lucas | Information Technology | 15 years |
| Carol Buyna | Accounting | 20 years |
| Elizabeth Pugh | Internal Audit | 20 years |
| Rebecca Scott | Multifamily | 20 years |
| Deborah Couch | Single Family | 25 years |

At the request of the Chair, Vice-Chair Dorothy Cleaves chaired the meeting. Seeing a physical quorum present, Vice-Chair Cleaves called the meeting to order, and acknowledged that Ms. Brown was participating by phone. Vice-Chair Cleaves noted that since Ms. Brown is participating via telephone, roll call votes will be taken for each action item. Upon motion by Mr. McMullen, second by Ms. Tully, and the following roll call vote, motion carried to conduct the meeting in this manner:

| | |
|-------------|-----|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Vice-Chair Cleaves noted that consideration of the minutes from the November 14, 2017, Board meeting would be deferred to the next meeting.

Vice-Chair Cleaves recognized Mr. Perrey who provided the following report:

- A leaked copy of the administration's infrastructure proposal suggests elimination of volume cap, which is an interesting development since two months ago there was concern that private activity bonds would be eliminated.
- Loan production for 2018 is off to a strong start. As of January 22, 2018, loan applications are approximately \$22.5 million which exceeds January 2017 production of \$24 million.

- Mr. Perrey recognized Nicole Lucas, Director of Information Technology, who reported on key IT projects the team is undertaking for the year. Ms. Lucas noted IT's top priority for the year is servicing. She noted that additional work includes automating file transfers between multiple vendors and business partners; a custom Accounting interface for dynamic SL; a grants management system to integrate with the PIMS system that was launched last year; an on-line HOME application for 2019; an HR operations work tracking system; HBEI counselor software; and mandatory user security training this year to be offered quarterly. She also noted a number of new activities around projects already underway.
- Tuesday, January 30, 2018 will be the first Quarterly Business Review in 2018 for all THDA staff. Mr. Perrey invited Board members to attend.
- THDA's Sunset extension goes before the General Assembly on January 31; the House Budget Hearing is March 6 and the Senate Budget Hearing is March 13.

Vice-Chair Cleaves called for the Bond Finance Committee report and recognized Lynn Miller, THDA Chief Legal Counsel, to present information regarding the selection of the new THDA underwriting team. She reported that the Bond Finance Committee approved three (3) senior managers: Citigroup Global Markets, Inc., Raymond James, and RBC Capital Markets; three (3) co-managers: J.P. Morgan, and Wells Fargo Securities with a third, rotating, co-manager position to be held by a selling group member, based on performance in the prior bond issue; and a seven (7) member selling group: Duncan Williams, Fidelity Capital Markets, FTN Financial Capital Markets, Harvestons Securities, Hilliard Lyons, Robert W. Baird, and Wiley Bros. to participate in THDA bond issues. She noted that the expected term of service is January 1, 2018, to December 31, 2020, for all underwriting team participants, however, this can be changed at any time at the election of the Bond Finance Committee.

Ms. Miller continued to the next agenda item, authorization of Issue 2018-1 and the Issue 2018-1 Reimbursement Resolution. Ms. Miller noted that THDA did not sell Issue 2017-5 convertible option bonds in December because the tax code changes enacted did not eliminate private activity bonds. She explained that staff recommends authorizing Issue 2018-1 and approving the Issue 2018-1 Reimbursement Resolution because THDA is already committing against Issue 2018-1. She indicated these bonds may be sold as early as the end of February or in early March. She noted that the Bond Finance Committee approved the Plan of Financing and recommended the transaction to the Board. She referenced the following documents in the Board materials:

- a memorandum regarding Issue 2018-1 from Ms. Miller, dated January 10, 2018, that described the documents to be considered and how the authorization for Issue 2018-1 complied with THDA's Debt Management Policy;
- a memorandum from CSG, dated January 10, 2018, that recommended authorization of Issue 2018-1 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$150 million;
- the Plan of Financing for Issue 2018-1 in an aggregate principal amount not to exceed \$150 million (the "Plan of Financing");
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2018-1 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2018-1 bonds (the "Authorizing Resolution");
- the form of Series Resolution for Issue 2018-1; and,
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2018-1 in an amount not to exceed \$60 million (the "Reimbursement Resolution").

Upon motion by Treasurer Lillard, second by Ms. Butterworth, and with the following roll call vote, motion carried to approve the Authorizing Resolution and the Reimbursement Resolution:

| | |
|-------------|-----|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Vice-Chair Cleaves continued to the next agenda item and recognized Ms. Miller who referenced her memo dated January 10, 2018, included in the meeting materials, that describe proposed payments for work on Issue 2017-5 convertible option bonds. She explained that it is not standard in the industry to provide compensation when a bond issue does not close. She indicated that due to the extraordinary amount of work that was done on Issue 2017-5 in a very short period of time, however, staff recommended and the Bond Finance Committee agreed that it would be appropriate to compensate RBC Municipal Products, LLC, ("RBC") and Chapman and Cutler, as well as the two rating agencies, even though Issue 2017-5 did not close. Following discussion, Ms. Cleaves moved to recommend Board approval of payments to RBC for \$30,000, to Chapman and Cutler for \$24,020, and to the two rating agencies in the approximate amount of \$13,100 pending receipt of an invoice from Moody's and to authorize the Executive Director to make the payments in a timely manner. By offer of a motion by Ms. Cleaves, second by Treasurer Lillard and with the following roll call vote, motion carried.

| | |
|-------------|-----|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Vice Chair Cleaves called on Ms. Miller to review State Form CT-0253, Report on Debt Obligation (the "Report") for Issue 2017-4. Ms. Miller explained that the Report was statutorily required for every bond sale and must be filed with the Board of Directors for review, with a copy filed with the Comptroller's office. She noted the Report included in the Board materials was a draft, but since the time that it was circulated, the Moody's invoice, showing a fee of \$53,000, was received and the final Report was subsequently filed with the Office of the Comptroller on January 19, 2018. She noted that her memo dated January 10, 2018, included all of the correct costs for Issue 2017-4, except for the Moody's fee. No Board action was required.

Vice Chair Cleaves recognized Mr. van Vuuren for the Grants Committee report. Mr. van Vuuren noted the first agenda item was consideration of the 2018 Spring Round of the Tennessee Housing Trust Fund Competitive Grants Program Description. He noted the following changes from the prior program description as described in a memo dated January 9, 2018, from Don Watt, Director of Community Programs:

- Clarification that rental assistance is an eligible match source.
- Clarification that the compliance period begins for new construction at the issuance of the certificate of occupancy, and, if a rehabilitation project does not have a certificate of occupancy, the compliance period begins after the recording of a notice of completion.
- Added a requirement that all units be listed on the TNHousingSearch.org website.
- Clarification that documents must be submitted through PIMS. If documents are submitted through hardcopy, or any other source other than PIMS, the documents will not be accepted.

Upon motion by Mr. van Vuuren, second by Ms. Butterworth, and with the following roll call vote, motion carried to approve the 2018 Spring Round of the Tennessee Housing Trust Fund Competitive Grants Program Description and the authorization as described in the referenced memo:

| | |
|-------------|-----|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Mr. van Vuuren continued to the next agenda item and presented a recommendation to extend the term of 25 of the 2014 HOME grants. He indicated that staff recommends the extensions because five (5) grants were affected by the inspection issue associated with the absence of a local or state building code which halted project implementation in these communities and extensions to the 2012 and 2013 grants that have impacted progress on these 2014 grants. Mr. van Vuuren explained that he and Mr. Watt discussed the length of the extensions and agree that twelve (12) months is appropriate. Upon motion by Mr. van Vuuren, second by Mr. Skelton, and with the following roll call vote, motion carried to approve twelve (12) month extensions for 25 2014 HOME Grants as described in Mr. Watt's memo dated January 9, 2018:

| | |
|-------------|-----|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Mr. van Vuuren then reported on funding awards for the 2018 Fall THTF Competitive Grants and the 2017 Emergency Solutions Grant (ESG) Supplemental Funding Round. Mr. van Vuuren referenced a memo from Mr. Watt dated January 9, 2018, and noted that 5 of the 17 applications received for the 2018 Fall THTF Competitive Grants were funded and all applications received for ESG were funded.

Vice-Chair Cleaves noted that due to the lack of a quorum, there was no Lending Committee Meeting, however, two items will be presented directly to the Board of Directors for action. She recognized Dr. Hulya Arik, Economist for Research and Planning to present the 2018 Housing Cost Index. Dr. Arik referenced her memo dated January 8, 2018, and described the Housing Cost Index for 2018. Upon motion by Ms. Cleaves, second by Mr. McMullen, and with the following roll call vote, motion carried to adopt the resolution titled “Resolution of the Board of Directors Adopting the Housing Cost Index and Authorizing the Operation of Financial Assistance Programs” dated January 23, 2018:

| | |
|-------------|-----|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Vice-Chair Cleaves recognized Cynthia Peraza, Director of Single Family Special Programs, to present amendments to the Hardest Hit Fund Program. Ms. Peraza referenced her memo dated January 3, 2018, titled “Blight Elimination Program – Proposed Changes”, provided an overview of the program, and described the following staff recommended changes:

- Add multi-family structures and mobile homes as approved property types;
- Authorize staff to make minor changes and housekeeping changes to the programs as necessary or as directed by the U.S. Treasury;
- 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 the things necessary and proper, including execution of all documents, to carry out the described changes.

Upon motion by Ms. Cleaves, second by Mr. Lillard, and with the following roll call vote, motion carried to approve the proposed changes:

| | |
|-------------|-----|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Yes |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Vice-Chair Cleaves noted that last item on the Lending Committee agenda, the Attorney General Funds update, will be deferred until the March meeting.

Vice-Chair Cleaves stated the Rental Assistance Committee met, but had to no items to report.

Vice-Chair Cleaves recognized Ms. Tully for the Tax Credit Committee report. Ms. Tully reported that the Committee reviewed a presentation of the new on-line application for tax credit and bond applications, the Tennessee Housing Online Management and Application System (THOMAS).

Ms. Tully next described the following proposed changes to the Low Income Housing Tax Credit 2018 Qualified Allocation Plan ("2018 QAP") as recommended by the Committee and as further described in a memo dated January 10, 2018 from Donna Duarte, Director of Multifamily Programs:

- modification of the basis boost language for competitive and noncompetitive Low-income Housing Tax Credits,
- deletion of duplicate language involving prohibited individuals, and
- modification of the Sponsor Characteristics language to include experience based on allocations of noncompetitive Low-income Housing Tax Credits.

Upon motion by Ms. Tully, second by Vice-Chair Cleaves, and with the following roll call vote, motion carried to adopt the above changes to the Low Income Housing Tax Credit 2018 Qualified Allocation Plan ("2018 QAP") specifically items 1, 2, 3 and 5:

| | |
|-------------|---------|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Abstain |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Ms. Tully next referenced Ms. Duarte's memo dated January 10, 2018, and described the proposed fee amounts for the 2018 Multifamily Tax-Exempt Bond Authority Program Description ("2018 Program Description") as recommended by the Committee. Ms. Tully noted the fee structure recommended by the Committee excludes the incentive fee described in the referenced memo. Upon motion by Ms. Tully, second by Ms. Butterworth, and with the following roll call vote, motion carried to adopt the fee amounts described in the referenced memo, excluding the incentive fee:

| | |
|-------------|---------|
| Cleaves | Yes |
| Brown | Yes |
| McMullen | Abstain |
| Skelton | Yes |
| Tully | Yes |
| van Vuuren | Yes |
| Hargett | Yes |
| Lillard | Yes |
| Butterworth | Yes |

Chairman Tully noted that the Committee discussed items staff is considering in the development of the 2019 Low Income Housing Tax Credit Qualified Allocation Plan and further conversation will follow during the March and May meetings.

With no further business to discuss, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 27th day of March, 2018.

Tab # 4

Items:

Bond Finance Committee Meeting Materials

**Tennessee Housing Development Agency
Bond Finance Committee**

**March 26, 2018
2:00 p.m. Central Time**

AGENDA

1. Call to OrderBrown
2. Approval of minutes from February 27, 2018, meetingBrown
3. Issue 2018-2 Authorization.....Miller
4. Issue 2018-2 Reimbursement ResolutionMiller
5. Annual THDA Volume Cap Update.....Miller
6. AdjournBrown

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
February 27, 2018

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Tuesday, February 27, 2018, at 4:30 P.M. in Conference Room G-3, State Capitol, Nashville, Tennessee. The following members were present: Keith Boring (for Secretary of State Tre Hargett), Treasurer David Lillard, Samantha Wilson (for Commissioner of Finance & Administration Larry Martin) and Comptroller Justin Wilson (*Secretary*). Kim Grant Brown (*Chair*) participated by conference call.

At the request of Chair Brown, Comptroller Wilson chaired the meeting. Comptroller Wilson noted a physical quorum was present and called the meeting to order. He asked for a motion to approve the minutes of the January 22, 2018, meeting. Ms. Wilson moved that the minutes be approved. Treasurer Lillard seconded. Comptroller Wilson called for a roll call vote:

| | |
|-------------------------------------|-----|
| Chair Brown: | Yes |
| Mr. Boring for Secretary Hargett: | Yes |
| Treasurer Lillard: | Yes |
| Ms. Wilson for Commissioner Martin: | Yes |
| Comptroller Wilson: | Yes |

The motion passed unanimously.

Comptroller Wilson indicated the next item for consideration was the sale of Issue 2018-1 Bonds. He recognized Lynn Miller, THDA Chief Legal Counsel, who presented the following documents that were circulated for the Committee’s consideration:

- Memo from CSG Advisors Incorporated (“CSG”), financial advisor for THDA, dated February 27, 2018, recommending that the described pricing for Issue 2018-1 be accepted.
- Resolution of the Bond Finance Committee approving the issuance and sale of Issue 2018-1 (Non-AMT) in the aggregate principal amount of \$99,900,000 (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 2018-1 Bonds to the underwriting syndicate, led by Raymond James & Associates, Inc. (“Raymond James”), the bookrunning senior manager;
 - Supplemental Resolution for the Issue 2018-1 Bonds; and
 - Bond Maturity Schedule showing the maturities and interest rates for the Issue 2018-1 Bonds.

Ms. Miller noted that THDA received over \$415 million in total orders for a \$99.9 million bond issue with approximately \$110 million of that in retail orders. She called upon David Jones, with CSG, who participated by conference call, who noted that the tone of the bond market was good this morning but following comments by the Fed Chairman, the Treasury bond yield and the muni bond rates went slightly higher. He explained that both the retail order period and the accelerated institutional order period were very successful. Mr. Jones indicated that this success resulted in yields being lowered on 11 maturities. He noted that the longest term bond sold, the 2042 term bond, was reduced from a 4% coupon at the beginning

of the retail order period to a 3.90% coupon by the end of pricing. He noted that CSG recommends accepting the pricing and making the award to Raymond James.

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

| | |
|-------------------------------------|-----|
| Chair Brown: | Yes |
| Mr. Boring for Secretary Hargett: | Yes |
| Treasurer Lillard: | Yes |
| Ms. Wilson for Commissioner Martin: | Yes |
| Comptroller Wilson: | Yes |

The motion passed unanimously.

There being no further business, Comptroller Wilson adjourned the meeting.

Respectfully submitted,

Assistant Secretary

Approved this 26th day of March, 2018.




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: March 15, 2018
TO: THDA Bond Finance Committee and Board
FROM: Lynn Miller 
Chief Legal Counsel
SUBJECT: Authorization of General Residential Finance Program Bonds, Issue 2018-2

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 2018-2:

1. Memo from CSG Advisors recommending authorization in the maximum principal amount of \$175 million for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013, including authorization of a new money component and a refinancing component (refunding of Issue 2009-1 currently outstanding under the THDA 1985 General Resolution). Staff expects this bond issue to be priced mid to late May, with closing prior to the end of June, 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 2018-2 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 2018-2, which includes the form of Series Resolution for Issue 2018-2 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 2018-2 in an amount not to exceed \$60 million.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2018-2 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2018-2 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 2018-2 does not include a refunding component, interest rate and forward purchase agreements, conduit debt, or variable rate debt.

BOOKRUNNING SENIOR MANAGER

Raymond James was selected to serve as the bookrunning senior manager for the first THDA bond issue, Issue 2018-1, with the underwriting team appointed in January 2018. At that time, the Bond Finance Committee elected to move away from a strict rotation for determining the bookrunning senior manager for subsequent THDA bond issues.

Following conversations with CSG Advisors and State and Local Finance staff, THDA staff recommends that RBC be appointed the bookrunning senior manager for the current proposed THDA bond issue, Issue 2018-2. This recommendation is based on the extraordinary support RBC provided in connection with the convertible option bond issue proposed at the end of 2017 in response to proposed tax law changes. In addition, CSG Advisors concluded that RBC performed satisfactorily in connection with Issue 2018-1.

Following conversations with CSG Advisors and State and Local Finance staff, THDA staff recommends that, on a going-forward basis, a "soft" rotation for the bookrunning senior manager position be established. The Bond Finance Committee would retain the option of changing the order based on an analysis of performance on the immediately preceding THDA bond issue. THDA staff also recommends that the "soft" rotation be as follows: Raymond James, RBC, and Citi.

ROTATING CO-MANAGER

Based on an analysis by CSG Advisors, THDA staff recommends that selling group member Wiley Brothers-Aintree Capital be appointed to serve as rotating co-manager for Issue 2018-2 based on allotments resulting from Tennessee retail orders on Issue 2018-1.

SELLING GROUP

Duncan-Williams, Inc.
Fidelity Capital Markets
FTN Financial
J.J.B. Hilliard, W.L. Lyons, LLC
Robert W. Baird

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

RE: Residential Finance Program Bonds, Issue 2018-2

DATE: March 14, 2018

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a \$175 million Issue 2018-2 under the Residential Housing Finance Program Bond General Resolution, including approximately \$161.625 million of new money bonds to fund THDA's mortgage loan pipeline and \$13.375 million of bonds to refund Issue 2009-1. The exact issue size will be evaluated closer to the bond sale based on THDA's pipeline and interest rates at the time.
- Issue 2018-1 will close on March 29, 2018, however, by that time, THDA expects to have over \$75,000,000 in lendable proceeds from Issue 2018-1 committed, leaving less than \$30,000,000 mortgage loan commitments going forward.
- Given that THDA projections show nearly \$40,000,000 in production for April, staff expects to begin making mortgage loan commitments against Issue 2018-2 in mid to late April with the plan to use available internal funds to warehouse loans before closing Issue 2018-2.
- Issue 2018-2 is expected to be sold in May for a closing in June, providing funding for the spring and early summer home buying season.
- Issue 2018-2 is expected to include bonds to refund THDA's outstanding Issue 2009-1 bonds, to modestly lower the overall bond yield, increasing THDA's earning spread, and potentially reducing the amount of zeros needed from THDA's stockpile of zeros. Alternative structures will be analyzed and presented closer to pricing.

Current Market Conditions

Since THDA's Issue 2018-1 bond sale on February 27, 2018, when the 10-year US Treasury bond closed at 2.91% and the 30-year treasury was 3.17%, interest rates edged lower, but as of the close of business on Friday, March 9th, the 10- and 30-year treasuries stood at 2.89% to 3.16%, respectively. High-quality tax-

exempt Municipal Market Data Index (“MMD”) yields through March 9th had also eased, but rebounded to close on Friday March 9th 0.01% above their February 27 levels, with the 10- and 30-year yields at 2.49% and 3.07%.

With a tight domestic labor market and accelerating US growth, the Fed’s resolve to lower its posture of economic stimulus – lifting its short term lending rate up to four times in 2018 and unwinding its vast bond holdings – has been strengthened by stirrings of inflation. Worry about the Fed’s aggressiveness in withdrawing stimulus was a key concern behind the jitters in the stock and bond markets that surfaced in February. Speculation about the impact of tax reform and added fiscal stimulus, compounded by forecasts of ballooning federal deficits, have heightened investor uncertainty in 2018.

Beginning last Friday, the president’s steps toward imposing punitive trade tariffs magnified uncertainty for investors in gauging impacts on sustained US economic growth and assessing pressures on interest rates.

