



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Developer Partners
FROM: Eric Alexander, Director of Multifamily Programs
SUBJECT: Draft Multifamily Tax-Exempt Bond Authority Program Description for 2023
DATE: November 8, 2022

As part of the process of developing the Multifamily Tax-Exempt Bond Authority (“MTBA”) Program Description for 2023 (“2023 PD”), THDA staff solicited comments from our developer partners regarding the draft 2023 PD. While there were a broad range of items touched upon in the responses, the majority of respondents directed their attention to the areas noted below. I wanted to provide you all with insights into how we propose these be addressed.

Key Points

- Other Sources of Funds – Comments encouraged THDA to modify this proposed change to allow funds from the [Amazon Housing Equity Fund](#) (“AHEF”) to count toward points in Section 8.C.3. of the Draft 2023 PD.
 - Response – Staff’s position is to include the proposed change as drafted. The intent of the Other Sources of Funds scoring criterion is to provide an incentive for applicants to include *firmly committed grant funds* in the sources of funds for a proposed development. Examples include grants from THDA, grants from local governments, and grants from philanthropic organizations. Typically, grant funds are not required to be repaid unless an event of noncompliance with the terms of the grant occurs. In 2022, staff reviewed several applications listing AHEF as a source of funds. The AHEF were neither firmly committed nor structured as a grant.

While the AHEF are an important potential source of below market rate debt for multifamily projects in Central Tennessee, the intent is to incentivize the pursuit and inclusion of grants in proposals’ capital stacks.

- First Development Placed In Service Before Second Development Allocated Requirement – Comments encouraged THDA to abandon this proposed change.



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- Response – Staff’s position is to modify the proposed change for 2023 PD such that the requirement for the first allocated development is that sale of the bonds has closed. The intent of the originally proposed change was for applicants that are new to THDA to demonstrate an ability to place projects in service under the requirements of the THDA MTBA program. While we are revising the proposed language for the 2023 program in acknowledgement of the retroactive impact this would have on 2022 awardees, please note that in the future we intend to revisit requiring first time participants in the THDA MTBA program to demonstrate capacity to place their first project in service prior to receiving subsequent allocations.
- Priority Order for 2023 Allocations – Staff received one comment favoring the prioritization of rehabilitation and multiple comments encouraging prioritization of new construction.
 - Response – In the interest of balancing the goal of preserving existing affordable units and preventing portfolio “runoff” with the clear and acute need for the construction of new affordable units throughout the state, staff’s position is to modify the proposed priority order for round 1 and round 2 as follows:

Group 2: eligible Initial Applications proposing rehabilitation of existing housing that IS currently income/rent restricted housing;
Group 3: eligible Initial Applications proposing new construction of public housing;
Group 4: eligible Initial Applications proposing rehabilitation of existing housing that IS NOT currently income/rent restricted.
Group 5: eligible Initial Applications proposing new construction outside a QCT;
Group 6: eligible Initial Applications proposing rehabilitation of public housing;
Group 7: eligible Initial Applications proposing new construction in a QCT and covered by a CCRP;
Group 8: eligible Initial Applications proposing new construction in a QCT not covered by a CCRP.
- Maximum Amount of MTBA Per Development – Comments encouraged THDA to remove these limits.
 - Response – Staff’s position is to refrain from removing these limits and include language in the body of the 2023 PD that staff be given authority to waive these limits, at their sole discretion.



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