



**Tennessee Housing Development
Agency - Board of Directors
Meeting Materials
January 29, 2020**



Tab 1 – Agenda

**Tab 2 – Memo from Ralph M.
Perrey, Staff Awards,
Plus Other Documents**

**Tab 3 – Meeting Minutes from
November 19, 2019 Mtg.**

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

**Tab 5 – Grants Committee
Meeting Materials**

**Tab 6 – Lending Committee
Meeting Materials**

**Tab 7 –Tax Credit Committee
Meeting Materials**

Tab 8 – Blank

Tab # 1

Items:

Agenda



THDA Board of Directors Meeting
January 29, 2020—1:00 p.m. Central Time
William R. Snodgrass -Tennessee Tower
312 Rosa L Parks Avenue, Third Floor
Nashville, Tennessee 37243

All meetings will be held in The Nashville Room

AGENDA (Tab #1)

Public Comment to the Board

Hedges, Perrey, Board Members

- A. Opening Comments and Introductions Hedges**
- B. Staff Recognition (Directors) (Tab #2) Perrey**
- C. Approval of Minutes from November 19, 2019 Meeting (Tab #3) Hedges**
- D. Executive Director’s Report Perrey**
- E. Committee Reports and Committee Matters**
 - 1. Bond Finance Committee (Tuesday, January 28 – 2 p.m. CT) State Capitol, Room G-11 Hedges**
 - * a. Authorization of Draw Down Facility Miller
 - b. Annual THDA Volume Cap Update Miller
 - c. Issue 2019-4 State Form CT-0253 Miller
 - 2. Grants Committee (Wednesday, January 29 – 10:00 a.m.) McMullen**
 - * a. Modification to the 2020 Creating Homes Initiative 2 Program Description Peraza
 - b. 2019 National Housing Trust Fund Program Awards Watt
 - * c. 2020 National Housing Trust Fund Program Description Watt
 - * d. Tennessee Renovation Loan Program Allocation from Attorney General Funds Peraza
 - * e. Appraisal Gap Pilot Allocation Peraza
 - 3. Lending Committee (Wednesday, January 29 – 10:15 a.m.) Cleaves**
 - * a. Housing Cost Index Arik
 - 4. Tax Credit Committee (Wednesday, January 29 – 10:20 a.m.) Tully**
 - * a. 2019-2020 QAP Modifications (Distressed and At Risk Communities) King
 - * b. Modification to the Regional Pools King
 - * c. Noncompetitive Low-Income Housing Tax Credit per Development Cap Amendments King
 - * d. Energy Star/Enterprise Green Community Amendment to the 2016, 2017 and 2018 Low Income Housing Tax Credit Qualified Allocation Plans King

Tab # 2

Items:

Memo from Ralph M. Perrey, Executive Director
Service Award Recipients



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors
FROM: Ralph M. Perrey, Executive Director
DATE: January 20, 2020
SUBJ: THDA Board of Directors

THDA Board members –

We look forward to hosting you for our first meeting of 2020, which falls on a Wednesday this month due to facility availability. Bond Finance Committee will meet on Tuesday January 28. Other committees and the board meeting itself will be held on Wednesday January 29.

Several action items await your consideration this month:

- We will seek your authorization to utilize a “draw down” facility in order to preserve volume cap. This is explained more fully in the memo behind the Bond Finance Committee tab.
- Grants Committee will consider an amendment to the Creating Homes Initiative 2 program description. Our partners at the Department of Mental Health and Substance Abuse Services have requested that we broaden the scope of opioid-related conditions that grant recipients can address.
- Also before Grants Committee – We ask your approval to provide additional funds for the Appraisal Gap pilot; the pilot has another year to run and demand has been stronger than anticipated. We will also ask your approval to reallocate funds remaining from the Attorney General’s mortgage settlement funds to our Tennessee Renovation Loan Program. We will also seek approval of the program description for the 2020 National Housing Trust Fund and report on the allocations we made from the trust fund in 2019.
- The Tax Credit Committee will take up modifications to the Qualified Allocation Plan to enable THDA to provide additional assistance to new construction developments in certain rural counties. The specific measures identify eligible counties and adjust the amount of tax credit assigned to each of our regional pools, so as to assure adequate credit to support those rural developments.
- Acceptance of the annual Housing Cost Index is up before the Lending Committee.

We will also provide updates on THDA’s Volume cap and on the steps we will take to protect our Program Asset to Debt Ratio (PADR).

As always, if you have questions or concerns about any item on the agenda, please feel free to contact me or Chief of Staff Stephanie Bounds.

I look forward to seeing you later this month.