Background

On February 27, 2018, THDA priced its Residential Finance Program Bonds, Issue 2018-1 in the amount of \$99.9 million to be used to purchase new mortgage loans. As of March 13, 2018, approximately \$63.7 million of Issue 2018-1 proceeds were committed, and the balance is expected to be committed by mid to late April.

When the Issue 2018-1 proceeds are exhausted, THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2018-2. Beginning in mid to late April, THDA anticipates building a pipeline of mortgage loans that will be funded with Issue 2018-2. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2018-2 around mid-June, when additional bond funds likely will be needed.

THDA’s outstanding Homeownership Program Bonds, Issue 2009-1 will become optionally redeemable at par on July 1, 2018 (with an expected outstanding amount of \$13.375 million). These bonds may be refunded by Issue 2018-2 anytime within 90 days prior to July 1, 2018 under a common plan of finance with the “new money” portion of the Issue 2018-2 transaction. As shown under Scenario 2 of Exhibit A, a refunding of the Issue 2009-1 bonds would result in estimated net present value savings after costs of issuance and negative reinvestment spreads as follows:

THDA’s Economic Savings as a Result of Refunding:

| <u>Loan Prepayment Speed</u> | <u>Estimated NPV Savings</u> |
|------------------------------|------------------------------|
| 100% FHA* | \$1.24 million (9.3%) |
| 200% PSA | \$1.26 million (9.4%) |
| 300% PSA | \$1.16 million (8.7%) |

- Percentages in parentheses are of bonds issued.
- The 2009-1 loans experienced a weighted average prepayment speed over the last 12 months of 275% PSA.
- As prepayment speeds increase, the economic savings to THDA decreases, since faster prepayments reduce the period of time during which THDA earns the interest spread between the mortgage rate on the loans and the average interest rate on the bonds.

* 100% FHA is listed as it is most commonly the prepayment measure used in determining tax yield spread for tax-exempt bond-financed mortgage loans. 100% FHA is approximately equivalent to 115% PSA prepayments.

There are several effects of including the refunding in the proposed new transaction:

- 1) Expected savings from the refunding allow THDA to reduce the amount of zeros likely to be required while maintaining a full spread;
- 2) The shorter average life of the transferred mortgage portfolio accelerates the repayment of the bonds and lowers bond costs on the new issue;
- 3) The refunding bonds remove the state moral obligation from the bonds being refunded.

Proposed Sizing and Structure for Issue 2018-2

Authorizing a bond issue of not to exceed \$175 million would allow THDA to refund up to \$13.375 million of Issue 2009-1 bonds that are optionally redeemable, as well as to continue purchasing mortgage loans into the second half of 2018 with a determined cost of funds throughout that time. The ultimate size of the issue will depend on mortgage loan demand up until pricing, interest rates, and also an assessment of the effect of a larger issue on 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 2018-2 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 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 the 100% PSA experience with other available funds in order 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 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 or refunding component. The spread for tax purposes is .616%. \$20.7 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 0.21% and would result in a spread for tax purposes of .824%. \$12.1 million in zeros would be consumed to increase the issue to a full 1.125% spread.
- Scenario 3 includes an estimated \$13.375 million of proceeds to refund Issue 2009-1, in addition to new proceeds of \$161.625 million. As with Scenario 2, the structure incorporates Non-AMT PAC bonds. Since the refunding allows for a few more bonds earlier in the maturity schedule and higher yielding transferred collateral, the tax law yield spread rises to .892%, and the issue is projected to consume \$9.2 million in zeros in order to achieve the full 1.125% spread.

It should be noted that THDA has accumulated approximately \$86 million in zeros that can be used to subsidize new bond issues such as Issue 2018-2. Each of the scenarios summarized above and listed in

Exhibit B assume that THDA continues lending at interest rates of 4.50% and 4.00% for its Great Choice and Brave Choice loan programs, respectively. *Given that each of the 3 scenarios described above are projected to consume a significant amount of zeros, it's likely that THDA will want to assess its mortgages loan rates once it begins committing against Issue 2018-2 to determine whether its rates need to increase.*

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 2018-2.

Issuing the 2018-2 bonds under the 2013 General Resolution will avoid a state moral obligation pledge on such 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 retail investors with retail 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 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 investors are familiar with bonds issued by housing finance agencies, because the housing sector played a major role in the financial crisis, some investors have remained concerned about transactions financing whole loans and wary of making credit decisions solely based on ratings. A negotiated sale provides greater opportunity to communicate with investors about the more complex structure and the credit features of THDA's bonds.

Bond Structure – Though Issue 2018-2 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 in order to cater to the interests of certain investors, such as those interested in the PACs, additional maturities or features, or in bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in THDA's offerings in the last year in which negotiated long-dated 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. In order 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 2018-2 with a par amount not to exceed \$175 million;
- Delegate to the Bond Finance Committee the authority to:
 - Establish the principal amount of Issue 2018-2, with the aggregate size of Issue 2018-2 not to exceed \$175 million;
 - Establish the structure, sub-series and pricing schedule of Issue 2018-2;
 - Approve long and shorter maturity bonds in any combination of fixed rate bonds not to exceed a maturity of 32 years; and
 - Refund any combination of bonds that are optionally callable on July 1, 2018, based upon projected economic benefits under market conditions at the time of sale.
- Based on current market conditions and for the reasons described above, authorize Issue 2018-2 via a negotiated sale.

Exhibit A (Issue 2009-1)

Economic Refunding Analysis - With All Benefit Reflected in PV Savings
Interest Rates as of February 27, 2018

Interest Rates as of February 27, 2018

| | Issue 2009-1 | | |
|---|----------------|---------------------------|------------------------|
| | 2009-1 "As Is" | Refunding Scenarios | |
| | | Scenario 1 Without PAC | Scenario 2 With PAC |
| General Information | | | |
| Optional Redemption Date | 7/1/2018 | 7/1/2018 | 7/1/2018 |
| Potential Bond Defeasance Date | 6/27/2018 | 6/27/2018 | 6/27/2018 |
| Projected Amount Outstanding on July 1, 2018: | | | |
| AMT: | - | - | - |
| Non-AMT: | 13,375,000 | 13,375,000 | 13,375,000 |
| Total: | 13,375,000 | 13,375,000 | 13,375,000 |
| Weighted Average Coupon of Refunded Bonds | 4.868% | 4.868% | 4.868% |
| Weighted Average Coupon of Refunding Bonds | n/a | 2.744% | 4.000% |
| Reduction in Bond Coupon | n/a | 2.124% | 0.868% |
| Tax Law Yields of Bonds to be Refunded at Issuance | | | |
| Mortgage Yield | 6.045% | 6.045% | 6.045% |
| Bond Yield | 4.927% | 4.927% | 4.927% |
| Yield Spread | 1.118% | 1.118% | 1.118% |
| Tax Law Yields on 6/27/18 | | | |
| Mortgage Yield | 5.122% | 5.122% | 5.122% |
| Yield of Bonds to be Refunded | 4.858% | 4.858% | 4.858% |
| Projected Spread: As Is | 0.264% | 0.264% | 0.264% |
| Refunding Bond Yield | n/a | 2.695% | 2.638% |
| Projected Spread: If Refunded | N/A | 2.427% | 2.483% |
| Benefit of Refunding (total) | | | |
| Gross Present Value Savings @ 100% FHA | - | 1,224,509 | 1,383,984 |
| Less: Optional Redemption Premium | - | - | - |
| Less: Negative Arbitrage | - | (7,235) | (7,235) |
| Less: Costs of Issuance | - | (133,750) | (133,750) |
| Net Present Value Savings @ 100% FHA | - | 1,083,524 | 1,242,999 |
| Net Present Value Savings as a Percent of Bonds | n/a | 8.1% | 9.3% |
| Net Present Value Savings @ 200% PSA | - | 1,078,555 | 1,261,936 |
| Net Present Value Savings as a Percent of Bonds | 0.0% | 8.1% | 9.4% |
| Net Present Value Savings @ 300% PSA | - | 862,590 | 1,166,182 |
| Net Present Value Savings as a Percent of Bonds | 0.0% | 6.4% | 8.7% |

Exhibit B

Preliminary Structuring Analysis Interest Rates as of February 27, 2018

| Structuring Scenario | | | Scenario 1 All New Money / No PAC | Scenario 2 All New Money / With PAC | Scenario 3 New Money / Refunding / PAC |
|--|---------|----------------|--|--|---|
| Including PAC Bonds | | | No | Yes | Yes |
| Including Refunding of 2009-1 \$13,375,000 | | | No | No | Yes |
| Issue Amounts | | | | | |
| New Money | Non-AMT | | 175,000,000 | 175,000,000 | 161,625,000 |
| Refunding of 2009-1 | Non-AMT | | - | - | 13,375,000 |
| TOTAL | | | 175,000,000 | 175,000,000 | 175,000,000 |
| Bond Structure | | | | | |
| | | Coupon / Yield | | | |
| Serials 2019-2031 | Non-AMT | 1.50 - 3.50 % | 51,430,000 | 32,185,000 | 34,900,000 |
| Term 2033 | Non-AMT | 3.600 % | 10,410,000 | 6,605,000 | 7,155,000 |
| Term 2038 | Non-AMT | 3.850 % | 30,085,000 | 19,245,000 | 20,805,000 |
| Term 2043 | Non-AMT | 3.900 % | 37,120,000 | 23,975,000 | 21,625,000 |
| Term 2048 | Non-AMT | 4.000 % | 45,955,000 | 28,990,000 | 25,815,000 |
| Term 2049 PAC | Non-AMT | 4.00 / 2.63 % | - | 64,000,000 | 64,700,000 |
| | | | 175,000,000 | 175,000,000 | 175,000,000 |
| Yields | | | | | |
| Mortgage Yield (1) | | | 4.324 % | 4.324 % | 4.368 % |
| Bond Yield | | | 3.708 % | 3.500 % | 3.476 % |
| Yield Spread (assuming no zeros) | | | 0.616 | 0.824 | 0.892 |
| Zero Percent Loans (Needed) / Created | | | (20,700,000) | (12,100,000) | (9,200,000) |
| Yield Spread After Zero Participations | | | 1.125 % | 1.125 % | 1.125 % |

(1) Based on projected Transferred Loans, Great Choice Loans @ 4.50% & Brave Choice Loans @ 4.00% with 5.00% 2nd lien downpayment / closing cost assistance loans.

Exhibit B - Supplement

Preliminary Structuring Analysis

Interest Rates as of February 27, 2018

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

| Structuring Scenario | Scenario 1 All New Money / No PAC | Scenario 2 All New Money / With PAC | Scenario 3 New Money / Refunding / PAC |
|--|---|---|--|
| Including PAC Bonds | No | Yes | Yes |
| Including Refunding of 2009-1 \$13,375,000 | No | No | Yes |
| Bond Yields | 3.708 % | 3.500 % | 3.476 % |
| <u>Mortgage Rates and Zero Percent Loans Needed</u> | | | |
| A Mortgage Rate on New Money Mortgages | 4.500 % | 4.500 % | 4.500 % |
| Mortgage Yield (1)(2) | 4.324 % | 4.324 % | 4.368 % |
| Yield Spread | 0.616 | 0.824 | 0.892 |
| Zero Percent Loans (Needed) / Created for Full Spread | (20,700,000) | (12,100,000) | (9,200,000) |
| B Mortgage Rate on New Money Mortgages to Reduce Zeros by 50% | 4.750 % | 4.650 % | 4.620 % |
| Mortgage Yield reflecting (Needed) / Created Zeros | 4.833 % | 4.625 % | 4.601 % |
| Yield Spread | 1.125 | 1.125 | 1.125 |
| Zero Percent Loans (Needed) / Created for Full Spread | (10,350,000) | (6,050,000) | (4,600,000) |
| C Mortgage Rate on New Money Mortgages to Reduce Zeros by 100% | 5.030 % | 4.810 % | 4.760 % |
| Mortgage Yield reflecting (Needed) / Created Zeros | 4.833 % | 4.625 % | 4.601 % |
| Yield Spread | 1.125 | 1.125 | 1.125 |
| Zero Percent Loans (Needed) / Created for Full Spread | - | - | - |

(1) Based on projected Transferred Loans, Great Choice Loans @ 4.50% & Brave Choice Loans @ 4.00% with 5.00% 2nd lien downpayment / closing cost assistance loans.

(2) Scenario 3 Mortgage Yield includes the projected transferred loans from 2009-1

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2018-2
March 26, 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 2018-2 (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 \$175,000,000. 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 which may be issued to refund bonds or notes outstanding under the General Resolution, the General Homeownership Program Bond Resolution (the “1985 Resolution”); or under the General Housing Finance Resolution (the “2009 Resolution”) to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and
- (3) 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
- (4) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and
- (5) 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
- (6) 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) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the 1985 Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof; and (iii) 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 2018-2
March 27, 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 March 26, 2018, approved a plan of financing for Residential Finance Program Bonds, Issue 2018-2 (the "Bonds") in an aggregate par amount not to exceed \$175,000,000 (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 \$175,000,000, 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 2018-2A (AMT), \$_____ Issue 2018-2B (Non-AMT), and \$_____ Issue 2018-2C (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 \$175,000,000; (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 March 27, 2018.

TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

\$_____ Issue 2018-2A (AMT)

\$_____ Issue 2018-2B (Non-AMT)

\$_____ Issue 2018-2C (Non-AMT)

Adopted March 27, 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 2018-2A (AMT)**
\$ _____ **ISSUE 2018-2B (Non-AMT)**
\$ _____ **ISSUE 2018-2C (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 2018-2 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 2018-2 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 2018-2 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 [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 2018-2 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 2018-2 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 2018-2 Bonds.

“Issue 2018-2 Bonds” means, collectively, the Issue 2018-2A Bonds, the Issue 2018-2B Bonds and the Issue 2018-2C Bonds.

“Issue 2018-2A Bonds” means the Issue 2018-2A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[*“Issue 2018-2A PAC Bonds”* means the Issue 2018-2A Bonds in the aggregate principal of \$_____ maturing _____.]

[*“Issue 2018-2A PAC Bonds Planned Amortization Amount”* means the cumulative amount of Issue 2018-2A PAC Bonds expected to be redeemed upon the receipt of Excess 2018-2 Principal Payments at a rate equal to ____% PSA, as set forth in Exhibit B hereto.]

“Issue 2018-2B Bonds” means the Issue 2018-2B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“Issue 2018-2C Bonds” means the Issue 2018-2C Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[*“Issue 2018-2C PAC Bonds”* means the Issue 2018-2C Bonds in the principal amount of \$_____ maturing _____.]

[*“Issue 2018-2C PAC Bonds Planned Amortization Amount”* means the cumulative amount of Issue 2018-2C PAC Bonds expected to be redeemed upon the receipt of Excess 2018-2 Principal Payments at a rate equal to ____% PSA, as set forth in Exhibit B hereto.]

“Issue Date” means the date on which the Issue 2018-2 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 2018-2 Bonds.

[*“PAC Bonds”* means, collectively, the Issue 2018-2A PAC Bonds and the Issue 2018-2C PAC Bonds.]

“*Preliminary Official Statement*” means the Preliminary Official Statement dated _____, 2018 used in connection with the offering of the Issue 2018-2 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 March 27, 2018, as amended and supplemented by the Bond Finance Committee on _____, 2018.

“*Serial Bonds*” means the Issue 2018-2 Bonds which are not Term Bonds.

“*Term Bonds*” means, collectively, the Issue 2018-2A Bonds maturing _____, the Issue 2018-2B Bonds maturing _____ and the Issue 2018-2C 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 2018-2 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 2018-2 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 2018-2 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 2018-2 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2018-2 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 2018-2A are hereby authorized to be issued in the aggregate principal amount of \$_____, Residential Finance Program Bonds, Issue 2018-2B are hereby authorized to be issued in the aggregate principal amount of \$_____ and Issue 2018-2C are hereby authorized to be issued in the aggregate principal amount of \$_____. In addition to the title “Residential Finance Program Bond,” the Issue 2018-2 Bonds will bear the additional designations “Issue 2018-2A (AMT), “Issue 2018-2B (Non-AMT)” and “Issue 2018-2C (Non-AMT),” as appropriate. The Issue 2018-2 Bonds shall be issued only in fully registered form. The Issue 2018-2A Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds. The Issue 2018-2B Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds. The Issue 2018-2C Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds.

Section 2.02. Purposes. [The Issue 2018-2A Bonds and the Issue 2018-2B 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 2018-2 Bonds.] The Issue 2018-2C 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 2018-2 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 2018-2 Bonds.

The proceeds of the Issue 2018-2 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 2018-2 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 [January 1, 2019], at the rate set opposite such date in the following tables:

Issue 2018-2A Bonds
Serial Bonds

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

Term Bonds

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

Issue 2018-2B Bonds
Serial Bonds

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

Term Bonds

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

Issue 2018-2C 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 2018-2 Bonds or the date fixed for redemption of any Issue 2018-2 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 2018-2 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 2018-2 Bonds of each series maturing in such year. The Issue 2018-2 Bonds are to be lettered "RA," "RB," or "RC," as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2018-2 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2018-2 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2018-2 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 2018-2 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2018-2 Bonds will not receive certificates representing their interest in the Issue 2018-2 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2018-2 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2018-2 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 2018-2 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 2018-2 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 2018-2 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2018-2 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 2018-2 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2018-2 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 2018-2 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2018-2 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2018-2 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2018-2 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2018-2 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 2018-2 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 2018-2 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2018-2 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 2018-2A Term Bonds due _____

| Date | Amount Due | Date | Amount Due |
|-------------|-----------------------|-------------|-----------------------|
| | \$ | | \$ |

*Maturity

Issue 2018-2B Term Bonds due _____

| Date | Amount Due | Date | Amount Due |
|-------------|-----------------------|-------------|-----------------------|
| | \$ | | \$ |

*Maturity

Issue 2018-2C Term Bonds due _____

| Date | Amount Due | Date | Amount Due |
|-------------|-----------------------|-------------|-----------------------|
| | \$ | | \$ |

*Maturity

(b) Upon the purchase or redemption of Issue 2018-2 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 2018-2 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 2018-2 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 2018-2 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2018-2 Bonds maturing on and after [January 1, 2028] [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 [July 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 [July 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 2018-2A PAC Bond Redemption Price</u> | <u>Issue 2018-2C PAC Bond Redemption Price</u> |
|---------------------------|---|---|
| [July 1, 2027] to [_____] | [_____]% | [_____]% |
| [_____] and thereafter | [_____] | [_____]] |

Section 2.10. Special Optional Redemption. The Issue 2018-2 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 2018-2 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-

2 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 Bonds are subject to mandatory redemption on _____ in the event and to the extent that there are unexpended proceeds of the Issue 2018-2 Bonds on deposit in the Issue 2018-2 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 2018-2 Bonds are subject to mandatory redemption on _____, _____, to the extent any amounts remain on deposit in the Issue 2018-2 Subaccount of the Loan Fund on _____, _____.

The redemption price of the Issue 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 Principal Payments. Any Excess 2018-2 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [January 1, 2019]; 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 2018-2 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2018-2 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 2018-2 Principal Payments shall first be applied to redeem the PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2018-2A PAC Bonds Planned Amortization Amount and the Issue 2018-2C 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 2018-2 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 2018-2 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2018-2A PAC Bonds Planned Amortization Amount and the Issue 2018-2C 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 2018-2 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 2018-2 Bonds then Outstanding and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

The Issue 2018-2A PAC Bonds Planned Amortization Amount, the Issue 2018-2C 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 2018-2 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 2018-2 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 2018-2 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2018-2 Bonds (or the date of original issuance of the bonds refunded by the Issue 2018-2 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2018-2 Bonds on or before the next Interest Payment Date with respect to the Issue 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 Bonds to the public is hereby authorized and approved.

(c) The Issue 2018-2 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2018-2 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 2018-2 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2018-2 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 2018-2 Bonds. Amounts on deposit in the Issue 2018-2 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 2018-2 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2018-2 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 2018-2 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2018-2 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2018-2 Bonds shall not exceed 2% of the proceeds of the Issue 2018-2 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2018-2 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 2018-2 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 2018-2 Bonds plus the amount on deposit in the Issue 2018-2 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 2018-2A Bonds and Issue 2018-2B Bonds. Proceeds of the Issue 2018-2A Bonds and Issue 2018-2B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2018-2 Bond Subaccount of the Loan Fund. On the Issuance Date, \$_____ of the amount on deposit in the Issue 2018-2 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2018-2A Bonds and the [entire proceeds of the] Issue 2018-2B 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 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2A (AMT)] [Issue 2018-2B (Non-AMT)] [Issue 2018-2C (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 2018-2 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2018-2 Bonds and neither the members of THDA nor any person executing the Issue

2018-2 Bonds may be liable personally on the Issue 2018-2 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 2018-2 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 2018-2 Bonds. The Issue 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 Bonds, or other material events affecting the tax status of the Issue 2018-2 Bonds;

(vii) modifications to rights of the holders of the Issue 2018-2 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 2018-2 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 2018-2 Bonds or defeasance of any Issue 2018-2 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 2018-2 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 2018-2 Bonds whether or not the Rule (as defined below) applies to such Issue 2018-2 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2018-2 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 2018-2 Bonds or (B) the holders of the Issue 2018-2 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 2018-2 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 2018-2 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 2018-2 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 2018-2 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2018-2 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 2018-2 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 2018-2A PAC Bonds Planned Amortization Amount]</u> | <u>[Issue 2018-2C PAC Bonds Planned Amortization Amount]</u> |
|-------------|--|--|
|-------------|--|--|

**[[400]% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2018-2 BONDS]**

| Date | Cumulative Amount | Date | Cumulative Amount |
|-------------|------------------------------|-------------|------------------------------|
|-------------|------------------------------|-------------|------------------------------|

EXHIBIT C

FORM OF BOND

REGISTERED

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

\$[_____]

**TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2018-2[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 [January 1, 2019]. 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 2018-2[A][B][C]” (herein called the “Bonds”) issued in the aggregate principal amount of \$_____ under the General Resolution, a resolution of THDA adopted on March 27, 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 _____
[_____] 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 2018-2[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 - _____ | 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.

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSEMENT OF THDA
FROM PROCEEDS OF ISSUE 2018-2
March 27, 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 2018-2, 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: March 15, 2018
TO: THDA Board of Directors
FROM: Lynn E. Miller, Chief Legal Counsel *lem*
Trent Ridley, Chief Financial Officer *TR*
SUBJECT: THDA Volume Cap Annual Update

Background

THDA receives allocations of volume cap every year from the Tennessee Department of Economic and Community Development ("ECD"). The amount of volume cap allocated to THDA is the total amount of volume cap made available for single family and multifamily housing funded with tax exempt bonds in the state. The amount of this resource allocated to THDA drives the amount of single family mortgage loans THDA may purchase each year and the amount of tax exempt bonds for multifamily housing that may be issued by local issuers under THDA's Multifamily Tax-Exempt Bond Authority Program.

Volume cap THDA receives in one year may be carried forward and subsequently used for single family bond issues over 3 additional years. In addition, volume cap may be carried forward for a mortgage credit certificate program ("MCC"). Volume cap THDA allocates to local issuers under the Multifamily Tax-Exempt Bond Authority Program must be used in the year of allocation and cannot be carried forward for multifamily purposes.

The amount of volume cap made available each year to Tennessee is based on population. Of the total amount Tennessee receives, THDA, pursuant to a plan developed by ECD, receives 35% of the total at the beginning of each year. Thereafter and prior to December 1, THDA may request an additional allocation that may be awarded at the discretion of the ECD Commissioner. Then, at year end, THDA is one of two entities that may receive an additional allocation based on the amount of volume cap not otherwise used for other eligible tax exempt bond issuances during the year.

All information contained in this memo is based on current state and federal law.

2018 Volume Cap

- allocation: 01/17/2018: \$246,812,300
- amount available for multifamily bonds in 2018: \$210,000,000
- amount expected to be used for THDA single family bonds in 2018: \$0, due to the availability of volume cap from prior years that expires sooner
- the amount of the 01/17/2018 allocation, together with a year-end allocation, if any, less the amount used for multifamily will be carried forward and will be available for THDA single family bonds through 12/31/2021

- 2017 volume cap is expected to be used for THDA single family bond issues in 2021 and unused amounts could be made available through 12/31/2023 for an MCC program

2017 Volume Cap

- allocations: 01/09/2017: \$232,791,650
01/17/2018 432,327,350
TOTAL \$665,119,000
- amount used for multifamily bonds in 2017: approximately \$198,100,000
- amount used for THDA single family bonds to date: \$0, due to the availability of volume cap from prior years that expires sooner
- amount carried forward and available for THDA single family bonds through 12/31/2020: approximately \$467,019,000
- 2017 volume cap is expected to be used for THDA single family bond issues in 2020 and unused amounts could be made available through 12/31/2022 for an MCC program

2016 Volume Cap

- allocations: 01/06/2016: \$231,010,500
09/19/2016 100,000,000
12/05/2016 329,019,500
TOTAL \$660,030,000
- amount used for multifamily bonds in 2016: approximately \$165,873,000
- amount used for THDA single family bonds to date: \$0, due to the availability of volume cap from prior years that expires sooner
- amount carried forward and available for THDA single family bonds through 12/31/2019: approximately \$494,157,000
- 2016 volume cap is expected to be used for THDA single family bond issues in 2019 and unused amounts could be made available through 12/31/2021 for an MCC program

2015 Volume Cap

- allocations: 01/07/2015: \$229,227,250
12/16/2015 425,707,750
TOTAL \$654,935,000
- amount used for multifamily bonds in 2015: approximately \$118,093,000
- amount used for THDA single family bonds to date: \$0, due to the availability of volume cap from prior years that expires sooner
- amount carried forward and available for THDA single family bonds through 12/31/2018: approximately \$536,547,000
- 2015 volume cap is expected to be used for THDA single family bond issues in 2018 and unused amounts could be made available through 12/31/2020 for an MCC program

2014 Volume Cap

- allocations: 01/15/2014 \$227,359,300
12/05/2014 422,238,700
TOTAL \$649,598,000
- amount used for multifamily bonds in 2014: approximately \$25,075,000
- amount used for THDA single family bonds: \$466,144,423
- amount preserved for use in a MCC program through 12/31/2019: \$158,378,576

2013 Volume Cap

- allocations: 03/04/2013 \$214,670,050
12/12/2013 398,672,950
TOTAL \$613,343,000
- amount used for multifamily bonds in 2013: approximately \$20,173,874
- amount used for THDA single family bonds: \$241,957,827
- amount preserved for use in a MCC program through 12/31/2018: \$351,211,299

LEM/TR/ds

Tab # 5

Items:

Audit & Budget Committee Meeting Materials

**Tennessee Housing Development Agency
Audit & Budget Committee**

March 27, 2018

10:00 a.m. Central Time

AGENDA

1. Call to OrderLillard
2. Approval of Minutes from January 23, 2018Lillard
3. Fiscal Year 2017 Single Audit Results..... Ridley
4. Audit Division Organizational Update Oliver
5. 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

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
January 23, 2018

Pursuant to the call of the Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, January 23, 2018, at 9:30 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Committee members were present: State Treasurer David Lillard, (Chairman), Dorothy Cleaves, Austin McMullen, Pieter van Vuuren, and Keith Boring (for Secretary of State Tre Hargett). Committee member Kim Brown was absent.

Recognizing a quorum present, Chairman Lillard called the meeting to order and asked for approval of the minutes for the meeting held on November 14, 2017. Upon motion by Ms. Cleaves and second by Mr. McMullen, the minutes were unanimously approved.

Chairman Lillard recognized Lynn Miller, THDA Chief Legal Counsel, to discuss payments for Issue 2017-5 work. Ms. Miller referenced the memorandum included in the meeting materials that describes the payments recommended by staff. She noted that as a result of the tax code changes that were ultimately enacted, THDA did not close the proposed \$750 million Issue 2017-5 bond transaction. She explained that given the unusual nature of the circumstances surrounding this proposed transaction and the extraordinary amount of work done in a short period of time, staff and the Bond Finance Committee is recommending compensation to RBC Municipal Products, LLC, in the amount of \$30,000, compensation to their counsel, Chapman and Cutler, in the amount of \$24,020, and compensation to the two rating agencies in the amount of approximately \$13,100 pending receipt of an invoice from Moody's. She noted that staff recognizes that the recommended payments are not the standard in the industry when bond issues do not come to fruition, but for the reasons noted, the Bond Finance Committee and staff believe this compensation is appropriate. Upon motion by Chairman Lillard, second by Ms. Cleaves, motion passed to recommend Board approval of the payments and to authorize the Executive Director to make the payments in a timely manner.

Chairman Lillard recognized Gay Oliver, THDA Director of Internal Audit, who presented a brief overview of the current activities and projects of the Internal Audit Division.

With no other issues or business to come before the Committee, the meeting was adjourned.

Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit

Approved this ____ day of March 2018.

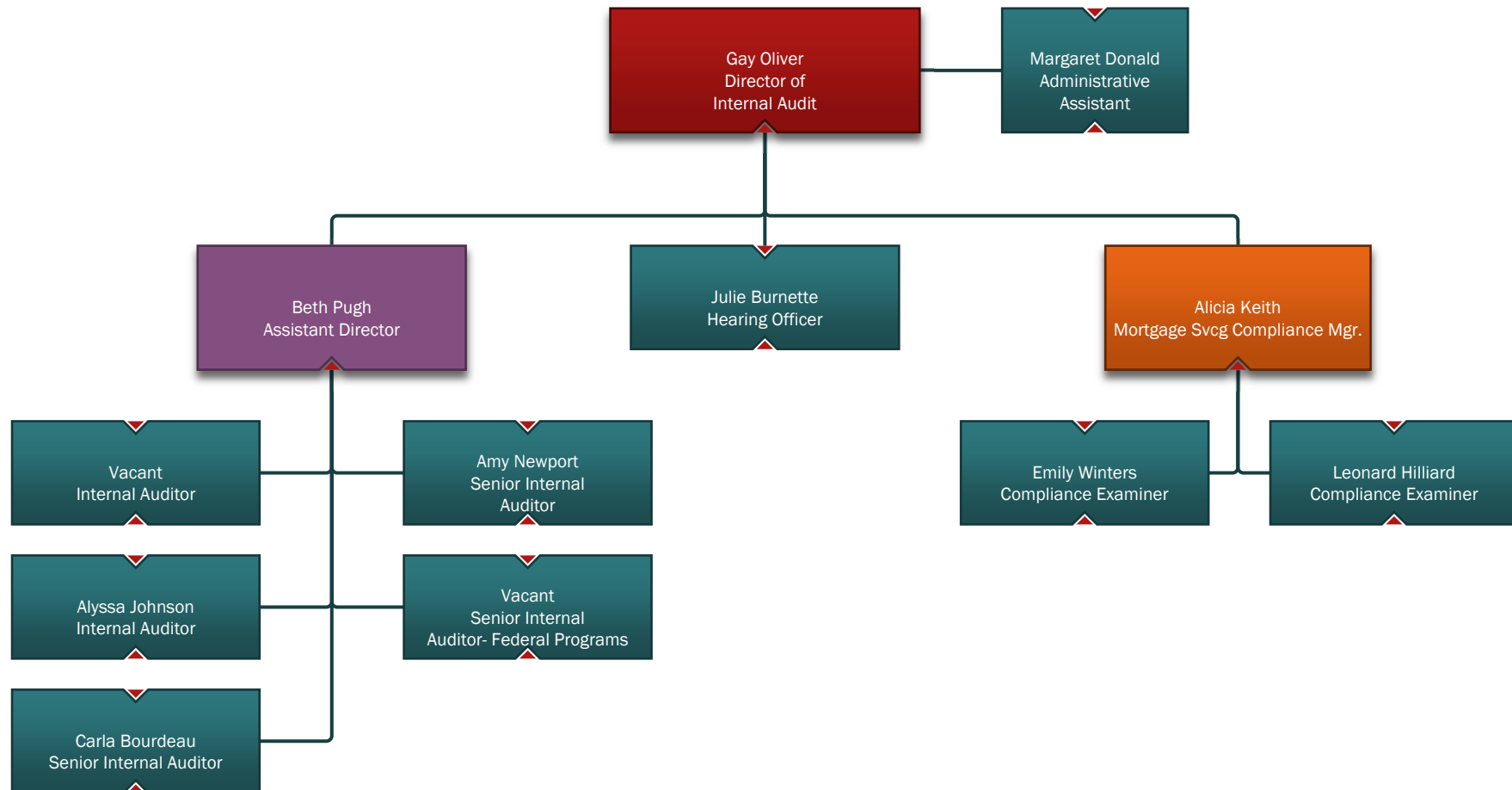
Audit & Budget Committee

Agenda Item No. 3

3. Fiscal Year 2017 Single Audit Results

⇒ Verbal Updates

Internal Audit



Tab # 6

Items:

Grants Committee Meeting Materials

**Tennessee Housing Development Agency
Grants Committee**

March 27, 2018

10:15 a.m. Central Time

AGENDA

1. Call to Order van Vuuren
2. Approval of Minutes for January 23, 2018 Meeting van Vuuren
3. 2017 National Housing Trust Fund Program Description Watt
4. 2018A THDA Challenge Grant Program Description Watt
5. 2018 Weatherization Assistance Program Model Plan Submission Authorization Watt
6. 2017 HOME Mini-Round 2 Award Update (Verbal) Watt
7. Analysis of Impediments (Verbal) Teasley
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

TENNESSEE HOUSING DEVELOPMENT AGENCY
GRANTS COMMITTEE
January 23, 2018

Pursuant to the call of the Chairman, the Grants Committee of the Tennessee Housing Development Agency Board of Directors met in regular session Tuesday, January 23, 2018, at 9:45 a.m. Central Time in the Nashville Room at the William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee.

The following Committee members were present: Pieter van Vuuren, Keith Boring (for Secretary of State Tre Hargett), Austin McMullen, Lynn Tully, and Ann Butterworth (for Comptroller Justin Wilson). Other Board members present were Dorothy Cleaves and Lynn Tully.

Chairman van Vuuren called the meeting to order and called for consideration of minutes from three separate meetings: July 25, 2017, September 26, 2017, and November 14, 2017. Upon motion by Chairman van Vuuren, second by Ms. Tully, the minutes for each meeting were approved.

Chairman van Vuuren next called on Don Watt, Director of Community Programs, to present the changes to the 2018 Spring Round of the Tennessee Housing Trust Fund Competitive Grants Program. Mr. Watt referenced the memorandum dated January 9, 2018, and the 2018 Spring Program Description handed out to the Committee members and described the minimal changes from the program description for the 2018 Fall Program Description. Those changes are as follows:

- Clarification that rental assistance will be an eligible match source.
- Clarification that the compliance period will begin for new construction at the issuance of the certificate of occupancy, and, if a rehabilitation project does not have a certificate of occupancy, the compliance period will begin after the recording of a notice of completion.
- Added a requirement that all units be listed on the TNHousingSearch.org website.
- Clarification that documents must be submitted through PIMS. If documents are submitted through hardcopy, or any other source other than PIMS, the documents will not be accepted.

Upon motion by Mr. van Vuuren, second by Ms. Butterworth, the Committee recommended approval of the 2018 Spring Round of the Tennessee Housing Trust Fund Competitive Grants Program Description as described.

Chairman van Vuuren next called on Mr. Watt to present a request to extend 25 of the 2014 HOME grants. Mr. Watt referred to his memorandum dated January 9, 2018. He indicated that staff recommends the extensions because 5 grants were affected by the inspection issue associated with the absence of a local or state building code which halted project implementation in these communities and extensions to the 2012 and 2013 grants that have impacted progress on these 2014 grants. Chairman van Vuuren explained that he and Mr. Watt discussed the length of the extensions and agree that twelve (12) months is appropriate. Upon motion by Mr. van Vuuren, second by Mr. McMullen the Committee recommended a twelve (12) month extension for each of the 25 2014 HOME Grants.

Chairman van Vuuren again called on Mr. Watt to report on the funding awards made for the 2018 Fall THTF Competitive Grants and the 2017 Emergency Solutions Grant (ESG) Supplemental Funding

Round. Mr. Watt referenced his memo dated January 9, 2018, and noted that 5 of the 17 applications received for the 2018 Fall THTF Competitive Grants were funded and all applications received for ESG were awarded funding.

Mr. Watt provided an update regarding the Sumner County HOME grant.

There being no further business to come before the Committee, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the ____ day of March, 2018.

Pending



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: March 13, 2018

RE: 2017 National Housing Trust Fund Program Description

THDA has received an allocation of \$3,160,279 under the 2017 National Housing Trust Fund (NHTF) to make available for the development of affordable rental housing for extremely low income households. These funds are the second allocation received under this new HUD program. Staff is proposing only very limited changes to the program description for this new program year.

In accordance with its allocation plan approved by HUD, THDA will set-aside 10% of these funds, or \$316,027, for its administrative costs, with the remaining \$2,844,252 made available competitively to preserve or expand rental housing options for this targeted income group. In accordance with NHTF requirements, all funded applicants must maintain these units in accordance with program requirements for a 30-year affordability period.

Eligible applicants include public housing authorities and nonprofit and for-profit entities with at least two years of experience in Tennessee in the development, ownership, and management of affordable rental housing.

All funds will be made available as a grant ranging between \$250,000 - \$900,000. This maximum grant limit, an increase from \$750,000, represents the only significant change proposed for this year. This new limit is designed to allow for more funds into a single project, while also still being able to award funds at the maximum level across each of Tennessee's Grand Divisions.

Entities may seek funding to acquire and rehabilitate existing units or to newly construct rental housing. In accordance with federal requirements and to enhance the financial stability of the project, applicants may also seek NHTF funds to establish an operating reserve account for the project. All funds will be secured by a note, deed, and restrictive covenant on the property.

THDA proposes to again evaluate applications based on the following criteria:

- Project Design
- Applicant's Capacity and Experience
- County Rental Housing Need
- Census Tracts Identified as Areas of Opportunity
- Leverage

THDA will score and rank all applications meeting program threshold requirements by Grand Division. THDA will first select for funding the highest scoring application from each Grand Division. THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than that needed for the next highest scoring application. Given the limited funding available statewide and in order to distribute NHTF funding across Tennessee, THDA will reserve the right to limit funding to only one award per county. THDA will also reserve the right to offer partial funding depending on availability of additional financing or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant. In the event of tie scores, THDA will prioritize the application with the highest combined total of the Need and Opportunity Score. If a tie remains, THDA will prioritize the application with the highest Opportunity Score.

THDA will open the application round in April with applications due on June 28, 2018. THDA will hold an application workshop in April. Funding awards are anticipated to be made on or about July 31, 2018. Contracts will be effective August 1, 2018 – July 31, 2021.

Staff recommends adoption of the proposed 2017 National Housing Trust Fund Program Description attached to this memo (the "Program Description") and authorization of the Executive Director or a designee to award funds to applicants for applications scored by staff based on the rating scale and allocation procedure contained in the approved Program Description, subject to all requirements and provisions in the approved Program Description. Staff will provide information to the Committee and Board regarding awards made under the 2017 National Housing Trust Fund Program Description at the meeting that immediately follows the date of the awards.



NATIONAL HOUSING TRUST FUND 20176

PROGRAM DESCRIPTION

Tennessee Housing Development Agency

The Tennessee Housing Development Agency (THDA) administers the federally funded National Housing Trust Fund (NHTF) which is designed for the production and preservation of affordable rental housing through the acquisition, new construction, or rehabilitation of affordable housing for households with extremely low incomes. The purpose of this Program Description is to explain the program requirements and application process.

NHTF grants are awarded through a competitive application process to Public Housing Authorities, non-profit and for-profit entities. Applications for the NHTF program must be received by THDA on or before 4:00 PM ~~EST~~ CDT on ~~Friday~~ ~~Thursday~~, ~~December~~ ~~June~~ 15 ~~28~~, 20178. THDA anticipates notifying successful applicants ~~by on or about March~~ ~~July~~ 31, 2018. NHTF grant agreements will begin on ~~May~~ ~~September~~ 1, 2018 and will end on ~~April~~ ~~August~~ 30, 2021.