Celebrating *Years of Service*

10 Years

Lindsay Hall

*Chief Administrative Officer Single Family
Programs*

Single Family Programs

THDA Hire Date: January 5, 2010

10 Years

Erica Holloway

Rental Assistance Specialist

Section 8 Rental Assistance

State Hire Date: February 1, 2006

Term Date: September 30, 2010

THDA Hire Date: August 6, 2014

15 Years

Hillary Gonzalez-Craig

S8RA Program Integrity Coordinator

Section 8 Rental Assistance

THDA Hire Date: September 1, 2008

State Hire Date: January 4, 2005

30 Years

Joe Brown, Jr.

Controller/Director of Accounting

Accounting

THDA Hire Date: September 1, 2008

State Hire Date: February 7, 1990

Tab # 3

Items:

Minutes from the November 19, 2019 Meeting

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
November 19, 2019

Pursuant to the call of the Chair, the Tennessee Housing Development Agency Board of Directors (the “Board”) met in regular session on Tuesday, November 19, 2019, 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: Mike Hedges (Chair); Dorothy Cleaves; John Krenson; Kevin Bradley for Treasurer David Lillard; Colleen Daniels for Commissioner of Finance & Administration Stuart McWhorter; Austin McMullen; Erin Merrick; Rick Neal; Chrissi Rhea; John Snodderly; Secretary of State Tre Hargett; and Katie Armstrong for Comptroller Justin Wilson. Those absent were: Daisy Fields; Regina Hubbard; and Lynn Tully.

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

Terry Benier	Single Family	5 years
Kenyell Chalmers	Community Programs	5 years
Nekishia Potter	Community Programs	5 years
Kilolo Dunmore	Internal Audit	5 years
Patrick Adams	Single Family	5 years
LaMar Brooks	Section 8 Contract Admin	10 years
Joe Bethel	Multifamily Programs	10 years
Patrick Harrell	Information Technology	10 years
Cindy Ripley	Executive	10 years
Robert Lucas	Multifamily Programs	10 years
Kristy Allen	Information Technology	15 years
Valeri Allen	Community Programs	20 years
Caroline Rhodes	Single Family Loan Ops	20 years
Sharon Palmer	Accounting	25 years

Mr. Perrey also recognized the following veterans for their military service:

Kavin Williams	Marines
Bill Lord	Marines
Mike Costa	Navy
Melva Boyd	Air Force
Stephanie Bounds	Army
John Krenson (Board Member)	Army

Seeing a physical quorum present, Chair Hedges called the meeting to order and offered a time for public comment. No comments were offered. Phyllis Vaughn of Vaughn Development Group addressed the Board regarding the 2019-2020 Low Income Housing Tax Credit Program.

With no other comments to the Board, Chair Hedges called for consideration the minutes from the September 24, 2019 meeting. Upon motion by Ms. Cleaves, second by Mr. Snodderly, the minutes were approved.

Chair Hedges noted that the THDA By-Laws specify November as the annual meeting of the Board, with several related items. He called for consideration of the election of a Vice-Chair of the Board. Upon motion by Ms. Merrick, second by Secretary of State Hargett, Dorothy Cleaves was elected Vice Chair.

Chair Hedges then announced the following 2020 Committee assignments:

- Audit & Budget Committee – deferred.
- Grants Committee – Mr. McMullen (chair), Secretary of State Hargett, Mr. Krenson, Ms. Tully, Comptroller Wilson and Mr. Neal;
- Lending Committee – Ms. Cleaves (chair), Ms. Hubbard, Mr. Krenson, Ms. Merrick, Commissioner McWhorter and Ms. Rhea.
- Rental Assistance – Mr. Snodderly (chair), Ms. Fields, Ms. Hubbard, Mr. Krenson and Ms. Merrick.
- Tax Credit – Ms. Tully (chair), Treasurer Lillard, Commissioner McWhorter; Ms. Merrick, and Mr. Snodderly

He noted that the Board Chair serves on all committees.

Chair Hedges then recognized Lynn Miller, Chief Legal Counsel, who gave an overview of THDA official statements by reviewing the Official Statement for THDA Issue 2019-4. Ms. Miller noted that Board members have an obligation to review the content and contact staff with any questions or concerns about information that they feel may not be accurately reflected in the materials.

Chair Hedges called upon Mr. Perrey who presented the 2020 meeting schedule for the THDA Board and Committees. He noted that January and July meetings will be held on a Wednesday rather than Tuesday and that the September Board meeting will be held in Clarksville, Tennessee. Mr. Perrey referenced the 2020 contact form included in the Board materials and requested that Board members complete the form and return it to Cindy Ripley.

Mr. Perrey next presented the following the Executive Director's report:

- Great Choice loan production as of Monday, November 18, 2019 is approximately \$32.6 million for the month, and approximately \$644 million for the year.
- Staff is considering potential rebuild and recover grants in McNairy, Hardin and Decatur Counties due to recent severe weather in West Tennessee.
- Updates to the Strategic Plan are underway. Lorrie Shearon, Chief Strategy Officer presented highlights of accomplishments under the current Strategic Plan.
- Mr. Perrey and Ms. Shearon will visit Virginia Housing Authority to discuss programs that may be of interest to THDA.
- Board members are invited to attend the Tennessee Housing Conference in March and the 2019 Leadership Academy graduation ceremony

Chair Hedges called for the report on the Bond Finance Committee meeting and recognized Ms. Miller who presented the Issue 2020-1 Authorization Resolution and the Issue 2020-1 Reimbursement Resolution. Ms. Miller presented the following documents that were previously circulated:

- a memorandum regarding Issue 2020-1 from Ms. Miller, dated November 18, 2019, that described the documents to be considered, explained how the authorization for

Issue 2020-1 complied with THDA's Debt Management Policy, and included recommendations regarding bookrunning senior manager and rotating co-manager based on information provided by CSG Advisors Incorporated ("CSG"), financial advisor for THDA;

- a memorandum from CSG dated November 12, 2019, that recommended authorization of Issue 2020-1 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$200 million, with an economic refunding component, and for Citigroup Global Markets, LLC to serve as bookrunning senior manager and for Robert W. Baird to serve as the rotating co-manager;
- the Plan of Financing for Issue 2020-1 in an aggregate principal amount not to exceed \$200 million that was approved by the Committee ("Plan of Financing");
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2020-1 under the 2013 General Resolution and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2020-1 Bonds ("Authorizing Resolution");
- the form of Supplemental Resolution for Issue 2020-1; and
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2020-1 in an amount not to exceed \$75 million ("Reimbursement Resolution").

Ms. Miller noted that Issue 2019-4 priced on November 6, 2019 and that approximately \$168 million in proceeds will be available after closing on December 11, 2019. She further noted that as of close of business on November 15, 2019, nearly \$80 million was already committed against Issue 2019-4. Upon motion by Ms. Merrick, second by Ms. Cleaves, the Authorizing Resolution and the Reimbursement Resolution were approved.

Chair Hedges again recognized Ms. Miller who referenced a memo from CSG dated November 6, 2019, providing the results of CSG's review of underwriter performance for calendar year 2019. She indicated that CSG found a continuing strong performance from the group. She reviewed other highlights from the CSG memo. No action was required.

Ms. Miller next reviewed her memo dated November 12, 2019, regarding the THDA statutory debt limit as required by the THDA Debt Management Policy. She noted that the statutory limit of \$2,930,000,000 was established in 2008 and that the principal amount of THDA's outstanding bonds is approaching the limit. She explained that THDA staff is in discussions with the legislature to increase the statutory limit to \$5,000,000,000. Mr. Perrey noted that a \$5,000,000,000 debt limit would provide for THDA's debt issuances through the middle of the next decade. No action was required.

Chair Hedges noted that all Board members attended committee meetings at which the THDA Five-Year Financial Plan was presented and discussed. The consensus of the Board was that the THDA Five Year Financial Plan did not need to be presented again.

Chair Hedges next recognized Ms. Miller for the review of State Form CT-0253, Report on Debt Obligation (the "Report") for Issue 2019-3. Ms. Miller explained that the Report is statutorily required to be prepared for every bond sale and must be submitted to the Board of Directors for review. She indicated the Report was filed with the Comptroller's Office on November 13, 2019, within the 45-day filing period. Ms. Miller further indicated that incorrect amounts were listed for Moody's and Standard and Poor's fees on the State Form that was

circulated and filed earlier, so an amended State Form CT-0253 was filed with the Office of the Comptroller on November 15, 2019 to reflect the corrected amounts. No action was required.

Chair Hedges recognized Secretary of State Hargett for the Audit & Budget Committee report. Secretary of State Hargett reviewed the evaluation process and results of the evaluation for the Executive Director. Upon motion by Secretary of State Hargett, second by Ms. Merrick, motion carried (1) to assign an advanced performance rating for Mr. Perrey, and (2) to adjust his salary and provide a one-time bonus for Mr. Perry that is the same as provided to THDA staff who received the same rating, effective January 1, 2020.

Chair Hedges recognized Mr. McMullen for the Grants Committee report. Mr. McMullen reviewed the 2020 Emergency Solutions Grant Program Description as described in a memo from Don Watt, Director of Community Programs, dated November 7, 2019. Upon motion by Mr. McMullen, second by Secretary of State Hargett, the 2020 ESG Program Description was approved.