The application package for NHTF resources as well as additional program documentation will be made available on THDA's website at <https://thda.org/programs>.

DEFINITION OF TERMS

For purposes of the NHTF program, the following definitions shall apply.

Developer Fee: Means the sum of the Developer's overhead and Developer's profit. Consulting fees and guarantor fees are also considered part of the total Developer Fee calculation.

Housing for the Elderly: Means housing intended for, and solely occupied by, individuals sixty two (62) years of age or older.

Housing for Older Persons: Means housing intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is fifty five (55) years of age or older; and where the Owner publishes and adheres to policies and procedures which demonstrate an intent by the Owner and manager to provide housing for individuals fifty five 55 years of age or older.

Extremely Low Income: Means an individual or household whose income does not exceed thirty percent (30%) of the area median income, adjusted for household size or households with incomes at or below the poverty line (whichever is greater).

Family Housing: Means housing designed for families which does not meet the definition of "Elderly Housing" or "Housing for Older Persons".

Grantee: Means the state entity that prepares the NHTF Allocation Plan, receives the NHTF dollars from HUD, and administers the NHTF in the state. THDA is the NHTF grantee for the State of Tennessee.

Layering: Means the combining of more than one governmental resource on a NHTF-assisted project.

Leverage: Means a contribution of value in the form of cash, materials or labor in a pre-approved form and method toward the hard development costs of a project.

Modular Housing: Means housing as defined in Tennessee Code Annotated Title 68 -126-202 & 303

- *"Modular Building Unit"*: Means a structural unit, or preassembled component unit, including the necessary electrical, plumbing, heating, ventilating and other service systems, manufactured off-site and transported to the point of use for installation or erection, with or without other specified components, as a finished building. "Modular building unit" does not apply to temporary structures used exclusively for construction purposes, nonresidential farm buildings, or ready-removables that are not modular structures;
- *"Ready-removable"*: Means a structure without any foundation, footings, or other support mechanisms that allow a structure to be easily relocated but which may include electrical wiring. Ready-removable structures include, but are not limited to, stadium press boxes, guard shelters, or structures that contain only electrical, electronic, or mechanical equipment that are solely occupied for service or maintenance of such equipment; and
- *"Structure"*: Means any building or improvement and its components, systems, fixtures, and appurtenances at the time of completion or construction.

Manufactured Housing: Means housing as defined in Tennessee Code Annotated Title 68 -126-202 & 303

- *"Manufactured Home"*: Means a structure, transportable in one (1) or more sections, which, in the traveling mode, is eight (8) body feet or more in width, or forty (40) body feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained in the structure; except that "manufactured home" includes any structure that meets all the

requirements of this subdivision (2), except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the secretary;

- “*Manufacturer*”: Means any person engaged in manufacturing or assembling new manufactured homes.
- “*Mobile Home*”: Means a structure manufactured before June 15, 1976, that is not constructed in accordance with the National Manufactured Home Construction and Safety Standards Act of 1974, compiled in 42 U.S.C. § 5401 et seq. It is a structure that is transportable in one (1) or more sections that in the traveling mode is eight (8) body-feet or more in width and forty (40) body-feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet and that is built on a chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities and includes any plumbing, heating, air conditioning and electrical systems contained in the structure;

Multifamily Housing: Means any building or group of buildings totaling more than four permanent residential rental units operated as a single housing project.

NHTF-Assisted Unit: Means a housing unit which meets the NHTF eligibility requirements and benefits from financial assistance from the NHTF.

Period of Affordability: Also, “Affordability Period”. Means the thirty (30) year timeframe beginning at time of Project Completion as defined at 24 CFR §93.2 during which projects receiving NHTF assistance will be required to maintain affordability to households at or below 30% AMI and must maintain compliance with NHTF regulations.

Proforma: Means a cash flow projection for a specific period of time that takes into account expected income and expenses of a rental property and projects financial viability and affordability over the period.

Recipient: Means an organization, agency or other entity (including a public housing authority, a for-profit entity or a nonprofit entity) that receives NHTF assistance from THDA and is the owner of a NHTF-assisted project.

Rent Restricted: Means rent, including utilities and tenant-based rental assistance that does not exceed the published Maximum NHTF Rent Limit, which is affordable to households at 30% AMI and based on an assumed (1.5) persons per bedroom (single person in an efficiency).

Single Family Housing: Means a structure that contains at least one but no more than four permanent residential units.

Stabilized Occupancy: Means occupancy of at least ninety percent (90%) of the units in the property for a continuous period of at least ninety (90) calendar days.

Substantial Rehabilitation: Means the rehabilitation of a project in which the rehabilitation costs will be seventy five percent (75%) or more of the replacement cost.

Total Development Cost: Means the all-in cost of developing the project including acquisition, predevelopment costs, hard and soft construction or rehab costs, financing costs, developer fees, and reserve account capitalization.

Uniform Physical Condition Standards (UPCS): Means the standardized inspection code created by HUD and Congress in 1998 as a way of establishing a dynamic inspection code that could satisfy the diverse housing stock monitored by the U.S. Department of Housing and Urban Development (HUD). The inspection code predominately provides a set of minimum standards for components found in real estate.

THE NATIONAL HOUSING TRUST FUND

The NHTF was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289). Section 1131 of HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) (Act) to add a new section 1337, entitled "Affordable Housing Allocation" and a new section 1338, entitled "Housing Trust Fund."

This program is governed by Title 24 Code of Federal Regulations, Parts 91 and 93; Interim Rule. Those regulations are incorporated by reference in this Program Description. In cases of conflicting requirements, the more stringent requirement will apply.

Tennessee operates a THDA-funded Housing Trust Fund commonly known as the "Housing Trust Fund", "HTF", or the "Tennessee Housing Trust Fund" While all references in this program description and other related documentation refer to this funding as the "National HTF" or "NHTF", all federal requirements will identify this resource as the "Housing Trust Fund" or "HTF". Applicants and recipients of NHTF funding must maintain awareness of this distinction in all program documentation.

1) ALLOCATION OF FUNDS

- a. The total allocation for this round of NHTF funding under this program description will be three million one hundred sixty thousand two hundred seventy nine dollars (\$3,000,000160,279). THDA will award ninety percent (90%) of the allocated amount in NHTF grants to successful applicants through a competitive application process. Each award will be a minimum of two hundred fifty thousand dollars (\$250,000) and a maximum of seven nine hundred fifty thousand dollars (\$750900,000).
- b. NHTF funding committed in the State of Tennessee by THDA will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. THDA will use ten percent (10%) of the NHTF allocation for its own administrative expenses.

2) ELIGIBLE RECIPIENTS

- a. THDA, as the Grantee for the State of Tennessee, will accept applications for the NHTF program from public housing authorities, and non-profit or for-profit entities that will be the owner of the proposed rental project. To be eligible the entity must meet the following criteria:
 - i) Be organized and existing to do business in the State of Tennessee, or if organized in another state, must be qualified to do business in the State of Tennessee.
 - ii) Demonstrate at least two years of related housing experience in Tennessee. For the purposes of this program, "related housing experience" means the development, ownership and management of affordable rental housing."
 - iii) Demonstrate the financial capacity necessary to undertake, complete, and manage the proposed project, as demonstrated by its ability to own, construct, or rehabilitate and manage and operate affordable rental housing. THDA will evaluate the experience of the entire proposed team with owning, developing and managing projects of similar size and scope serving the intended population proposed. Applicants and their development team must undergo an evaluation by THDA of their capacity before the applicant may qualify as an eligible Recipient.
 - iv) Have demonstrated understanding of the Federal, State and local housing programs used in conjunction with NHTF funds to ensure compliance with all applicable program requirements and regulations.
 - v) Not be debarred or excluded from receiving federal assistance or THDA assistance prior to selection or entering into the written agreement with THDA.
 - vi) Certify that housing units assisted with the NHTF will comply with NHTF program requirements during the entire period that begins upon selection and ending upon the conclusion of all NHTF-funded activities.

3) FORM OF ASSISTANCE

- a. NHTF funds will be awarded as a grant secured by a note, deed of trust, and a restrictive covenant.

4) LEVEL OF SUBSIDY

- a. The investment of NHTF funds must conform to the following minimum and maximum standards per unit:

i) Minimum NHTF Funds: \$1,000 per unit

ii) Maximum NHTF Funds Per Unit:

| | |
|-----------|------------------------------|
| \$58,378 | 0-Bedroom (Efficiency) Limit |
| \$66,923 | 1-Bedroom Limit |
| \$81,377 | 2-Bedroom Limit |
| \$105,276 | 3-Bedroom Limit |
| \$115,560 | 4-Bedroom Limit |

5) DEVELOPER FEE

- a. A Developer Fee of up to fifteen percent (15%) of the NHTF development costs, net of the development fee, acquisition costs and any permanent financing costs may be charged as a project soft cost.

6) ELIGIBLE ACTIVITIES

- a. NHTF funds must be used to produce or preserve affordable, permanent rental housing that addresses the needs of extremely low-income households. The housing may be stick built or Modular Housing, provided that the housing meets all the applicable state and local codes. Eligible housing activities include:
- i) New construction of rental housing units.
- ii) Acquisition and/or rehabilitation of existing rental housing units.
- iii) Funding of an operating cost reserve associated with the new construction or acquisition and rehabilitation of housing assisted with NHTF funds

7) PROHIBITED ACTIVITIES

- a. Providing tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act.
- b. Assisting or developing emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, dormitories, including those for farm workers or housing for students.
- c. Providing any form of housing that is considered short term or transitional.

- d. Providing NHTF assistance to rental units that require reconstruction.
- e. Providing NHTF assistance to rental units that are Manufactured Housing and/or Manufactured Housing lots.
- f. Using NHTF funds to refinance existing debt.
- g. Using NHTF funds for the acquisition and rehabilitation or new construction of housing for sale to home buyers.
- h. Providing non-federal matching contributions required under any other Federal program.
- i. Providing assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing).
- j. Carrying out activities authorized under 24 CFR Part 968 (Public Housing Modernization).
- k. Providing assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages).
- l. Providing assistance to a project previously assisted with NHTF funds during the period of affordability established by HUD and THDA in the written agreement with the Recipient as stated in § 93.205(a) except as permitted for renewal of funds committed to operating cost assistance.
 - i) Additional NHTF funds may be committed to a project up to one year after project completion, but the amount of NHTF funds in the project may not exceed the maximum per-unit subsidy amount as determined by HUD.; HUD has prescribed the use of the Section 234 – Condominium Housing Limits from the Annual Indexing of Basic Statutory Mortgage: Limits for Multi-Family Housing Programs as described in the Interim Rule; Attachment TwoOne: Maximum Federal Subsidy Limit.
- m. Using NHTF funds for political activities; advocacy; lobbying, whether directly or through other parties; counseling services; travel expenses; and preparing or providing advice on tax returns.
- n. Using NHTF funds for administrative, outreach, or other costs of the Recipient, or any other Recipient of such grant amounts, subject to the exception in Section 1338(c)(10)(D)(iii) of the Act,

- o. Paying for any cost that is not eligible under 24 CFR 92.730 through 93.200.

8) LAYERING

- a. Layering is the combination of government resources on a NHTF-assisted project.
- b. THDA will review each project to ensure that only the minimum amount of NHTF assistance needed is allocated to the project.
- c. Total NHTF resources allocated to any project cannot exceed the current maximum per unit subsidy limit.

9) LEASE-UP AND INITIAL OCCUPANCY

- a. Projects must be fully occupied by income eligible tenants within six (6) months of issuance of a certificate of occupancy for the completed units. If all units are not fully occupied by income eligible tenants within six (6) months of completion of construction or acquisition and rehabilitation, the grant Recipient must report to THDA on current marketing efforts in a form and with substance as required by THDA.
- b. If a rental project has not achieved initial occupancy within eighteen (18) months of Completion, all NHTF funds invested in the rental project must be repaid to THDA.

10) LEVERAGE

- a. Leverage must be in the form of contributions to the project's hard development costs.
- b. In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the applicant and grants from other sources. The value of land acquired through non-NHTF resources may be counted as leverage when the appraised value is documented and proof of ownership at the time of application is demonstrated. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage when properly documented. Administrative funds, anticipated fund-raising revenues and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. All proposed leverage must be thoroughly supported by appropriate back-up documentation, including firm commitment letters, award letters, and warranty deeds.
- c. The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at

twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the project. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.

11) MARKET

- a. Applicants must document that neighborhood market conditions demonstrate a need for the project.

12) MIXED INCOME TENANCY

- a. For the purpose of the NHTF Program, a “mixed income” project contains at least one residential unit that is set aside for an extremely low income household and one or more other residential units available to tenants in other higher income designations.
- b. NHTF funds may only be used for NHTF qualifying residential units.

13) MIXED USE PROJECTS

- a. For purposes of the NHTF Program, a “mixed-use” project contains, in addition to at least one residential unit, other non-residential space which is available to the public. If laundry and/or community facilities are for use exclusively by the project tenants and their guests, then the project is not considered mixed-use. Neither a leasing office nor a maintenance area will trigger the mixed-use requirements. No NHTF funds can be used to fund the commercial or non-residential portion of a mixed-use project. Therefore, if a NHTF-assisted project contains such commercial or non-residential space, other sources of funding must be used to finance that space. In order to be eligible for NHTF funding, a mixed-use project must meet the following conditions:
 - i) Residential living space in the project must constitute at least fifty one percent (51%) of the total project space.
 - ii) Each building in the project must contain residential living space
- b. NHTF funds can only be used to fund the residential portion of the mixed-use project which meets the NHTF rent limits and income requirements. If the rental project will contain a model apartment that will be shown to potential renters, the model apartment will be

considered a non-residential area subject to the mixed-use requirements, unless the model apartment will be rented in the event of high occupancy.

14) RENT LEVELS AND UTILITY ALLOWANCES

- a. Every NHTF assisted unit is subject to rent limits designed to make sure that rents are affordable to extremely low income households. These maximum rents may be referred to as NHTF rents. Attachment FourThree: NHTF Program Rents.
- b. Rents are limited for the length of the Period of Affordability. These rents are determined on an annual basis by HUD. The Recipient/Owner will be provided with these rents, which include all utilities.
- c. The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published NHTF rents to determine the maximum allowable rents.
- d. THDA must annually review and approve the rents for each NHTF-assisted rental project. In addition, THDA must determine individual utility allowances for each rental project either by using the HUD Utility Schedule Model or determining the utility allowance based on the specific utilities used at the project. Utility allowances are reviewed and updated annually. Use of utility allowances provided by public housing authorities is not permitted.
- e. NHTF rents are not necessarily representative of market conditions and NHTF rents may increase or decrease from year to year. Regardless of changes in fair market rents and in median income over time, the NHTF rents for a project are not required to be lower than the NHTF rents for the project in effect at the time of Commitment as defined at 24 CFR §93.2
- f. Each Recipient must be aware of the market conditions of the area in which the project is located. Rents shall not exceed the published NHTF rents, adjusted for utility arrangements and bedroom size.
- g. If the NHTF-assisted unit receives project-based rental subsidy, and the tenant pays a contribution toward rent of not more than 30% of the tenant's adjusted income, then the maximum rent for the NHTF-assisted unit (only and specifically for the unit in which the project based rental subsidy is designated) is the rent allowable under the project-based rental subsidy program, also known as the payment standard.

15) LONG TERM OCCUPANCY REQUIREMENTS

- a. Tenants whose annual incomes increase to over 30% of median may remain in occupancy but must pay no less than thirty percent (30%) of their adjusted monthly income for rent and utilities.

16) INCOME LIMITS

- a. NHTF funds must be used to benefit only Extremely Low-Income households.
- b. The income limits apply to the incomes of the tenants, not to the owners of the property. 100% of the tenant households in NHTF-assisted units must be Extremely Low Income. Households must meet the NHTF Income Limit established by HUD and effective at the time of application for occupancy of a NHTF-assisted unit.
- c. Income Determination: To ensure that the income targeting requirements are met, a Recipient must verify that each household occupying an NHTF-assisted unit is income-eligible by determining the household's annual income. When determining eligibility, the Recipient must calculate annual income as defined at 24 CFR 5.6091. The method for determining and calculating annual income for tenants are also addressed in the full text of the interim rule.
- d. 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 household member residing in the rental unit. Annual gross income is "anticipated" for the next twelve (12) months, based upon current circumstances or known upcoming changes, minus certain income exclusions.
- e. Current limits are in Attachment ~~Three~~Two: Income Limits for the NHTF Program.
 - i) Median income for an area of the state shall be that median income value established by HUD.
 - ii) Median incomes change when HUD makes revised estimates.

17) HOUSING SET-ASIDES FOR INDIVIDUALS WITH DISABILITIES

- a. Applications that propose housing in which more than twenty percent (20%) of the assisted units will be set-aside for individuals with disabilities 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>.

- b. The final rule requires that all home and community-based settings meet certain qualifications, including:
 - i) Is integrated and supports full access to the greater community.
 - ii) Is selected by the individual from among setting options.
 - iii) Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint.
 - iv) Optimizes autonomy and independence in making life choices.
 - v) Facilitates choice regarding services and who provides them.
- c. For provider owned or controlled residential settings, the following additional requirements apply:
 - i) The individual has a lease or other legally enforceable agreement providing similar protections.
 - ii) The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit.
 - iii) The individual controls his/her own schedule, including access to food at any time.
 - iv) The individual can have visitors at any time.
 - v) The setting is physically accessible.

18) PROPERTY AND DESIGN STANDARDS

- a. Property standards must be met when NHTF funds are used for a project. All rental housing constructed or rehabilitated with NHTF funds must meet all THDA Design Standards, applicable local, county and state codes, rehabilitation standards, Uniform Property Condition Standards (UPCS), and zoning ordinances at the time of project completion.

- b. In the absence of a local code, new construction of single-family units for rental must meet the current, State-adopted edition of the International Residential Code for One- and Two-Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc. Rehabilitation of existing single-family units for rental must meet the current, State-adopted edition of the International Existing Building Code.
- c. NHTF funded units must also conform to the THDA Minimum Design Standards for New Construction of Single Family and Multifamily Units or to the THDA Design Standards for Rehabilitation of Single Family and Multifamily Housing Units, as applicable. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.
- d. Additional design standards include:
 - i) Energy Code. New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.
 - ii) Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (HERS) rater.
 - iii) Broadband Infrastructure. THDA requires that newly constructed rental units and those which are substantially rehabilitated must be wired for broadband internet access.
 - iv) Modular Housing must be certified by the state of Tennessee
- e. Section 504
 - i) Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.
 - ii) For new construction of Multifamily Housing (five or more units), a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and at a minimum, an additional two percent (2%) of the units (but not less than one unit) must be accessible to individuals with sensory

impairments. The total number of units in a NHTF-assisted project, regardless of whether all units are NHTF-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are NHTF-assisted, the accessible units may be either NHTF-assisted or non-NHTF-assisted.

- iii) The Section 504 definition of substantial rehabilitation for Multifamily Housing includes construction in a project with fifteen (15) or more units for which the rehabilitation costs will be seventy five percent (75%) or more of the replacement cost. In such projects, a minimum of five percent (5%) of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two (2%), at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the total number of units in a NHTF-assisted, regardless of whether they are all NHTF-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all of the units are NHTF-assisted, the accessible units may be either NHTF-assisted or non-NHTF-assisted.
 - iv) When rehabilitation less extensive than Substantial Rehabilitation is undertaken in projects of fifteen (15) or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with a disability, until a minimum of five percent (5%) of the units (but not less than one (1) unit) are accessible to people with mobility impairments. For this category of rehabilitation, the additional two percent (2%) of unit's requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible.
- f. Fair Housing Act of 1968, as amended. In buildings that are ready for first occupancy after March 13, 1991, and that have an elevator and four or more units, the public and common areas must be accessible to persons with disabilities; doors and hallways must be wide enough for wheelchairs; and all units must have the following:
- i) An accessible route into and through the unit.
 - ii) Accessible light switches, electrical outlets, thermostats and other environmental controls.
 - iii) Reinforced bathroom walls to allow later installation of grab bars; and kitchens and bathrooms that can be used by people in wheelchairs.
 - iv) If a building with four or more units has no elevator and will be ready for first occupancy after March 13, 1991, these standards apply to ground floor units.