Mr. McMullen next reviewed the 2020 HOME Program Description as described in a memo from Mr. Watt dated November 7, 2019. Upon motion by Mr. McMullen, second by Secretary of State Hargett, the 2020 HOME Program Description was approved.

Mr. McMullen next reviewed the 2020 Spring Round Tennessee Housing Trust Fund Competitive Grants Program Description as described in a memo from Mr. Watt, dated November 7, 2019. Upon motion by Mr. McMullen, second by Secretary of State Hargett, the 2020 Spring Round Tennessee Housing Trust Fund Competitive Grants Program Description was approved.

Mr. McMullen next reviewed the 2020 Capacity Building Grant Programs Re-Authorization as described in a memo from Mr. Watt, dated November 7, 2019. Upon motion by Mr. McMullen, second by Ms. Rhea, the 2020 Capacity Building Grant Program was re-authorized.

Mr. McMullen next reviewed a 2016 Spring Tennessee Housing Trust Fund Competitive Grants Program grant extension request from the Kingsport Housing and Redevelopment Authority regarding grant HTF-16S-02 as described in a memo from Mr. Watt, dated November 7, 2019. Mr. McMullen noted that this is a second extension request. Upon motion by Mr. McMullen, second by Ms. Cleaves, a second extension request, to June 30, 2020, was approved.

Mr. McMullen next reviewed the following five 2015-2016 HOME Grant extension requests: Green County (HM-1516-07), Hawkins County (HM-1516-08), Montgomery County (HM-1516-27), Town of Surgoinsville (HM-1516-17), and Unicoi County (HM-1516-30), all as described in a memo from Mr. Watt, dated November 7, 2019. Upon motion by Mr. McMullen, second by Mr. Snodderly, each HOME Grant extension requests, to June 30, 2020, was approved.

Mr. McMullen reported that the Committee discussed the use of HOME funds for tenant based rental assistance for those coming out of foster care. He noted that this item will be considered further.

Chair Hedges recognized Ms. Cleaves for the Lending Committee report. Ms. Cleaves reported that the Committee discussed a short term construction proposal described in a memo from Cynthia Peraza, Director of Special Programs and Lindsay Hall, Chief Operating Officer of Single Family Programs, dated November 7, 2019. She noted that this item will be considered further.

Chair Hedges recognized Mr. Snodderly for the Rental Assistance Committee report. Mr. Snodderly reviewed the proposed amendments to the Housing Choice Voucher Administrative Plan as described in a memo from Trent Ridley, CFO, Jeboria Scott, Director of Rental Assistance and Charity Williams, Assistant Chief Legal Counsel, dated November 8, 2019. Upon motion by Mr. Snodderly, second by Ms. Cleaves, the amendments were approved upon the following roll call vote:

Board member	Vote
Hedges	Yes
Cleaves	Yes
Fields	Absent
Hargett	Yes
Hubbard	Absent
Krenson	Yes
Lillard (*Bradley)	Yes
McMullen	Yes
McWhorter (*Daniels)	Yes
Merrick	Yes
Neal	Yes
Rhea	Yes
Snodderly	Yes
Tully	Absent
Wilson (*Armstrong)	Yes

Chair Hedges recognized Mr. Snodderly for the Tax Credit Committee report. Mr. Snodderly noted he was acting as Committee Chair in the absence of Ms. Tully. Mr. Snodderly reviewed the 2020 Multifamily Tax-Exempt Bond Authority Program Description as described in a memo from Mr. Watt dated November 7, 2019. Upon motion by Mr. Snodderly, second by Mr. Krenson, the 2020 Multifamily Tax-Exempt Bond Authority Program Description, with the referenced changes, was approved. Mr. McMullen abstained from discussion and vote.

Mr. Snodderly next reviewed an amendment to the Low Income Housing Tax Credit Qualified Allocation Plans for 2016, 2017 and 2018 to add the “Energy Star” requirements as an equally weighted alternative to the “Enterprise Green Community Certification” requirements as described in a memo from Mr. Watt dated November 7, 2019. Upon motion by Mr. Snodderly, second by Secretary of State Hargett, the described amendment to the 2016, 2017 and 2018 Qualified Allocation Plans was approved. Mr. McMullen and Mr. Hedges abstained from discussion and vote.

Mr. Snodderly next reviewed the MTBA per developer cap waiver request for Moss Grove (TN19-240) as requested in a letter from Elmington Capital Group, LLC to Mr. Ralph Perrey, Executive Director, dated November 15, 2019. Upon motion by Mr. Snodderly, second by

Ms. Merrick, approval was granted to the waiver request that allows the Elmington Capital Group to exceed 34% of the maximum amount of MTBA that was available in 2019 to a single applicant, developer, owner, or related parties due to the availability of 2019 MTBA. Mr. Neal and Mr. McMullen abstained from discussion and vote.

With no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 29th day of January, 2020.

Tab # 4

Items:

Bond Finance Committee Meeting Materials

**Tennessee Housing Development Agency
Bond Finance Committee**

**January 28, 2020
2:00 P.M. Central Time**

AGENDA

1. Call to OrderHedges
2. Approval of minutes from November 18, 2019, meetingHedges
3. Authorization of Draw Down FacilityMiller
4. Annual THDA Volume Cap UpdateMiller
5. Issue 2019-4 State Form CT-0253Miller
6. AdjournHedges

LOCATION

Conference Room G-11
State Capitol, Ground Floor
Nashville, Tennessee 37243

COMMITTEE MEMBERS

Mike Hedges, Chair
Secretary Tre Hargett
Treasurer David Lillard
Commissioner Stuart McWhorter
Comptroller Justin Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
November 18, 2019

Pursuant to the call of the Chair, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Monday, November 18, 2019, at 2:00 P.M. in Conference Room G-11, State Capitol, Nashville, Tennessee. The following members were present: Michael Hedges (*Chair*), Secretary of State Tre Hargett, Kevin Bradley (for Treasurer David Lillard), Katie Armstrong (for Comptroller Justin Wilson). Colleen Daniels (for Commissioner of Finance and Administration Stuart McWhorter) participated by conference call.

Recognizing a quorum present, Chair Hedges called the meeting to order and called for consideration of the minutes from the November 6, 2019, Committee meeting. Upon motion by Kevin Bradley, seconded by Colleen Daniels, the minutes were unanimously approved.

Chair Hedges then recognized Lynn Miller, THDA Chief Legal Counsel, to present the authorization of Issue 2020-1 Bonds. Ms. Miller presented the following documents that were circulated earlier for the Committee's consideration:

- a memorandum regarding Issue 2020-1 from Ms. Miller, dated November 18, 2019, that described the documents to be considered, explained how the authorization for Issue 2020-1 complied with THDA's Debt Management Policy, and included recommendations regarding bookrunning senior manager and rotating co-manager based on information provided by CSG Advisors Incorporated ("CSG"), financial advisor for THDA;
- a memorandum from CSG dated November 12, 2019, that recommended authorization of Issue 2020-1 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$200 million, with an economic refunding component, and for Citigroup Global Markets, LLC to serve as bookrunning senior manager and for Robert W. Baird to serve as the rotating co-manager;
- the Plan of Financing for Issue 2020-1 in an aggregate principal amount not to exceed \$200 million to be considered by the Committee ("Plan of Financing");
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2020-1 under the 2013 General Resolution, and delegating authority to the Committee to determine all final terms and conditions of the Issue 2020-1 bonds ("Authorizing Resolution");
- the form of Supplemental Resolution for Issue 2020-1; and
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2020-1 in an amount not to exceed \$75 million ("Reimbursement Resolution").

Ms. Miller noted that Issue 2019-4 priced on November 6, 2019 and that approximately \$168 million in proceeds will be available after closing on December 11, 2019. She further noted that as of close of business on November 15, 2019, nearly \$80 million was already committed against Issue 2019-4 with commitments against Issue 2020-1 to start sometime in February 2020.

Upon motion by Ms. Daniels, second by Ms. Armstrong, the Plan of Financing was approved and the Authorizing Resolution and the Reimbursement Resolution were recommended to the Board of Directors, with the following roll call vote:

Chair Hedges:	Yes
Secretary Hargett:	Yes
Mr. Bradley for Treasurer Lillard:	Yes
Ms. Daniels for Commissioner McWhorter:	Yes
Ms. Armstrong for Comptroller Wilson:	Yes

Chair Hedges recognized Ms. Miller who referenced a memo from CSG dated November 6, 2019, that contained a review of underwriter performance for calendar year 2019. She called on Tim Rittenhouse and David Jones, with CSG, who participated by conference call, to provide additional information. Mr. Rittenhouse indicated that CSG found a continuing strong performance from the group. He noted the selling group continued to shrink largely because of attrition within the industry, however, this did not detract from the overall success of the group. Mr. Rittenhouse indicated the underwriting team performed very well with each of the senior managers performing substantially better when they were the bookrunning senior manager. Mr. Rittenhouse indicated that CSG did not have any recommendations for changes to the underwriter team. He noted that CSG's expectations going forward were that volume cap would be more of a challenge and recommended that THDA develop strategies to address volume cap concerns.