- v) These requirements for new construction do not replace any more stringent standards in State or local law.
- g. Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131–12189) implemented at 28 CFR parts 35 and 36, as applicable.

19) UNIVERSAL DESIGN AND VISITABILITY

- a. THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the units constructed or rehabilitated with federal NHTF funds through the use of Universal Design and Visitability.
- b. Universal Design
 - i) Universal Design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:
 - (1) Make the unit usable by the greatest number of people.
 - (2) Respond to the changing needs of the resident.
 - (3) Improve the marketability of the unit.
 - ii) The goal of universal design seeks to build housing that meets 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. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:
 - (1) Stepless entrances. Minimum 5' x 5' level clear space inside and outside entry door.
 - (2) Broad blocking in walls around toilet, tub and shower for future placement of grab bars.
 - (3) Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
 - (4) Front mounted controls on all appliances.
 - (5) Lever door handles.
 - (6) Loop handle pulls on drawers and cabinet doors.
 - iii) 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>.

c. Visitability

- i) Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:

- (1) One zero-step entrance.
- (2) Doors with thirty two (32) inches of clear passage space.
- (3) One bathroom on the main floor that is accessible to a person using a wheelchair.

- ii) More information on Visitability can be found at: <http://www.visitability.org>.

20) ENVIRONMENTAL REVIEW

- a. In implementing the NHTF program, regulations establish specific property standards for units assisted with NHTF funds. These standards include Environmental Provisions for projects involving new construction and rehabilitation. The NHTF Environmental Provisions for new construction and rehabilitation under the Property Standards at 24 CFR § 93.301(f)(1) and (2) are similar to HUD's Environmental Regulations at 24 CFR Parts 50 and 58. NHTF projects are subject to the same environmental concerns to which HUD-assisted projects are subject. The main difference is that the NHTF Environmental Provisions are outcome based, and exclude consultation procedures that would be applicable if NHTF project selection was a Federal action. Parts 50 and 58 are process based, and include consultation procedures for several laws and authorities where there may be environmental impacts.
- b. THDA and the Recipient will be responsible for carrying out environmental reviews in accordance with HUD Notice CPD-16-14. Each Recipient will be responsible for gathering the information required for the environmental reviews. NHTF funds cannot be committed until the environmental review process has been completed. The Environmental Review covers the entire project, not just the portion funded by NHTF.

21) LEAD-BASED PAINT

- a. Units assisted with NHTF funds are subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-6243. The lead-based paint requirements apply to all units and common areas in the project.

22) FLOOD PLAINS

- a. NHTF funds may not be used to construct housing in an area identified by the Federal Emergency Management Agency as having special flood hazards. In addition, THDA strongly discourages the rehabilitation of units located in special flood hazard areas, but in a few limited instances and with written permission from THDA, units located in a floodplain may be assisted. The community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

23) PROCUREMENT

- a. It is important to keep the solicitation of bids for goods and services as well as professional services and construction contracts open and competitive.
 - i) At a minimum all Recipients must comply with 24 CFR 200.318.
 - ii) All Recipients must have adopted procurement policies and procedures that meet state and federal requirements.
 - iii) Recipients must seek to obtain three (3) to five (5) quotes or bids using formal advertising or requests for proposals for the procurement of professional or construction services.
 - iv) There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

24) CONFLICT OF INTEREST

- a. In the procurement of property and services by THDA and Recipients, the conflict of interest provisions in 2 CFR 200.318 apply. In all cases not governed by 2 CFR 200.318, the provisions described in this Section 24 apply.
- b. The NHTF conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA or the Recipient. No person listed above who exercise or have exercised any functions or responsibilities with respect to activities assisted with NHTF funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a NHTF-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the NHTF-assisted activity, or the proceeds from such activity, either for themselves or those with

whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

- c. No owner of a project assisted with NHTF funds (or officer, employee, agent, elected or appointed official, board member, consultant, of the owner or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, board member, consultant, of the owner) whether private, for profit or non-profit may occupy a NHTF-assisted affordable housing unit in a project during the required period of affordability. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person. This provision does not apply to an employee or agent of the owner of a rental housing project who occupies a housing unit as the project manager or maintenance worker.
- d. Recipients shall avoid conflicts of interest associated with their NHTF funded project. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Recipients shall repay that portion of the NHTF grant related to the conflict of interest or may have all or some portion of the NHTF grant rescinded, all as determined by THDA in its sole discretion.

25) DEBARMENT AND SUSPENSION

- a. On all NHTF funded projects, Recipients shall certify that no vendor, its principals or managers are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction or listed on the "Excluded Parties List System" found at www.SAM.gov.

26) PROFORMA

- a. All Applicants shall complete Attachment One: ~~Thirty (30) Year Affordability Proforma~~ included in the application. The applicant must demonstrate a need for the NHTF funds. If the project development costs require additional financing, including other grant source funding, prior to making any NHTF draws documentation must be provided by Recipient that all other financing or grant funding has been identified and secured. If the project can support debt, other financing will be a threshold requirement.

27) PROJECT SOFT COSTS

- a. In planning their programs, Applicants may include, as a project soft costs, the reasonable and customary costs for work write-up and inspections. In addition, the costs for inspections and work write-ups, the costs for lead-based paint inspections, environmental reviews, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. All project soft costs count toward the maximum per unit subsidy limit.

28) REPLACEMENT RESERVE ACCOUNTS

- a. All projects shall maintain a replacement reserve account beginning at the time of completion for the term of the NHTF period of affordability.
- b. The replacement reserve requirement for new construction properties and the substantial rehabilitation of Housing for the Elderly shall, initially, be two hundred fifty dollars (\$250) per unit per year, inflated at three percent (3%) annually.
- c. The replacement reserve requirement for the substantial rehabilitation of Housing for Older Persons shall, initially, be two hundred fifty dollars (\$250) per unit, inflated at three percent (3%) annually.
- d. The replacement reserve requirement for all properties designed for families as well as all rehabilitation developments shall, initially, be three hundred dollars (\$300) per unit per year, inflated at three percent (3%) annually.
- e. This account shall be used only for capital improvements and the replacement of long-lived capital assets, and not for routine maintenance and upkeep expenses.
- f. The replacement reserve shall be, and shall remain, an asset of the project, and shall not be distributed to the Owner or any entity or person affiliated with the Owner at any time during or after the Period of Affordability.
- g. Owners shall provide THDA with a record of all activity associated with the replacement reserve account during the prior fiscal year in conjunction with submission of the project's annual compliance monitoring materials.
- h. The replacement reserve account must be maintained in a separate account in a federally insured financial institution.
- i. Reserve accounts must also be separate from the project's ordinary operating account.

29) OPERATING RESERVE ACCOUNT

- a. All projects shall establish and maintain, until the project has achieved a minimum of five (5) years of Stabilized Occupancy, an operating reserve equal to a minimum of six (6) months of projected operating expenses plus must-pay debt service payments and annual replacement reserve payments.
- b. This requirement can be met with an up-front cash reserve; a guarantee from the owner with a surety bond to stand behind the guarantee; or partnership documents specifying satisfactory establishment of an operating reserve.
- c. The operating reserve account must be maintained in a separate account in a federally insured financial institution.
- d. If operating cost assistance is provided as part of a project's NHTF award, the Owner must submit annual audited financial statements, specific to the project.
- e. Based on an analysis of the financial statements, THDA will determine the amount of operating cost assistance that is eligible to be disbursed from the operating reserve account for the previous fiscal year.
- f. The analysis will determine the deficit remaining after the annual rent revenue of the NHTF-assisted units is applied to the NHTF-assisted units' share of eligible operating costs.
- g. For purposes of this paragraph, eligible operating costs are limited to insurance, utilities, real property taxes, maintenance, and replacement reserve payments.

30) REPAYMENT

- a. All NHTF awards will be structured as a grant to a Recipient with a Period of Affordability of 30 years. Repayment of NHTF funds may be required in the event that the final total development costs were such that NHTF assistance provided by THDA exceeds established program limits, or exceeded that which was necessary to make the project financially feasible.
- b. Compliance with income requirements, rent restrictions, design standards and UPCS requirements is required for the entire Period of Affordability for each project. Failure to comply with any of these requirements may trigger repayment of the NHTF grant.

- c. A NHTF assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and the Recipient must repay any NHTF funds invested in the project to THDA.
- d. In the event of a foreclosure or transfer in lieu of foreclosure, the Recipient must repay the full NHTF investment in the project.

31) COMPLIANCE

- a. NHTF assisted rental units are rent and income limited for the thirty (30) year Period of Affordability.
- b. Recipients/Owners of rental property shall maintain occupancy of NHTF assisted units by Extremely Low Income Persons for the Period of Affordability.
- c. During the Period of Affordability, the Recipient shall:
 - i) Certify annually the income of tenants.
 - ii) Adhere to the NHTF rent and income guidelines.
 - iii) Comply with all applicable adopted housing codes and the Uniform Physical Condition Standards (UPCS).
 - iv) Report to THDA in a form and with substance as required by THDA.
- d. Prior to drawing down NHTF funds, Owners of projects with NHTF assisted units shall sign a grant note, deed of trust and restrictive covenant to enforce the NHTF Affordability Period.
- e. Once NHTF funds are awarded to a Recipient, THDA will monitor compliance by reviewing certain records related to the NHTF-assisted project. THDA will monitor compliance by conducting desk and/or on-site reviews of the project.
- f. THDA will conduct an on-site inspection at project completion in order to confirm that the project meets the Rehabilitation Standards listed in the NHTF Allocation Plan and THDA's Minimum Design Standards for New Construction or THDA's Minimum Design Standards for Rehabilitation, as applicable.
- g. At a minimum THDA will conduct desk compliance reviews annually.

- h. THDA will conduct on-site property inspections during the Period of Affordability in order to determine compliance with income and rent requirements, tenant selection, affirmative marketing requirements, and property and design standards and to verify any information submitted by the Recipient to THDA.
 - i) THDA will perform onsite inspection of all NHTF assisted projects no less than every three (3) years during the Period of Affordability.
 - ii) For NHTF assisted projects of four (4) NHTF assisted residential units or less, THDA will perform an on-site inspection of one hundred percent (100%) of the units no less than every three (3) years during the Period of Affordability.
 - iii) For NHTF assisted projects consisting of five (5) or more units, THDA will inspect a minimum of 20% of the NHTF assisted units no less than every three (3) years during the Period of Affordability.
 - iv) The on-site inspection may include a review of records for all or a sample of the income and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations.
 - v) The on-site review may also include a review of any local health, safety, or building code violation reports or notices and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety, and building codes, applicable THDA Design Standards, and UPCS standards as prescribed by HUD.
 - vi) Any reports made by state or local government units of violations, with documentation of correction, will be reviewed.
- i. Each year during the Period of Affordability, the Recipient shall submit to THDA, within one hundred twenty (120) days after the end of the project's fiscal year, each of the following:
 - i) Audited financial statements for the Owner,
 - ii) Audited financial statements for the project.
 - iii) Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.

- iv) Proof of sufficient property and liability insurance coverage with THDA listed as mortgagee.
- v) Documentation to show the current utility allowance is being used (i.e. a copy of the utility allowance table).
- vi) For projects that received points at initial NHTF application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project's population during the fiscal year must be provided by the provider(s) of such services.
- vii) Compliance monitoring fees from previous years re-inspections if applicable.
- viii) Such other information as may be requested in writing by THDA in its sole discretion.

32) MONITORING FEES

- a. THDA charges a monitoring fee for all NHTF assisted units. NHTF Recipients shall pay the entire fee covering the 30-year Period of Affordability as indicated in Attachment Five ~~the current NHTF Operating Manual~~ - Schedule of Monitoring Fees; but no less than \$600 per NHTF assisted unit.
 - i) The monitoring fee must be paid prior to the Recipient making the request for Developer Fees to be drawn from the NHTF grant.
- b. Additional fees may be charged when follow-up is required due to non-compliance findings. Failure to pay these fees will be considered an administrative noncompliance issue.
 - i) The fee will be the current approved fee as published in the NHTF manual and the most current program description at the time the fee is incurred but no less than:
 - (1) Reinspection of a file or reinspection of a 1-4 unit property: Two Hundred Dollars (\$200) per unit inspected
 - (2) Reinspection of a NHTF project with five (5) or more units:
 - (a) Two hundred dollars (\$200) per unit inspected;
 - (b) Standard mileage rate in effect under the current State of Tennessee travel regulations at the time of the reinspection from Nashville to the property and back to Nashville;
 - (c) Applicable state allowed per-diem for one staff person;

- (d) Lodging expenses as allowed under then current State of Tennessee travel regulations;
 - (e) Any other expenses incurred by THDA relating to the project reinspection.
- c. Fees for reinspections will be due to THDA prior to issuance of reinspection results or release of any additional NHTF-funded operating subsidy.

33) RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

- a. Recipients shall replace all occupied and vacant habitable low income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with NHTF funds.
- i) All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a working agreement committing THDA to provide funds for a project that will directly result in the demolition or conversion, THDA will make public by and submit to the HUD/Knoxville NHTF coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units shall submit the following information to THDA in connection with their application:
 - (1) A description of the proposed assisted project;
 - (a) The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project.
 - (b) A time schedule for the commencement and completion of the demolition or conversion.
 - (c) To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided.
 - (d) The source of funding and a time schedule for the provision of the replacement housing.
 - (e) The basis for concluding that the replacement housing will remain lower income housing for at least ten (10) years from the date of initial occupancy.
 - (f) Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

34) NHTF RELOCATION REQUIREMENTS

- a. THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION of households. Prior to application, contact THDA if you are planning any project that may involve displacement or relocation.
- i) A Displaced person is any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with NHTF funds. Relocation requirements apply to all occupants of a project/site for which NHTF assistance is sought even if less than one hundred percent (100%) of the units are NHTF assisted.
- (1) Before Application displacement is triggered when a tenant moves permanently from the project before the owner submits an application for NHTF assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the NHTF project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for NHTF assistance.)
- (2) After Application displacement is triggered when a tenant moves permanently from the project after submission of the application, or, if the applicant does not have site control, the date THDA or the Recipient approves the site because:
- (a) The owner requires the tenant to move permanently; or
- (b) The owner fails to provide timely required notices to the tenant; or
- (c) The tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.
- (3) After Execution of Agreement displacement is triggered when tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.
- b) A Displaced person is not:
- (1) A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations.
- (2) A person with no legal right to occupy the project under State or local law (e.g., squatter).
- (3) A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned

project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project.

- (4) A person, after being fully informed of their rights, waives them by signing a Waiver Form.
- c) The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations at 49 CFR Part 24, requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition or private acquisition carried out under a federally assisted project or program.
- d) Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with CDBG, UDAG, HOME, or NHTF funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.
- e) Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making NHTF program decisions. Concerns about relocation may cause a Recipient to consider establishing a preference for vacant buildings. However, Recipients should also consider that vacant buildings are often in various states of deterioration. Rehabilitating an occupied building, even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, Recipients must consider whether occupants will be able to return after rehabilitation and whether Section 8 assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the Recipient must consider whether the owner removed the tenants in order to apply for NHTF assistance for a vacant building. If so, these tenants are displaced persons.
- f) Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378,

Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for NHTF and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

- g) URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between THDA and the Recipient and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or household; (3) has income above or below the Section 8 Lower Income Limit.

31) SITE AND NEIGHBORHOOD STANDARDS

- a) Housing provided through the NHTF program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities.
- b) New construction rental housing. In carrying out the site and neighborhood requirements for new construction, the Recipient shall provide documentation as THDA may require, in THDA's sole discretion, to determine that proposed sites for new construction meet the requirements in 24 CFR 93.150 with cross reference to 983.6(b) which places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas.
- c) Rehabilitation of rental housing. Site and neighborhood standards do not general apply to rehabilitation projects funded under NHTF unless project-based vouchers are used in an NHTF rehabilitation unit. In such case, the site and neighborhood standards for project-based vouchers will apply as determined by the issuing authority for the project-based vouchers.

32) EQUAL OPPORTUNITY AND FAIR HOUSING

- a) No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by NHTF funds.
- b) The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to NHTF projects:

- i) Fair Housing Act (24 CFR Part 100)
- ii) Executive Order 11063, as amended (24 CFR Part 107 - Equal Opportunity in Housing)
- iii) Title VI of the Civil Rights Act of 1964 (24 CFR Part 1 - Nondiscrimination in Federal programs)
- iv) Age Discrimination Act of 1975 (24 CFR Part 146)
- v) Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8)
- vi) Section 109 of Title I of the Housing and Community Development Act of 1974 (24 CFR Part 6)
- vii) Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.
- viii) Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity 24 CFR Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982
- ix) Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135
 - (1) Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.
- x) Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)
- xi) Executive Order 11625, as amended (Minority Business Enterprises)
- xii) Executive Order 12432, as amended (Minority Business Enterprise Development)
- xiii) Executive Order 12138, as amended (Women's Business Enterprise)
- xiv) Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that Recipients prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible,

of minorities and women and entities owned by minorities and women in all contracts. Recipients must also develop acceptable policies and procedures if their application is approved by THDA.

- c) The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:
 - i) Architectural Barriers Act of 1968 42 U.S.C. §4151 et seq.
 - ii) Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)
 - iii) Executive Order 12898
 - iv) Executive Order 13166 (Limited English Proficiency)
 - v) Executive Order 13217 (Community-based living arrangements for persons with disabilities)
- d) In addition to the above requirements, the Recipient must assure that its Equal Opportunity and Fair Housing policies in the NHTF Program are consistent with the State's current Consolidated Plan.

33) AFFIRMATIVE MARKETING

- a) Prior to beginning a NHTF project, Recipients must adopt affirmative marketing procedures and requirements for all NHTF rental projects with five or more units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. The Recipient must also identify and take steps to attract populations that are least likely to apply for the housing to be created. Requirements and procedures must include:
 - i) Methods for informing the public, owners and potential tenants about fair housing laws and the Recipient's policies;
 - ii) A description of what the Recipient will do to affirmatively market housing assisted with NHTF funds;
 - iii) A description of what the Recipient will do to inform persons not likely to apply for housing without special outreach;

- iv) Maintenance of records to document actions taken to affirmatively market NHTF-assisted units and to assess marketing effectiveness; and
 - v) Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.
- b) All projects that receive NHTF grants must advertise all vacant units on the www.TNhousingsearch.org website.

34) APPLICATION AND EVALUATION PROCEDURE

- a) THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes:
 - i) Submission by an eligible applicant of a complete application, including any documentation required to be submitted through THDA's Participant Information Management System (PIMS).
 - ii) Proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements of 24 CFR Parts 91 and 93, as amended.
 - iii) Submission of a 30-Year Proforma demonstrating a need for the NHTF funds.
 - iv) Proposals that will set-aside more than 20% of the units for individuals with disabilities must demonstrate that the project will 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>.
 - v) Receipt of a score that equals at least 60% of the total points available.
- b) Applications meeting the threshold requirements will be scored and ranked by Grand Division, as defined in Tennessee Code Annotated Title 4, Chapter 1, Part 2, in descending numerical order based on the scoring matrix provided in #2 of this section.

- c) THDA will first select the highest scoring application from each Grand Division of Tennessee.
- d) If additional funding is available, THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than the need for the next highest scoring application.
- e) Given the limited funding available statewide and in order to distribute NHTF funding across Tennessee, THDA reserves the right to limit funding to only one award per county.
- f) When the amount of funds available is less than the request for funding identified in the application, THDA reserves the right to offer partial funding pending the applicant's ability to secure additional financing within a timeframe established by THDA or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant.
 - 1. When the applicant is not able to secure additional financing within THDA's identified timeline, THDA, subsequently and at its sole discretion, may move to the next lower scoring application(s) in order to meet its commitment obligations under the NHTF program.
 - 2. When THDA opts to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant, THDA may move to the next lower scoring project (s) in order to meet its commitment obligations under the NHTF program.
- g) In the event of a tie score between applications, THDA will prioritize that application with the highest combined total of the Need and Opportunity Score. In the event that a tie still remains, the application with the highest Opportunity Score will be selected.