Ms. Miller next reviewed her memo dated November 12, 2019, regarding the THDA statutory debt limit as required by the THDA Debt Management Policy. She noted that the statutory limit of \$2,930,000,000 was established in 2008 and that the principal amount of THDA's outstanding bonds is approaching the limit. She explained that THDA staff is in discussions with the legislature to increase the statutory limit to \$5,000,000,000. Ralph Perrey, Executive Director of THDA, noted that a \$5,000,000,000 debt limit would provide for THDA's debt issuances through the middle of the next decade. No action was required.

Chair Hedges recognized Wayne Beard, THDA Director of Finance, who referenced his memorandum dated November 15, 2019, describing the annual update of the THDA Five-Year Financial Plan ("Plan") Mr. Beard noted that staff worked with CSG on the assumptions used to prepare the Plan. He noted the following highlights for fiscal year 2019:

- Refunded approximately \$23.3 million of bonds resulting in reduced bond interest expense;
- Reduced outstanding debt that carries the State's moral obligation pledge to 6.34% of total bonds outstanding;
- Purchased over \$649 million in mortgages loans;
- Maintained overall program asset to debt ratio (PADR) across all THDA general bond resolutions as of June 30, 2019 at 1.16.

He also noted that the Plan demonstrates that THDA will be able to maintain its current programs over the next five years, based on the following:

- Average annual mortgage origination production of approximately \$440,000,000 with use of approximately \$72,000,000 of the zero percent bond proceeds over that time;
- Reduction of the amount of THDA bonds with the State's moral obligation pledge will be reduced to approximately \$50,000,000;
- Net withdrawals of approximately \$164.8 million for down payment assistance for conventional loans as well as the bond program loans; \$41.5 million for the Tennessee Housing Trust Fund and \$24.4 million for New Start Program Loans will be made over the next five years.

No further action was required.

Chair Hedges indicated the next item for consideration was the review of the State Form CT-0253, Report on Debt Obligation (the "Report") for Issue 2019-3. He recognized Ms. Miller who explained that the Report is statutorily required to be prepared for every bond sale and must be submitted to the Board of Directors for review. She indicated the Report was filed with the Comptroller's Office on November 13, 2019, within the 45-day filing period. Ms. Miller further indicated that incorrect amounts were listed for Moody's and Standard and Poor's fees on the State Form that was circulated and filed earlier, so an amended State Form CT-0253 was filed with the Office of the Comptroller on November 15, 2019 to reflect the corrected amounts. No action was required.

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

Respectfully submitted,

Sandra Thompson
Assistant Secretary

Approved the _____ day of January, 2020.

MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee

FROM: Tim Rittenhouse, David Jones & Eric Olson

SUBJECT: Recommendation for a Bond Cap Recycling “Draw Down” Program

RE: Residential Finance Program Bonds

DATE: January 13, 2020

Executive Summary

- With limited private activity volume cap for tax-exempt bonds and THDA’s growing mortgage loan production, in 2019 THDA began recycling bond principal payments (through “replacement refundings”) and will begin to use taxable bond components (when practical) to extend THDA’s ability to finance its single family mortgage loans under the Residential Finance Program.
- To provide greater flexibility to gather and use bond cap from bond principal repayments, CSG recommends initiating a draw down program.

Background

As a result of increased demand for THDA’s Great Choice mortgage loan program, THDA issued \$725 million in tax-exempt mortgage revenue bonds in calendar year 2019, used to fund more than \$685 million in new mortgage loans. In calendar year 2018, THDA issued a total of \$635 million in total tax-exempt mortgage revenue bonds, funding \$606 million in new mortgage loans. Compared to bonds issued for new production in 2017, these represent increases of 38% and 56% in calendar years 2018 and 2019, respectively (summarized below). THDA expects single family mortgage loan production will continue to be strong in 2020.

Calendar Year	Bonds Issued	Bonds for New Loans	% Increase over 2017
2017	\$ 475	\$ 440	-
2018	635	606	38%
2019	725	685	56%

- in \$ millions.

Available Volume Cap

Of the private activity volume cap awarded to THDA from the state each year, THDA has the capacity to store such volume cap as “carryforward”, preserving it for a period of up to three years.

THDA Volume Cap	Original Amount	Amount Remaining	Expiration Date
2016	\$ 494	\$ -	-
2017	467	249	12/31/20
2018	369	369	12/31/21
2019	420 (est)	420 (est)	12/31/22
Total	\$ 1,750	\$ 1,038	

Over the last three years the amount of volume cap THDA received on average was \$418.6 million (2017 through estimated 2019). Compared to the \$685 million in bonds that THDA issued for new production in 2019, if production continues at the current pace, THDA will consume all of its available volume cap in the next few years, limiting its ability to continue to offer its Great Choice mortgage loan program to first-time homebuyers.