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35) NHTF RENTAL HOUSING SCORING MATRIX Up to 100 Points

a) PROJECT DESIGN - Up to 30 points

- i) The proposed project demonstrates exceptional planning, readiness to proceed, and administrative capability. All necessary components to accomplish the project have been identified in the application. The applicant has site control of the proposed site to be developed.

- ii) Firm financial commitments for non-NHTF resources have been secured, are current, and are demonstrated within the application.
- iii) The extent to which the project has a binding commitment for Federal, State, or local project-based rental assistance so rents are affordable to extremely low income families and sufficient funds support the project's operation. Projects that preserve existing housing with project-based rental assistance are preferred.
- iv) The project's proforma demonstrates sufficient cash flow to support the project's operation without a contribution of NHTF funds by THDA to an operating reserve account for the project.
- v) The extent to which the proposed project fills the need demonstrated by the neighborhood market conditions.
- vi) The extent to which the design of the proposed project is appropriate and meets the needs of the targeted population to be served.
- vii) The extent to which formal partnerships have been established and demonstrated within the application to provide voluntary and appropriate support services for the targeted population.
- viii) The extent to which the proposed project provides easy access to community living, including retail, employment, transportation, medical, education, recreation, and government services.
- ix) The extent to which the proposed project integrates the NHTF-assisted households with households of higher incomes within the project.
- x) The extent to which universal design and visitability features will be included in the design of the projects.
- xi) The extent to which energy efficiency features exceed the requirements of THDA's Design Standards for New Construction or Rehabilitation, as applicable.

b) APPLICANT'S CAPACITY AND EXPERIENCE - Up to 30 points

- i) The applicant's experience with owning, developing and managing rental units of similar size and scope serving the intended population proposed.
- ii) The capacity of the applicant and its development and management team to carry out the proposed project within the schedule proposed.
- iii) The past experience of the applicant and its development and management team to successfully develop or manage rental housing in compliance with all Federal, state or local program requirements.
- iv) The past experience of the applicant and its development and management team to undertake THDA rental development projects in a timely manner.
- v) The past history of the applicant in serving the community in which the proposed project is to be located.
- vi) The past history of the applicant and its development and management team to comply with THDA funding requirements and processes.

vii) The applicant's financial statements and audit indicate a healthy financial position and include diverse funding sources.

c) NEED - Up to 15 points

THDA has determined rental housing need factors for households who are extremely low income. The county need factors are the percentage of extremely low income tenant households that are cost burdened; projected 10-year population growth rate; county's projected 10-year population growth as a percent of the state's overall growth; prior allocation amount per extremely low income household; prior allocation; rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the Low Income Housing Tax Credit Program under construction and in lease-up. Scores to be used in the evaluation of rental projects are shown in Attachment SixFour: 2016 2017 NHTF Need Scores.

d) AREAS OF OPPORTUNITY SCORE - Up to 15 Points

THDA has determined factors which indicate census tracts of high opportunity. These factors include areas of high median gross rent, high cost burden, proximity to employment, high workforce participation, low levels of abandoned housing, rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the Low Income Housing Tax Credit Program under construction and in lease-up.

Scores to be used in the evaluation of areas of opportunity are shown in Attachment SevenFive: 20167 NHTF Areas of Opportunity Scores.

e) LEVERAGE - Up to 10 points

THDA may award up to 10 points to applications that include the use of non-THDA resources towards the development costs of the project. Rental assistance and permanent financing resources will not be considered in this category. THDA will award points based on the percentage of non-THDA resources in the project against the total development cost for the project. In order to receive points, there must be written documentation in the application supporting the contribution of the non-THDA leveraged funds to the project.



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: March 14, 2018
RE: 2019 THDA Challenge Grant Program Description

Staff is recommending approval of the attached 2019 THDA Challenge Grant Program Description (the "2019 Program Description") to provide initial seed funding to support the fundraising efforts of nonprofit organizations to implement housing activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day to day activities of the organization. The 2019 Program Description represents the second funding opportunity made available in this program which provides a formalized process for THDA's solicitation, review, and provision of financial support for special initiatives that do not fall under traditional THDA program requirements.

The THDA Challenge Grant Program requires that selected proposals generate cash leverage of at least 500% within nine months of THDA's commitment of Challenge Grant resources to the housing initiative. This program is intended only for unique opportunities and not for proposals that would otherwise be eligible for other program resources available from THDA.

The proposed housing activity must involve one of the following broad goals:

- Significantly expand or preserve the supply of housing for sale to low and moderate income home buyers, including new construction, reconstruction, and rehabilitation of housing.
- Significantly preserve and enhance the supply of existing owner occupied units.
- Significantly expand or preserve the supply of rental housing for low and moderate income households, including new construction and rehabilitation of rental housing.
- Significantly reduce the number of individuals who are homeless or move a significant number of a more vulnerable population into housing.

THDA may, but is not required to, allocate up to \$500,000 to any single or multiple initiatives proposed. THDA reserves the right not to select any proposal submitted. Proposals will be reviewed by senior staff at THDA and a recommendation made to the Executive Director for funding consideration. Upon the THDA Executive Director's approval, staff will present any funding recommendations to the Board for their consideration at the July 2018 meetings.

If approved, the program will move forward under the following schedule:

- April 6, 2018 – Program Description and Application Released
- Mid-April 2018 – Application Webinar
- June 14, 2018 @ 4:00 PM – Applications Due to THDA
- July 24, 2018 – Recommendation Consideration by THDA Board of Directors
- August 1, 2018 – Grant Term Begins

Staff is proposing the allocation of \$500,000 in existing Tennessee Housing Trust Fund (THTF) resources for the FY2019 THDA Challenge Grant program. Funds for this program have been recaptured from prior program year allocations to the THTF. By approving this program for 2019, THDA is not committing to funding the program in future years or approval of any applications in any particular year.

Staff recommends adoption of the attached 2019 THDA Challenge Grant Program Description and the allocation of \$500,000 for the purposes described in the 2019 Program Description.

TENNESSEE HOUSING TRUST FUND
THDA CHALLENGE GRANT PROGRAM
FY ~~2018~~2019 PROGRAM DESCRIPTION

The THDA Challenge Grant Program provides initial seed funding to support the fundraising efforts of nonprofit organizations across Tennessee to implement housing activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day to day activities of the organization. Selected proposals must generate cash leverage of at least 500% within nine months of THDA's commitment of Challenge Grant resources to the housing initiative.

A. ELIGIBLE APPLICANTS

To be eligible, an organization must meet all of the following:

- Be organized and existing under the laws of the State of Tennessee or organized and existing under the laws of another state, but authorized to do business in Tennessee;
- Must demonstrate at least two years of experience providing affordable housing or affordable housing related services in the state of Tennessee;
- Have a 501(c)3 designation from the Internal Revenue Service; and
- Be in good program standing with THDA.

B. FUNDS AVAILABLE

THDA will determine the funding amount to be made available annually for THDA Challenge Grants and, in any given year, may determine that funding will not be available. THDA has allocated \$1,050,000 to this program for ~~FY2018~~FY2019, however, THDA reserves the right to not make any awards for FY ~~2018~~2019.

C. MAXIMUM GRANT

The maximum grant awarded is \$500,000 and the minimum grant is \$50,000.

THDA will determine, in its sole discretion, whether any THDA Challenge Grant will be awarded in any given year and may determine, in its sole discretion, to not award any Challenge Grant in any given year.

D. ELIGIBLE ACTIVITIES

The housing activity proposed must be outside of the normal business of the applicant and not part of an ongoing or existing project. The activity must represent a unique milestone or opportunity

for the applicant and for Tennessee. The scope of the housing activity must demonstrate broad community support and result in a significant community or regional impact.

The housing activity must involve one of the following broad goals:

- Significantly expand or preserve the supply of housing for sale to low and moderate income home buyers, including new construction, reconstruction, and rehabilitation of housing.
- Significantly preserves and enhances the supply of existing owner occupied units.
- Significantly expand or preserve the supply of rental housing for low and moderate income households, including new construction and rehabilitation of rental housing.
- Significantly reduce the number of individuals who are homeless or move a significant number of a more vulnerable population into housing.

Applications are more likely to be successful if the housing activity:

- Is part of a comprehensive community development initiative that integrates infrastructure improvements, neighborhood development or redevelopment, commercial development or the provision of services;
OR
- Supports the implementation of a comprehensive community-wide initiative that delivers housing and related services to the homeless or other vulnerable populations.

A THDA Challenge Grant shall only be used for the implementation of the housing activity approved. Funds may be used for demolition that is undertaken as part of the approved housing activity.

E. PROHIBITED ACTIVITIES

No portion of a THDA Challenge Grant shall be used for the following activities or costs:

1. Administrative costs of the applicant or any other participant in the proposed project
2. Non-housing costs associated with the approved housing activity
3. Acquisition of land or housing
4. Rental assistance

F. LEVERAGE

The THDA Challenge Grant is designed to encourage the commitment of additional funds to support the proposed housing activity. THDA requires the nonprofit to leverage cash in an amount equal to 500% of the value of the THDA Challenge Grant provided for the proposed housing activity. The leveraged resources must be cash and be used for the approved housing activity. The applicant must present a fundraising plan to generate the cash leverage requirement.

All cash contributions eligible for leverage must be from a third party entity with no expectation of repayment by the third party contributor. All cash must be secured through formal documentation provided within nine (9) months of THDA's commitment to the proposal. No THDA funds will be disbursed by THDA prior to THDA's receipt of formal, third party documentation demonstrating a binding commitment of resources and any associated terms.

The following resources will not be considered towards the leverage requirements for this program:

1. Administrative costs of the applicant or its partners in the initiative.
2. Other funds of the applicant that are currently on hand.
3. Project resources provided through any other programs administered by THDA.
4. Donated materials, land or services.
5. In-kind services.
6. Funds invested in earlier phases of a project or committed to the activity prior to THDA's commitment of the THDA Challenge Grant.
7. Costs of infrastructure, development or redevelopment activities not directly associated with the housing activity supported by the THDA Challenge Grant.

G. MARKETING REQUIREMENTS

Each successful applicant shall work with the Industry and Government Affairs Division and the Communications Division of THDA to publicize the housing activity and the involvement of THDA. This marketing can include, but is not limited to, photo opportunities and beneficiary stories. THDA shall be listed on all marketing and signage as a contributor of funds in support of the approved housing activity.

H. REPORTING

The THDA Executive Director shall periodically report to the THDA Board of Directors regarding THDA Challenge Grants awarded. Each report shall include information about the eligible housing activity, the successful applicant and local community involved, the amount of the Challenge Grant awarded, progress made by the applicant in fundraising and in implementation of the approved housing activity, and, following completion, the impact of the approved housing activity. Grantees shall provide all data, in a form and with the substance as requested by THDA, in its sole discretion.

I. APPLICATION PROCESS AND REVIEW

THDA will offer a single application process for ~~FY2018~~FY2019. THDA will release information on its website regarding the application process by Friday, ~~June 16, 2017~~April 6, 2018. Applications must be submitted by 4:00 PM on ~~Monday~~Thursday, July 31~~June 14, 2017~~2018.

Applications will be reviewed by designated senior staff of THDA and a recommendation for funding consideration will be made to the THDA Executive Director. The THDA Executive Director will make a recommendation for funding to the THDA Board of Directors for their consideration and approval. THDA reserves the right not to select any proposal submitted.

THDA will provide a preference for applications that:

- Are unique opportunities for the organization;
- Incorporate volunteerism as a key component of the project;
- Result in neighborhood-wide or area-wide redevelopment;
- Address a significant challenge to the community;
- Benefit vulnerable populations, including the homeless, individuals with a disability, youth aging out of foster care, and ex-offenders;
- Have a robust fundraising plan; and,
- Propose the generation of cash leverage in excess of the program requirements.

Contracts for any selected application will begin on August 1, 2018. All approved activities must be completed by July 31, 2021.



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: March 14, 2018
RE: Program Year 2018 Weatherization Assistance Program

The U. S. Department of Energy (DOE) will be accepting applications from states for the Program Year 2018 Weatherization Assistant Program (WAP). Applications are due to the DOE no later than May 1, 2018. The Program Year 2018 allocation for Tennessee is not yet available; however, based on the amount available to Tennessee for 2017, THDA anticipates that approximately \$4,282,355 will be available, with approximately \$358,339 available for administrative costs, \$698,959 available for training and technical assistance, and \$3,225,057 available for program costs.

WAP and the activities carried out with the WAP funding are subject to federal regulations found at 10 CFR Part 440 (the "WAP Regulations"). The annual application to the DOE defines the program and requires that the program be made available to eligible agencies that serve all areas (counties) in the state. Grantees for WAP funding are those agencies meeting the federal definition of an eligible entity which includes Community Action Agencies (CAA) or other public or nonprofit entities selected on the basis of public comment received during a public hearing conducted pursuant to 10 CFR Part 440.14(a) and other appropriate findings regarding:

- (i) The subgrantee's experience and performance in weatherization or housing renovation activities;
- (ii) The subgrantee's experience in assisting low-income persons in the area to be served; and
- (iii) The subgrantee's capacity to undertake a timely and effective weatherization program.

The program funding is allocated by county, based on the percentage of the low-income population residing in that county, as determined through the use of SAIFE (Small Area Income and Poverty Estimates) census data.

The local agency will receive, if willing to participate, the allocation for the county or counties located in their service delivery area. THDA will retain funding for administrative expenses and program related training and technical assistance expenses, as permitted under federal regulations. Staff will also conduct public meetings to explain the program and funding situation.

THDA proposes the following material policy changes for the 2018 program year:

1. Increase the average cost per unit amount from \$7,212 to \$7,261 in accordance with the increase to the limit set annually by DOE in order to accommodate cost increases to implement weatherization activities.
2. Adding the following language to the WAP State Plan: THDA reserves the right to re-allocate funds amongst sub-grantees based on performance and need throughout the year.
3. Adding the requirement for all WAP initial Energy Auditors to have the Energy Auditor Certification as required by DOE.
4. Added a provision that every unit will have an energy audit performed utilizing the WAPez software which runs the Weatherization Assistant (NEAT/MHEA) audit to identify the most effective measures for that unit.

Staff is requesting Board and Committee approval of THDA submitting an application to DOE for the WAP Program Year 2018 funds by the federal deadline of May 1, 2018, with the Executive Director authorized to approve changes as may be necessary to meet any changes in program requirements from DOE prior to the submission date, including without limitation, the authority to determine that submission of an application is not in the best interest of THDA.

Staff anticipates DOE approval of Tennessee's 2018 WAP application before the September 2018 THDA Board meeting. At that time, Community Programs staff will provide the Board and Committee with the final allocation amounts, participating agencies, program updates and any amendments to the approved plan.

Tab # 7

Items:

Lending Committee Meeting Materials

**Tennessee Housing Development Agency
Lending Committee**

March 27, 2018

10:30 a.m. Central Time

AGENDA

1. Call to OrderCleaves
2. Approval of Minutes for September 26, 2017 MeetingCleaves
3. Hardest Hit Fund Program Reallocation Hall
4. Attorney General Repair Program Proposal Hall
5. 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:

DATE: March 15, 2018

TO: Board of Directors, Lending Committee

FROM: Cynthia Peraza, Director of Special Programs

SUBJECT: Hardest Hit Fund Program Reallocation

As of March 1, 2018, the Hardest Hit Fund (HHF) Programs have funded almost 9200 loans for its foreclosure prevention and neighborhood stabilization programs.

The majority of the HHF Program's success is still largely due to its original unemployment assistance program, the Keep My Tennessee Home Program. As the needs of homeowners in Tennessee continue to shift, we are starting to see a demand for programs that assist in making homes more affordable and return stability to communities.

HHF PROGRAM UPDATE:

- **Down Payment Assistance Program (HHF-DPA):** The HHF-DPA has generated a steady flow of business since its launch in March 2017. These funds have made a substantial impact in our mortgage loan production. In 2017, the HHF-DPA produced 54% of the loan applications received for a total of almost \$197 million in 1st mortgage loans. The HHF-DPA production in 2018 seems to be keeping up with the pace and momentum that 2017 created. We expect to expend the allocation for the HHF-DPA by or before early fall.
- **Principal Reduction and Lien Extinguishment Program (PRRPLE):** While the state of Tennessee's economy has noticeably improved since the initial HHF Program was developed, many homeowners with fixed or limited incomes continue to face financial difficulties and are at risk of foreclosure. We are excited to see the modifications made to the program in November 2017 has resulted in positive outcomes. We have successfully

paid off 2 mortgage loans for homeowners living on a fixed income. We have an additional 36 potential loans under review.

- **Reinstatement Only Program (ROP):** In November, the ROP was created and launched to assist homeowners who have fallen behind on their mortgage due to a financial hardship, but could still afford their mortgage payments. We have successfully reinstated 9 loans, approved 18 loans, and have an additional 33 potential loans under review.
- **Blight Elimination Program (BEP):** The BEP has seen an increase in applications in the past few months. We have demolished 16 properties and have 22 active loans in the pipeline.

HHF PROGRAM CHANGES

In an effort to expend the HHF funds by or before the December 2020 deadline, we are requesting to make the following changes to the existing HHF Programs:

- Reduce the ROP allocation from \$5.7 million to \$4.7 million
- Reduce the PRRPLE allocation from \$5 million to \$2.5 million
- Increase the HHF-DPA allocation from \$60 million to \$63.5 million

An additional \$500,000 will be credited from funds recovered through the Keep My Tennessee Home Program to the HHF-DPA, bringing the total increase of funds available for the HHF-DPA to \$4 million.

U.S. Treasury will have to review and approve the allocation changes. If the changes to the program allocations are approved, THDA staff expects to have these program allocations available to homeowners or borrowers across the state as early as July 2018.

RECOMMENDATIONS:

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

- Authorize staff to ratify a new or modified HFA Participation Agreement (HPA) with U.S. Treasury, if necessary, for the program allocation adjustments 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.



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:

Date: March 12, 2018

To: Board of Directors, Lending Committee

From: Cynthia Peraza, Director of Special Programs

Re: Attorney General Repair Program Proposal

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 homeowners 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 # 8

Items:

Tax Credit Committee Meeting Materials

**Tennessee Housing Development Agency
Tax Credit Committee**

March 27, 2018

10:45 a.m. Central Time

AGENDA

1. Call to Order Tully
2. Approval of Minutes from January 23, 2018 Tully
3. 2018 Low-Income Housing Tax Credit Qualified Allocation Plan Exhibit ChangeDuarte
4. Request for 2018 Noncompetitive Low-Income Housing Credit Waivers.....Duarte
5. Request for 2018 Multifamily Tax-Exempt Bond Authority Special Request.....Duarte
6. Request for Allocation Exchange TN16-039.....Duarte
7. Update on 2019-2020 Qualified Allocation Plan (“QAP”) Development..... 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
Kim Grant Brown
Pieter Van vuen
David Lillard
Larry Martin
Todd Skelton

TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT COMMITTEE
January 23, 2018

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors met, in regular session, on Tuesday, January 23, 2018, 10:30 a.m. Central Time at the William R Snodgrass Tennessee Tower, Third Floor, Nashville Room, Nashville, Tennessee.

The following Committee members were present: Lynn Tully (chair), Courtney Hess for Treasurer David Lillard, Todd Skelton and Pieter van Vuuren. Other Board members attending were Ann Butterworth for Comptroller Justin Wilson and Dorothy Cleaves. Seeing a quorum present, Chairman Tully called the meeting to order and called for consideration of the minutes from November 11, 2017. Upon motion by Chairman Tully and a second by Mr. Skelton, the minutes were approved.

Chairman Tully called on Felita Hamilton, Multifamily Allocation Manager, for a presentation on the functionality and benefits of the new THDA software package, the Tennessee Housing Online Management and Application System (THOMAS). During the presentation Ms. Hamilton provided a brief overview of how THOMAS will streamline the competitive LIHTC application process for THDA's business partners and employees by supporting all external and internal activities within allocations, construction, asset management and compliance. She noted that THOMAS user registration for the initial application process opened in December 2017 and additional THOMAS modules are scheduled to be released in 2018 and 2019.