Actions to Preserve Volume Cap

There are three primary methods of reducing the amount of volume cap used in each new issue of bonds:

1. Replacement Refunding of Prior Bonds

- Unlike economic refundings in which THDA issues new bonds at lower rates to refund older bonds with higher interest costs, a “replacement refunding” is a procedure for tax purposes that permits THDA to preserve the volume cap from its prior maturing and prepaying bonds. Within a number of tax law constraints, the effect is that the private activity issuance authority from the repaying bonds can be rolled forward into new bonds to fund new eligible mortgage loans, trimming the use of new bond cap.
- In early 2019, THDA and CSG identified the need to begin to reduce the amount of new volume cap consumed by each new transaction. Beginning with Issue 2019-2 in June, THDA included replacement refundings in its 2019 bond issues. In 2019 THDA replacement refunded \$82.7 million of bonds, lowering the amount of new volume cap needed.
- A key tax law constraint is that amounts to be replacement refunded must be known when a new bond issue closes. The impact is that each bond issue can replacement refund bonds from only the next one or two months of upcoming bond redemptions, limiting the prior bond cap that can be recycled.

2. Using a Draw Down Facility to Recycle Volume Cap

- Similar to replacement refunding, a draw down facility would extend THDA’s ability to store volume cap from bond repayments, as prior bonds are repaid each month. With a draw down program in place, THDA can preserve volume cap in the draw down facility as prior bonds are redeemed, using that volume cap in the future when its next set of bonds are issued.
- Without a draw down facility, THDA could replacement refund approximately \$100 to \$120 million in bonds in 2020, based on recent prepayment history and scheduled principal payments. We estimate a draw down facility could increase the annual amount of bonds to be replacement refunded to \$170 million or more with greater flexibility to accommodate the timing of new issues.

3. Blending Taxable Bonds

- Facing shortages of new volume cap, a number other state housing finance agencies have issued new bonds that blend tax-exempt mortgage revenue bonds with taxable bonds. Taxable bonds do not use volume cap, but they carry higher interest costs.

- The benefits of including taxable bonds was discussed in our memo of December 16, 2019 for Issue 2020-1. Based on interest rates at that time, including 20% taxable bonds within Issue 2020-1 appeared to be an appropriate target, considering the volume cap savings and the amount of zeros THDA has at its disposal to support the issuance of taxable bonds in future transactions. *The exact amount of taxable bonds to be issued is subject to rates at the time of pricing and will be reviewed further.*

Implementing a Draw Down Program

A few investment banks and regional Federal Home Loan Banks (“FHLB”) have been the primary providers of draw down facilities to state housing finance agencies. RBC has been a leader in providing draw down notes, and bankers at Raymond James and Citi also were active in the early 2000’s, when volume cap was in short supply for many HFAs. The FHLB-Cincinnati may also be a candidate. (The FHLBs in Des Moines and Topeka currently provide such facilities for HFAs in the regions they serve. The FHLBs in Atlanta and Dallas were providers in the past.) We would propose to request proposals from THDA’s senior managers and the FHLB-Cincinnati, compare terms, and prepare documentation to initiate a draw down program that best meets THDA’s needs.

When prior THDA bonds repay, those bonds are temporarily refunded into short term taxable notes. The proceeds of the notes are reinvested at a short-term program rate. When new tax-exempt proceeds are needed, the notes under the draw down program may be refunded into the new tax-exempt bond issue, preserving the private activity volume cap used for the prior THDA bonds. As noted above, the advantage of a draw down program over replacement refunding is that it allows greater flexibility in timing new bond issues, permitting cap authority from more repaying prior bonds to be preserved and allowing flexibility for new bonds issues to be scheduled as needed, instead of timed around THDA’s redemption schedule.

Typically, the costs of a draw down program are modest. Initial costs relate to drafting acceptable documentation. Ongoing interest carry expenses have averaged 0.30% of the amount of bonds carried in the program – the difference between a short-term taxable note rate and the reinvestment rate under the program. Also typical are fees on the unused amount of the draw down facility commitment, usually in the range of 0.15% to 0.20% per annum. In addition, there are ongoing legal and monitoring costs, as draws on a facility are made and refunded. We are familiar with both Minnesota Housing’s draw down program (provided by RBC, where Kutak Rock serves as bond counsel, and CSG is financial advisor), as well as a program for Colorado Housing (provided by the FHLB-Topeka; Kutak Rock is bond counsel; and CSG is financial advisor).