Chairman Tully recognized Donna Duarte, Director of Multifamily Programs, to discuss the five following proposed changes to the 2018 Qualified Allocation Plan ("2018 QAP"):

1. modification of the Basis Boost language for noncompetitive Low-income Housing Tax Credits,
2. modification of the Basis Boost language for competitive Low-income Housing Tax Credits,
3. deletion of duplicate prohibited individuals language,
4. an addition to restrict individuals currently involved in the Qualified Contract process from participating in the 2018 Low-income Housing Tax Credit and the 2018 Multifamily Tax Exempt Bond Authority programs, and
5. modification of the Sponsor Characteristics language to include experience based on allocations of noncompetitive Low-income Housing Tax Credits.

Ms. Duarte shared documents defining the federal Basis Boost and the Qualified Contract process. Upon discussion Mr. Skelton expressed concerns on the effect of the adding the Qualified Contract process language to the 2018 QAP without sufficient development community notice. Chairman Tully offered members of the audience the opportunity to discuss their concerns with the imposition of the Qualified Contract process language. Public comments echoed the concerns of the committee. Mr. Skelton suggested the Qualified Contract process language be removed from consideration at this time. Upon motion by Mr. Skelton and second by Ms. Hess, the Committee

approved the proposed changes, omitting item number 4, and moved the items for consideration to the Board for approval.

Chairman Tully again recognized Ms. Duarte who described the proposed fee amounts for the 2018 Multifamily Tax-Exempt Bond Authority Program Description (“2018 Program Description”). Ms. Duarte reminded the Committee that the 2018 Program Description, as previously approved, included the fee structure, but not the amounts. Ms. Duarte focused on the new fee amounts including the Special Request Application Fee, the Conditional Multifamily Tax-Exempt Bond Authority Commitment Letter, the Firm Multifamily Tax-Exempt Bond Authority Commitment Letter with a 120 day closing term and an increase to the current Extension Fee. Upon motion by Ms. Tully, second by Ms. Hess, the proposed fee structure and fee amounts as described in Ms. Duarte’s memo dated January 10, 2018, were approved for recommendation to the Board.

Chairman Tully asked Ms. Duarte to discuss items staff is considering in the development of the 2019 Low Income Housing Tax Credit Qualified Allocation Plan. Ms. Duarte described separating new construction and existing housing through the development of a separate point structure and competition and other topics including a better definition of community revitalization plans, location scoring including regional consideration, modification of the current utility allowance methodologies, leverage, and a consideration of a two year Qualified Allocation Plan.

With no further business to come before the Committee, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 27rd day of March, 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

TO: THDA Board of Directors

FROM:  Donna Duarte
Director of Multifamily Programs

SUBJECT: Change to Exhibit 1 in the Low-Income Housing Tax Credit 2018 Qualified Allocation Plan

DATE: March 7, 2018

Staff is requesting and recommending a change to Exhibit 1 of the 2018 the Low-Income Housing Tax Credit ("LIHTC") Qualified Allocation Plan ("QAP") which would move Sevier County from the suburban county list to the urban county list as a result of discussions held during the January Tax Credit Committee meeting.

The proposed change to Exhibit 1 will increase the county cap limits for Sevier County, allowing for an additional per development allocation of competitive low-income housing credits.

Multifamily Programs staff is drafting a policy to assist areas subject to a federal/state disaster declaration in the rehabilitation and restoration of affordable housing. In January, we received approval to provide the basis boost for an additional year in Sevier County, a federally declared disaster area in 2016. Providing a two year basis boost to Sevier County allocations will support inevitable cost increases as owner occupied housing, businesses and retail shops are reconstructed at the same time.

As we gave further consideration to the policy, we realized Sevier County was still limited by the suburban county cap limit of \$2.2 million in competitive low-income housing credits. Policy discussions surrounded how to and if we should increase affordable housing in an area which has been impacted by a disaster. The team settled on a proposal which would increase the county cap limit of a county which is entirely subject to a federal/state disaster declaration to the next highest county cap limit or in the event the county is in the highest county cap limit, one additional per development limit will be added to the county cap limit. Again, this policy proposal would only apply to counties which are entirely subject to a federal/state disaster declaration for a two year period in conjunction with the basis boost. This proposed policy would allow for additional affordable development in an area which has been impacted by disaster.

Please let me know if you have questions about the change to Exhibit 1 or our policy direction.



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 Wavier of Noncompetitive Low-Income Housing Tax Credits
TN18-208: Oakwood Flats

DATE: March 1, 2018

Developments applying for multifamily tax-exempt bond authority under the 2018 Multifamily Tax-Exempt Bond Authority Program Description may be eligible for an allocation of noncompetitive low-income housing credits. However, THDA's 2018 Low-Income Housing Tax Credit Qualified Allocation Plan caps the amount of noncompetitive low-income housing credits allocated to an eligible development at \$1.3 million. Noncompetitive low-income housing credits do not count against THDA's annual allocation of competitive low-income housing credits. THDA routinely entertains and requests for approval waivers to the noncompetitive housing credit caps based on development specific circumstances.

Hunter Nelson of Elmington Capital Group, is requesting a waiver to increase the amount of noncompetitive low-income housing credit for Oakwood Flats, TN18-208 to \$1.9 million. Mr. Nelson originally proposed this development in 2017 and has been working behind the scenes to move the development towards closing without a commitment of bond authority. Due to increased interest rates, increased construction costs and now a closing date of less than 90 days, he is unable to restructure the development size without losing his current financing. Even with the increased costs, total development costs will remain below THDA's limits for Davidson County. Oakwood Flats will produce 280 units of affordable housing to serve households at 60% or less of median income in Davidson County.

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| Staff is requesting that the Tax Credit Committee and the Board of Directors authorize staff to allocate up to, but not more than \$1.9 million per year of noncompetitive LIHTC to the proposed development. |
|---|

Please let me know if you have any questions about this noncompetitive request waiver.



January 31, 2018

Donna Duarte
Tennessee Housing Development Agency
502 Deaderick St., Third Floor
Andrew Jackson Building
Nashville, TN 37243

Re: Oakwood Flats LIHTC Limit Waiver Request

Dear Ms. Duarte:

I am writing to respectfully request for a waiver of the maximum non-competitive 4% LIHTCs per development to \$1,900,000 for Oakwood Flats. Oakwood Flats is a new construction project that will create 280 much needed affordable units in Nashville/Davidson County. We request the waiver on the basis of the following:

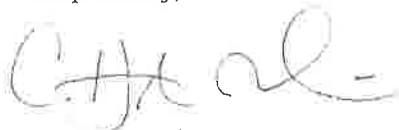
- New construction 4% deals have become increasingly difficult due to a trifecta of continually increasing construction pricing, increases in interest rates, and decreases in LIHTC credit pricing. In the last four years construction costs have increased by more than 50%. At the same time, interest rates have more than doubled from a low in the summer of 2016 to today, increasing the cost of borrowing and reducing the amount of debt that a development can support. Compounding those difficulties, LIHTC credit pricing has declined by roughly 15% since the fall of 2016, leading to a shortfall in equity available for new development. All of these factors have combined to make it increasingly difficult to develop a new-construction affordable development utilizing 4% non-competitive credits.
- We are unable to mitigate this issue any other way, such as by reducing the amount of credits needed. We are anticipating deferring 90% of our developer fee, and with the federal requirement to pay the deferred portion within 15 years after Placed-In-Service we are not able to defer additional fee in order to fill this gap. We have diligently pursued additional sources of funds for the development that might lessen the needed quantity of LIHTCs. The development benefits from both a PILOT and an award of project-based-vouchers (PBVs), both of which significantly aid the project's underwriting and reduce the required amount of LIHTCs.
- This waiver request is a renewal of the request we submitted in May 2017. There have been no material changes to the project since that time. We have continued working on the project, have invested more than \$750,000 in out-of-pocket pre-development expenses, and are now within 90 days of being able to close. At this point it would be extraordinarily difficult to re-size the project with our lenders, equity investors, local government partners, and land seller.
- Oakwood Flats has the full support of the local community, including the Nashville Mayor's Office, the Metro Development & Housing Agency (MDHA), the Metro Nashville Planning Department, and the Metro Councilmember for the district (Councilman Scott Davis). This

affordable apartment development is part of a larger, transformative mixed-income development that includes single-family for-sale homes contiguous to the multifamily site, activates a local park, and drives investment to East Nashville while mitigating the ongoing displacement caused by the area's rapid gentrification. To accomplish these objectives, the scale of the proposed development is essential.

- Our request is consistent with the most recent guidance regarding waiver requests provided at the November THDA Tax Credit Committee meeting. At that meeting the message to the development community was that waivers would continue to be considered on an occasional basis and would be considered on their merits, provided every deal brought forward did not require a waiver. This is the only waiver request that will be submitted by Elmington Capital in 2018.
- The request is also consistent with this year's increase in the cap of bond authority per development from \$20 million to \$25 million. Oakwood Flats is applying for \$25 million in bond authority, so it does not require a waiver of the bond authority cap. The requested LIHTC award of \$1,900,000 is consistent with the scale of a development utilizing \$25 million of bond authority.
- The cost of the development is well within the cost cap of \$225,000 per unit for Davidson County. The cost per unit for Oakwood Flats is \$177,333.
- Because we are not requesting a waiver of bond cap, the approval of a waiver for the amount of LIHTCs will not reduce the amount of bond authority available in the state for other developments.
- The proposed units are badly needed in this area. The only other new-construction affordable housing development in the vicinity, Paddock at Grandview (TN16-202), has a waiting list of hundreds of eligible applicants, and is leasing buildings as fast as they can be delivered. It is undisputed that there is a serious unmet need for additional quality affordable housing in this area of East Nashville.

Thank you for your consideration. Please let me know if you should have any additional questions or concerns.

Respectfully,



C. Hunter Nelson

Managing Member, ECG Oakwood Developer LLC



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 Wavier of Noncompetitive Low-Income Housing Tax Credits
TN18-229: Broadway Towers

DATE: March 1, 2018

Developments applying for multifamily tax-exempt bond authority under the 2018 Multifamily Tax-Exempt Bond Authority Program Description may be eligible for an allocation of noncompetitive low-income housing credits. However, THDA's 2018 Low-Income Housing Tax Credit Qualified Allocation Plan caps the amount of noncompetitive low-income housing credits allocated to an eligible development at \$1.3 million. Noncompetitive low-income housing credits do not count against THDA's annual allocation of competitive low-income housing credits. THDA routinely entertains and requests for approval waivers to the noncompetitive housing credit caps based on development specific circumstances.

Mark Kemp of Rebuild America Incorporated, is requesting a waiver to increase the amount of noncompetitive low-income housing credits for Broadway Towers, TN18-229 to \$1.5 million. Broadway Towers, a preservation application, was originally occupied in 1981. In 2016, a portion of the exterior brick facing fell off the building. Replacement and repair of the brick throughout the building is projected to cost approximately \$3,000,000 but even with this repair, total development costs will remain below THDA's limits for Knox County. Broadway Towers is subject to a Section 8 Housing Assistance Payment contract which provides rental assistance to 215 senior households in Knox County.

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| Staff is requesting that the Tax Credit Committee and the Board of Directors authorize staff to allocate up to, but not more than \$1.5 million per year of noncompetitive LIHTC to the proposed development. |
|---|

Please let me know if you have any questions about this noncompetitive request waiver.



February 28, 2018

Ms. Donna Duarte
Multifamily Programs Division Director
Tennessee Housing Development Agency
Andrew Jackson Building
502 Deaderick St., Third Floor
Nashville, Tennessee 37243

SUBJECT: Request for Annual Tax Credit Waiver
Broadway Towers Preservation, LP Application 18-229
Broadway Towers – 215 Units Affordable Seniors Housing
1508 McCrosky Avenue
Knoxville, Tennessee 37917

Dear Ms. Duarte:

As a part of our Application for Tax Exempt Bond Allocation and 4% LIHTC for Broadway Towers in Knoxville, we respectfully request a waiver on the maximum annual tax credits for our project. There are extenuating circumstances on the Preservation of this affordable housing community that warrant special consideration. This waiver is warranted on many levels but the most important factors are the number of units it encompasses as well as the sheer size of the building.

This Project was developed under Section 202 of the National Housing Act of 1959, as amended. It is a Non-Profit owned development for very low income senior citizens with 100% of units under a Section 8 HAP Contract which was occupied in 1981. This community is a structurally sound 11 story brick building that has never been rehabbed or remodeled. Although the building has been well maintained and very clean, it has aged. The immediate preservation of the property is critical to maintain its affordability long term!

In 2016, a portion of the exterior brick fell off of the building. ReBuild America had the property under contract to purchase at the time and immediately worked closely with the current owner and the management agent to evaluate the problem. The Owner hired a highly experienced Engineer to assess the current condition and to prepare the drawings and the protocol to repair the brick. Due to the significant cost, currently estimated between \$2.7 and \$3.0 million to remove and repair the brick throughout the building, the only viable option is a LIHTC full rehab of the entire building.

The complete restoration of the exterior facade of the building along with the comprehensive rehabilitation of the building, including major roofing and extensive plumbing repairs, is an expensive endeavor on an 11 story 215 unit structure. The Scope of Work also includes costly interior upgrades and renovations to ensure the community is competitive in the market long term. The estimate of the full rehab is approximately \$14+ Million. Specific reasons are identified below:

- New deals have become increasingly difficult due to a myriad of continually increasing construction pricing, increases in interest rates, and decreases in LIHTC credit pricing. At the same time, interest rates have more than doubled from a low in the summer of 2016 to today, increasing the cost of borrowing and reducing the amount of debt that a development can support. Compounding those difficulties, LIHTC credit pricing has declined by roughly 15% since the fall of 2016, leading to a shortfall in equity available for new development.
- This is an “At Risk” project as the Promissory Note to the US Department of HUD on the Section 202 Loan can be prepaid with 30-days notice without their approval. Due to the nature of the amount of rehab necessary, if ReBuild America isn’t able to preserve the affordability on this project, it is likely the asset will be purchased by a profit driven developer with Knoxville losing 215 units of affordable housing for the most under served.
- We are unable to mitigate this issue any other way, such as by reducing the amount of credits needed. We are already deferring a significant percent of our developer fee, so there is virtually no room for us to defer additional fee in order to fill this gap.
- We have taken every opportunity to identify additional sources of funds for the development that might lessen the needed quantity of LIHTCs. The development will benefit from both a PILOT and a project-based-section 8 rental subsidy, both of which significantly aid the project’s underwriting. We are aware of no other available sources of funds that could close the remaining funding gap.
- We are very fortunate in that the Seller is willing to finance a significant portion of the purchase price, which is the reason we are able to do all of the desperately needed renovations to make the asset a viable community long term.
- Our request is consistent with the most recent guidance regarding waiver requests provided by the THDA Tax Credit Committee meeting. The message to the development community was that waivers would continue to be considered on an occasional basis, provided every deal brought forward did not require a waiver. This is the only waiver request that will be submitted for this project.
- The cost of the development is well within the cost cap of \$220,000 per unit. The cost per unit for Broadway Towers is under \$200,000.

- Because we are not requesting a waiver of bond cap authority, the approval of a waiver for the amount of LIHTCs will not reduce the amount of bond authority available in state for other developments.
- Broadway Towers has the full support of the local community, including the KCDC and the City of Knoxville.
- The units are badly in need of repair. This request is similar to waiver's requested and approved in 2017 for developments with project-based assistance, such as Haynes Gardens (although the LIHTC amount was much higher with this project).

We respectfully request that you provide this waiver to allow for annual low income housing tax credits in an amount up to \$1,500,000. This waiver is critical for the preservation of the affordability of this property that currently serves 215 low income senior residents!

If we can provide you with additional information that would be helpful, please do not hesitate to contact me at mkemp@rebuildamericainc.com or 706-354-3885.

Thank you in advance for your consideration!

Sincerely,



Mark J. Kemp
Vice President

CC: Dwayne W. Barrett, Esquire
Brian Simmons, Developer
Cissy C. Watson, Developer



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: Special Request for Application Trevecca Towers Retirement Community

DATE: March 7, 2018

Carr Hagan, on behalf of LHP Development LLC, has submitted a special request application for \$62 million in Multifamily Tax-Exempt Bond Authority and \$3.808 million in Noncompetitive Low-Income Housing Tax Credits to acquire and preserve the Trevecca Towers Retirement Community, three multifamily housing towers.

The Trevecca Towers Retirement Community consists of 564 units of housing serving low-income senior and disabled individuals which represents approximately 14% of the affordable senior housing units in Nashville. The multifamily housing towers are located on a single site, as determined by THDA, adjacent to the campus of Trevecca Nazarene University in Nashville. For over 50 years, units at the Trevecca Towers Retirement Community have been rent-restricted through housing assistance payment contracts with HUD. The multifamily housing towers require substantial rehabilitation. LHP has worked closely with Metropolitan Development and Housing Authority to secure a payment in lieu of taxes for the development and HUD to improve the projected rents which in turn supports a higher mortgage and allows for deeper rehabilitation.

As we discussed last November, special request applications are high impact affordable housing preservation efforts. Special requests must have in-place income and rent-restrictions and for single site developments the number of units must exceed 500. These requirements were designed to restrict special requests to developments for which the loss of affordable units would have a serious impact on the community and the affordable housing stock.

Respectfully, we request your support of this special request application.

If you have any further questions, please contact me.



February 26, 2018

Donna Duarte
Director of Multifamily Programs
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Nashville, Tennessee 37243

RE: Special Request Follow Up

Dear Ms. Duarte,

The following letter summarizes the Special Request Application submitted for Trevecca Towers Retirement Community (Trevecca Towers I/East and Trevecca Towers II), which is located adjacent to the campus of Trevecca Nazarene University in Nashville (basically at the northeast and southeast quadrants of intersection of Lester Avenue and Woodard Avenue). For more than 50 years, Trevecca Towers Retirement Community has served, and, subject to preservation under the 4% Low Income Housing Tax Credit and Tax Exempt Multifamily Bond Program, will continue to serve low & very low income elderly and non-elderly disabled households.

Pursuant to the Special Request conditions outlined in Part III.C.1 of the 2018 Multifamily Tax Exempt Bond Program Description, and as we noted in the THOMAS submission that was remitted on February 6, 2018, this development meets the criteria based on the following factors.

- a. The preservation of Trevecca Towers Retirement Community proposes the thorough rehabilitation of a location with existing income and rent restrictions. Trevecca Towers Retirement Community has 564 units under either Project Based Contract Section 8 Assistance or Project Based Voucher Section 8 Assistance with 354 of those same 564 units further governed by an existing 202 Use Agreement. All of these restrictions are related to programs originally funded and ultimately administered by HUD.
- b. Trevecca Towers Retirement Community consists of 564 low income units at a single location.
- c. The Multifamily Tax Exempt Bond Authority request for the Special Request Application is sixty two million dollars (\$62,000,000) to help finance the preservation of Trevecca Towers Retirement Community as affordable rental housing for the elderly and non-elderly disabled. Additionally, the preservation of Trevecca Towers Retirement Community is predicated on the determination of \$3,808,110 in annual 4% LIHTC that accompany the requested allocation of bond authority.

As evidenced by the Background Statement and Section 9(b)(vii) of the purchase and sale agreements outlining the terms of sale of Trevecca Towers Retirement Community (copies of which were remitted previously to THDA as attachments to our THOMAS submission), the two towers at this location are

bound together as a package by the seller entities that are under current common control by the same not-for-profit entity and HUD regulations necessitate that the two properties have two separate single purpose entity owners (in this case, Lester One East, L.P. and Stanley Two, L.P.) due to some disparities that exist with the existing applicable use agreement and Project Based Section 8 rental assistance contracts, which are unique to each property.

We appreciate THDA Multifamily Staff's timely review of this Special Request Application.

Sincerely,

A handwritten signature in blue ink, appearing to read "W. Carr Hagan, III". The signature is fluid and cursive, with the first name "W." and last name "Hagan" being more prominent.

W. Carr Hagan, III



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: March 7, 2018

Robert Trent, on behalf of Flats at Fifty-Eight, LP, requests approval to return a 2016 allocation of competitive low-income housing credits in exchange for an equal allocation of 2018 competitive low-income housing credits.

The Flats at Fifty-Eight was allocated \$795,888.00 in competitive low-income housing credits in 2016. In early 2017, THDA's Board of Directors authorized the Multifamily Programs Division to restructure and downsize all 2016 new construction allocations which were adversely affected by the drop in equity pricing in late 2016. In August 2017, this development was approved to restructure and downsize the number of units to 64. In November 2017, THDA became aware that the developer and the Chattanooga Housing Authority were in talks surrounding the development and the placement of 64 project based vouchers. In late January 2018, the Board of Commissioners of the Chattanooga Housing Authority authorized Elizabeth McCright, Executive Director of the Chattanooga Housing Authority to enter into an agreement with the developer in exchange for 64 project based vouchers. The Chattanooga Housing Authority holds a limited development role in the property, the first right of refusal to purchase the property, assumes a property management role, receives 3 acres of land for future affordable housing development at the site and will receive a portion of the final development fee.

The developer has moved forward with securing construction and permanent financing through HUD and has maintained their arrangement for equity pricing with Regions Bank.

Staff is requesting that the Tax Credit Committee and the Board of Directors approve the request subject to the following conditions:

- a. This allocation exchange may be made only with the approval of THDA's Board of Directors, which may be granted or denied, in THDA's sole discretion.

- b. No person or entity shall be entitled to rely on this approval of allocation exchange for the purpose of obtaining subsequent approvals of allocation exchanges.
- c. The 2016 Allocation Exchange Development shall be subject to the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan ("QAP") except as specified in e through k below.
- d. Other proposed developments involving any individual listed on Attachment 16 or Attachment 17 of the 2016 approved Allocation Exchange Development, will be ineligible for Sponsor Characteristics points as described in Part VII-B-3 of the 2018 QAP.
- e. 2018 competitive housing credits allocated to the 2016 Allocation Exchange Development will not increase the amount of 2018 competitive housing credits available under Part III of the 2018 QAP.
- f. 2018 Housing Credits allocated to the 2016 Exchange Development will not count against the Set-Asides as described in Part III-B of the 2018 QAP or the General Pool as described in Part VIII-E-8 of the 2018 QAP.
- g. 2018 Housing Credits allocated to the 2016 Exchange Development will not count against the county cap as specified in Part IV-A of the 2018 QAP.
- h. 2018 Housing Credits allocated to the 2016 Exchange Development will not count against the developer or related party cap specified in Part IV-C of the 2018 QAP.
- i. 2018 Housing Credits allocated to the 2016 Exchange Development will not count against the aggregate QCT cap specified in Part IV-D of the 2018 QAP.
- j. The 2016 Allocation Exchange Development will be prohibited from any further modifications as determined by THDA in its sole discretion.
- k. The 2016 Exchange Developments will not be permitted to receive an allocation of 2018 Housing Credits greater than the amount of 2016 Housing Credits returned by the proposed development.
- l. If approved, the 2018 Carryover Agreement will include timelines provided by the developer which THDA's Multifamily Programs staff will monitor for compliance.
- m. If approved and the 2016 Exchange Development received an increase in eligible basis of up to 30%, the allocation of 2018 Housing Credits will be eligible for an increase in eligible basis of up to 30%.

Please let me know if you have any questions about this allocation exchange request.

CHATTANOOGA HOUSING AUTHORITY

BOARD OF COMMISSIONERS

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JAMES LEVINE, VICE CHAIRPERSON
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EDNA E. VARNER



ELIZABETH F. MCCRIGHT
EXECUTIVE DIRECTOR

801 N. HOLTZCLAW AVENUE
CHATTANOOGA, TN 37404-1236
TEL (423) 668-2374
FAX (423) 752-4462
TN Relay 711
www.chahousing.org

MAILING ADDRESS
P.O. BOX 1486
CHATTANOOGA, TN 37401-1486

February 27, 2018

Ms. Donna Duarte
Director of Multifamily Programs
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Nashville, Tennessee 37243

Re: Flats at Fifty-Eight TN16-039

Dear Ms. Duarte:

It is my understanding that Flats at Fifty-Eight, L.P. is requesting a tax credit swap on March 27, 2018 at the Tax Credit Committee meeting. In January 2018, the Chattanooga Housing Authority's Board of Commissioners approved resolutions relating to the CHA's involvement with the development and to the award of 64 project-based vouchers to the Flats at 58.

In speaking with Alex Trent, the approval of the tax credit swap appears to be the last major hurdle in getting this development to the closing table and beginning construction. We were informed that without this swap, Regions Bank will not be able to provide the required \$7 million in equity.

Along with everyone else involved, the CHA staff and Board have invested significant time and energy on this project. On behalf of the Board and the CHA staff, I want to express our strong support for this development and the 64 affordable apartment units it will bring to our city.

It will also provide the CHA with a location to develop additional affordable units in the future.

We are hopeful that you will support the swap request for the Flats at Fifty-Eight. Should you have any questions, do not hesitate to contact me at (423)322.5133.

Best Regards,

Elizabeth McCright
Executive Director
Chattanooga Housing Authority

RESOLUTION 2018 - 004

**AUTHORIZING THE CHA TO ENTER INTO AN AGREEMENT WITH
THE TRENT DEVELOPMENT GROUP, LLC RELATING TO THE
ISSUANCE OF 64 PROJECT-BASED VOUCHERS IN EXCHANGE FOR
THE TRANSFER OF A 3-ACRE PARCEL OF LAND ON HIGHWAY 58
AND OTHER OPTIONS RELATING TO THE LAND**

WHEREAS, the Chattanooga Housing Authority desires to provide 64 project-based vouchers carrying Small Area Fair Market Voucher Payment Standards to The Trent Development Group, LLC (Trent) for a tax credit development named The Flats at 58 located on Highway 58 in Chattanooga, TN; and

WHEREAS, in consideration for the project-based vouchers, Trent desires to transfer a 3-acre parcel on the site to the CHA for future development of affordable housing units with other amenities including the payment of \$200,000 in developer's fees to the CHA, the grading of the site, easements, the option to manage the Flats at 58, and the option of a right of first refusal to acquire The Flats at 58 development in the future; and

WHEREAS, the CHA deems that this proposal is beneficial to the CHA and will further its mission to develop affordable housing in Chattanooga;

NOW THEREFORE BE IT RESOLVED that the Board of Commissioners of the Chattanooga Housing Authority hereby authorizes the Executive Director, with the advice of CHA's General Counsel, to take any and all necessary actions to finalize this transaction; and

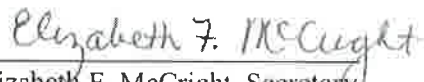
BE IT FURTHER RESOLVED that this resolution be effective on January 30, 2018.

Approved January 30, 2018

CERTIFICATE

I, Elizabeth F. McCright, Secretary of the Chattanooga Housing Authority, and as such the keeper of the records of said Authority, do hereby certify that the foregoing is a true, correct and compared copy of a resolution adopted by the Board of Commissioners of the Chattanooga Housing Authority at its meeting on the thirtieth, day of January, 2018, the original of which is of record and on file in my office.

WITNESS my hand and the official SEAL of the Chattanooga Housing Authority this 30th day of January, 2018.


Elizabeth F. McCright, Secretary
Chattanooga Housing Authority

(SEAL)

FLATS AT FIFTY-EIGHT, L.P.

1011 Cherry Street
Nashville, Tennessee 37203

November 13, 2017

Elizabeth McCright
Executive Director
Chattanooga Housing Authority
801 North Holtzclaw Avenue
Chattanooga, TN 37404

RE: Flats at Fifty-Eight

Dear Ms. McCright:

This letter of intent memorializes our offer to joint venture with the Chattanooga Housing Authority ("CHA") with respect to the 64-unit affordable housing development in located in Chattanooga, Tennessee known as Flats at Fifty-Eight ("Project").

The Project was allocated \$795,888.00 of low-income housing tax credits from the Tennessee Housing Development Agency ("THDA") in 2016. We have provided you a copy of the initial and revised application THDA for low-income housing tax credits and related documentation of the allocation of credits. This allocation did not consider the use of project based vouchers. Accordingly, the Project qualifies for alternative competitive selection under 24 CFR 983.51(b)(2).

We propose CHA assist with several aspects of the Project, in exchange for certain economic benefits, excess adjacent property, and the right to own the Project at some point in the future. First, we are seeking project based vouchers ("PBV" or "HAP Contract") for 64 units to be effective in 2018. The commitment to this number of PBV will facilitate the Project qualifying permanent loan proceeds necessary to make the Project financially feasible. We intend and have budgeted for the provision family supportive services to the residents of the Project as part of the commitment for PBV.

Subject to receipt of appropriate HUD approvals, including an environmental clearance and subsidy layering approval, and other approvals as set forth at 24 CFR 983, CHA will enter into an AHAP Contract with the Project owner in accordance with applicable regulations on or before February 1, 2018. Under the AHAP Contract, the Project owner agrees to construct the units in accordance with certain HUD regulations promulgated under 24 CFR Part 983. Under the HAP Contract, CHA will provide a monthly housing assistance payment to the Project equivalent to the difference between the tenant payment and the contract rent. The monthly payments will be equal to approximately 110% of the

HUD fair market rents (upon an acceptable demonstration of need); provided, however, the monthly contract rent will be established at the time the HAP contract is executed, subject to market conditions and applicable rules and regulations. The HAP contract will be executed and become effective upon the acceptance and delivery of the units, and with a minimum term of twenty (20) years, with possible extensions at the end of such term.

In exchange for the foregoing, CHA will be entitled to a portion of the development fee equal to the first \$200,000, payable at the construction closing ("Closing").

The Project also would convey to CHA a portion of the current site, referenced in the attached Exhibit A ("Adjacent Site"). The land cost was approximately \$520,000, meaning this estimated 3 acres is worth around \$156,000 prior to improvements to the adjacent property. All environmental and FHEO approvals obtained by the developer will include the Adjacent Site. The developer is currently redesigning the Project with the notion that CHA would ultimately develop the Adjacent Site. The developer will grade the Adjacent Site for CHA's purposes such that it may develop additional affordable units. The notion is that CHA would develop 48 units, plus or minus. The developer will maintain the Adjacent Site for five (5) years after the Closing, at which point CHA would have to take financial responsibility for the referenced site.

The CHA and Adjacent Site will be provided an access easement and use of the currently designed cul de sac. The CHA and Adjacent Site also will be provided an easement for shared use of the community building. The CHA will be responsible for one-half of all maintenance costs for such easements upon commencement of use of the same.

CHA will be provided a right to manage the Project upon CHA's construction completion on the Adjacent Site, subject to its assumption of all then outstanding guaranties, and approval from HUD, the equity investor and the lender.

CHA and its advisors will have the reasonable right to approve the plans and specs in advance of being submitted to HUD. This approval right shall not be unreasonably withheld, conditioned or delayed, and any approvals/comments/recommendations may not increase the construction budget materially. CHA and its advisors will be included in the underwriting process and/or other matters leading to the closing as you deem appropriate.

Finally, we would provide to CHA the right of first refusal to acquire the Project for an amount determined under Section 42(i)(7) of the Code. Basically, this means the CHA would have the right to acquire the Project for an assumption of its indebtedness and the payment of any exit taxes due the investor. The financial forecast does not anticipate any exit taxes due to the investor of the Project, meaning CHA would acquire the Project for an assumption of the current indebtedness. The right to exercise the referenced right of first refusal would commence in the 15th year of the compliance period and remain upon for 24 months.

Upon your acceptance of the general terms referenced herein, we will continue to pursue the HUD financing for the Project.

We appreciate the opportunity to work with CHA to provide safe, decent and affordable housing to the residents of Chattanooga.

Please acknowledge your commitment to the foregoing by executing and returning a copy of this letter to our attention. We look forward to working with you.

Best Regards,

FLATS AT FIFTY-EIGHT, L.P.

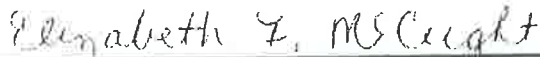
By: Flats At Fifty-Eight GP, LLC

Its: General Partner

By: 

Robert Kyle Trent, its President

AGREED TO AND ACCEPTED:



Elizabeth McCright

Executive Director, Chattanooga Housing Authority

RESOLUTION 2018 - 010

**AUTHORIZING THE AWARD OF 64 PROJECT-BASED VOUCHERS TO
TRENT DEVELOPMENT GROUP, LLC FOR A NEW AFFORDABLE
HOUSING DEVELOPMENT NAMED FLATS AT 58 AND AUTHORIZING
THE EXECUTIVE DIRECTOR TO EFFECT THE INTENT OF THIS
RESOLUTION**

WHEREAS, the Chattanooga Housing Authority issued a Request for Proposals soliciting proposals from owners to provide Section 8 project-based housing opportunities; and

WHEREAS, Trent Development Group, LLC submitted a successful proposal for 64 vouchers (60 two-bedroom vouchers and four three-bedroom vouchers), and

BE IT THEREFORE RESOLVED that the Board of Commissioners of the Chattanooga Housing Authority hereby authorizes the award of a total of 64 project-based vouchers (60 two-bedroom vouchers and four three-bedroom vouchers) to Trent Development Group, LLC for a new affordable housing development named The Flats at 58, with anticipated occupancy in late 2019; and

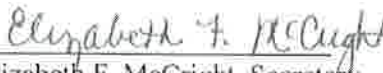
BE IT FURTHER RESOLVED that this Resolution be effective immediately.

Adopted January 30, 2018

CERTIFICATE

I, Elizabeth F. McCright, Secretary of the Chattanooga Housing Authority, and as such the keeper of the records of said Authority, do hereby certify that the foregoing is a true, correct and compared copy of a resolution adopted by the Board of Commissioners of the Chattanooga Housing Authority at its meeting on the 30th day of January, 2018, the original of which is of record and on file in my office.

WITNESS my hand and the official SEAL of the Chattanooga Housing Authority this 30th day of January, 2018.


Elizabeth F. McCright, Secretary
Chattanooga Housing Authority

(SEAL)



CHATTANOOGA HOUSING AUTHORITY

PROCUREMENT DEPARTMENT

801 N. Holtzclaw Avenue, Chattanooga, TN 37404

Mailing Address: P.O. Box 1486 - Zip 37401-1486

TEL: (423) 752-4192 - FAX: (423) 752-4178 - TDD: TN RELAY SVS: 711

February 7, 2018

Mr. Robert Trent, President
and
Mr. Alex Trent
Flats at Fifty-Eight, L.P.
1011 Cherry Avenue
Nashville, Tennessee 37203

SUBJECT: NOTICE OF CONTRACT AWARD – RFP #V-729-00 – HCVP
PROJECT-BASED ASSISTANCE FOR NEW DEVELOPMENT,
REHABILITATED, OR EXISTING HOUSING UNITS

Dear Sirs:

Thank you for submitting your recent proposal for the referenced project. Chattanooga Housing Authority (CHA) appreciates your interest in this program.

After obtaining approval from our Board of Commissioners, we are prepared to award Project-Based Vouchers to your organization. Flats at Fifty-Eight, L.P. is eligible for sixty (60) vouchers for two-bedroom units and four (4) vouchers for three-bedroom units. As stated in the Request for Proposals, CHA and Flats at Fifty-Eight, L.P. will enter into an initial 15-year contract term, allowing the owner three (3) options to renew in 5-year increments, not to exceed a maximum contract of thirty (30) years. These terms are based on HUD regulations and are subject to future availability of HUD appropriations and funding under the Annual Contributions Contract.

Staff in the Housing Choice Voucher Program will prepare the HAP contract for signature and contact your organization to give you further guidance as you undertake this obligation.

Again, thank you for submitting your proposal. We look forward to partnering with you in providing housing for your deserving clients.

Sincerely,

Debbie Chadwick

Deborah S. Chadwick
Purchasing Agent

/dc

cc: Tammie Carpenter – HCVP Director
Michelle Brown - HCVP

CHATTANOOGA HOUSING AUTHORITY

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BETTY ROBINSON



ELIZABETH F. MCCRIGHT
EXECUTIVE DIRECTOR

801 N. HOLTZCLAW AVENUE
CHATTANOOGA, TN 37404-1236
TEL. (423) 668-2374
FAX (423) 668-2374
TN Relay Svc 711
www.chahousing.org

MAILING ADDRESS
P.O. BOX 1486
CHATTANOOGA, TN 37401-1486

February 9, 2018

Mr. Robert Trent, President
and
Mr. Alex Trent
Flats at Fifty-Eight, L.P.
1011 Cherry Avenue
Nashville, Tennessee 37203

RE: CONTRACT RENTS FOR THE FLATS AT FIFTY-EIGHT FOR (60) TWO BEDROOM AND (4) THREE BEDROOM APARTMENTS -RFP#V-729-00-HCVP PROJECT BASED ASSISTANCE FOR NEW DEVELOPMENT, REHABILITATED, OR EXISTING HOUSING

Dear Sirs:

It has been determined that the contract rents for your proposed 64 two and three bedroom units at your proposed site; 5921 Hwy 58, 37341 will be as follows:

| | |
|--|--|
| Two Bedroom Unit Gross Rents = \$998 Utility Allowance = \$91 Contract Rents = \$907 | Three Bedroom Unit Gross Rents = \$ 1441 Utility Allowance = \$110 Contract Rents = \$1331 |
|--|--|

These rent amounts have been established within the guidelines that govern project based contract rent determination with regard to current utility allowances, payment standards, and rent reasonable comparisons.

CHA and Flats at Fifty-Eight, L.P. will enter into an initial 15-year contract term, allowing the owner three (3) options to renew in 5-year increments, not to exceed a maximum contract of thirty (30) years. These terms are based on HUD regulations and are subject to the future availability of sufficient appropriated funding as determined by HUD under CHA's Annual Contributions Contract in accordance with HUD CFR 983.205(b).

Thank you for submitting your Project Based proposal. We look forward to partnering with you in meeting the housing needs of the families in our community.

Sincerely,

Tammie Carpenter
HCVP Director
Chattanooga Housing Authority
801 N. Holtzclaw Ave
Chattanooga TN 37404
Ph: 423.752.4833 Fax: 423.752.4833
tcarpenter@chahousing.org



U.S. Department of Housing and Urban Development
Southeast Regional Office
Five Points Plaza
40 Marietta St.
Atlanta, Georgia 30303-2806
Telephone: (404) 331-5001

February 23, 2018

Stephen Chasteen
Regions Bank | Regions Securities LLC
Real Estate Capital Markets
1180 W. Peachtree St., Suite 1400
Atlanta, GA 30309

RE: Flats at Fifty-Eight Apartments
HUD #087-35302

Mr. Chasteen,

My name is Lisa Gibson and I am the senior underwriter and the point of contact on the review of this transaction. HUD's review is currently in process with a completion target date of April 6, 2018. Please send one original and one additional hard copy of the Firm Application to my attention at the Atlanta address.

We look forward to working with you on this transaction.

Thank you.

A handwritten signature in cursive script, appearing to read "Lisa Gibson", is positioned above the typed name.

Lisa A. Gibson
Senior Underwriter

Regions Bank
Regions Affordable Housing
601 Market Center, Suite 200
Chattanooga, TN. 37402



Ms. Donna Duarte
Director of Multifamily Programs
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Nashville, TN 37243

RE: Flats at Fifty-Eight, L.P.

Dear Donna,

This letter is to confirm Regions commitment to the project referenced above, in accordance with the LOI dated January 25th, 2018. We are providing the equity investment, bridge/construction debt and the perm financing via HUD and are actively engaged in moving forward on all fronts. Our counsel is engaged and drafting the appropriate documents for closing slated for May/June of this year. This documentation will include the Chattanooga Housing Authority's right to acquire the property after the tax credit compliance period.

The only matter that remains open is the confirmation from THDA of the credit swap from 2016 to 2018, with a PIS date no earlier than 12/31/2019. Once this matter is finalized, we will proceed to closing.

I am happy to address any questions you may have and sincerely appreciate your assistance in making this project a reality.

Sincerely,

Frank Peele
Senior Vice President
Regions Affordable Housing