CSG Advisors recommends that:

- THDA Bond Finance Committee authorize a draw down bond program to capture private activity bond cap from repaying bond principal, relying on THDA and the Office of State and Local Finance to survey existing providers, select one, develop satisfactory program documentation, and begin the operation of a program.
 - Authorize a draw down program for of up to \$150 million of capacity at any one time under a renewing facility with a term of up to three years.
- THDA report to the Bond Finance Committee on the status of the draw down program at least annually.

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
FOR A REVOLVING LINE OF CREDIT AND/OR ISSUANCE OF NOTES
FOR THE PURPOSE OF REFUNDING THDA BONDS

January 29, 2020

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

AMOUNT:

THDA may enter into a revolving line of credit (an “LOC”) and/or issue notes in one or more series (the “Notes”), as designated by the Bond Finance Committee of the THDA Board of Directors (the “Bond Finance Committee”). Any Notes may be issued under that certain trust indenture if and when adopted (the “2020 Trust Indenture”).

The aggregate cumulative principal amount of any LOC and all series of Notes approved under this Plan of Financing shall not exceed \$300,000,000. The actual cumulative aggregate principal amount shall be determined by the Bond Finance Committee upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by bond counsel of THDA, Kutak Rock LLP (“Bond Counsel”) and may take into account the following limitations and other factors:

- (1) the amount of bonds or notes that may be issued pursuant to the Act; and
- (2) the amounts projected to be necessary to refund bonds outstanding under the General Residential Finance Program Bond Resolution (the “2013 General Resolution”), the General Homeownership Program Bond Resolution (the “1985 General Resolution”), or the General Housing Finance Resolution (the “2009 General Resolution”) as a result of repayments, prepayments, proceeds on hand, excess revenues, or maturing principal; and
- (3) the availability of THDA’s funds, subject to the review of the Bond Finance Committee, for the purpose of providing for payment of the costs of issuance of the LOC and/or Notes, payment of interest with respect to the LOC and/or Notes, funding reserve funds (if any), providing additional security for the LOC and/or Notes, maintaining availability of THDA loans, and preserving private activity bond volume cap assigned to THDA.

APPLICATION
OF PROCEEDS:

Proceeds of draws under the LOC and/or the Notes will be applied to the redemption or payment at maturity of certain THDA bonds outstanding under the 2013 General Resolution, the 2009 General Resolution or the 1985 General Resolution. Proceeds from bonds so redeemed or paid will be held in escrow as collateral for the LOC and/or Notes, pending the issuance of additional bonds to repay the LOC and/or refund any series of Notes, at which time, the resulting proceeds will generally be applied as follows:

- 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 AGREEMENT:

The award of the LOC or sale of the Notes will take place through a request for proposals and will occur no later than December 31, 2020. THDA will prepare for the request for proposals with the aid of its financial advisor, CSG Advisors Incorporated, and its Bond Counsel. The Bond Finance Committee will determine the final terms of the LOC and/or Notes upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA's Bond Counsel.

MATURITIES:

The LOC and/or Notes shall have a maturity as determined by 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.

INTEREST RATES:

The interest rate applicable to any draws under the LOC and/or on the Notes may be fixed or variable as may be determined by 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.

REDEMPTION TERMS:

The LOC and/or each series of Notes may be subject to repayment or redemption prior to maturity on such terms as determined by 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.

LOAN INTEREST RATE AND
COST OF ADMINISTRATION

Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on any loans funded through the repayment or refunding of the LOC and/or Notes will not exceed 112.5 basis points over the yield on any tax-exempt bonds issued and sold to repay or refund the LOC and/or the Notes.

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING A REVOLVING LINE OF CREDIT AND/OR THE ISSUANCE OF NOTES
FOR THE PURPOSE OF REFUNDING THDA BONDS

January 29, 2020

WHEREAS, the Tennessee Housing Development Agency (“THDA”) regularly has repayments and prepayments from mortgage loans on hand that can be used to redeem certain outstanding tax-exempt bonds; and

WHEREAS, the volume cap associated with such tax-exempt bonds is an important resource for THDA’s continued ability to issue tax-exempt bonds to purchase eligible mortgage loans for qualified borrowers in the State; and

WHEREAS, such volume cap is, however, lost when the need for bond redemptions does not coincide with normal THDA bond issuance; and

WHEREAS, opportunities exist to preserve this volume cap through the use of revolving lines of credit provided by various financial institutions, and/or the issuance of Notes;

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on January 28, 2020, approved a plan of financing for a revolving line of credit (an “LOC”) and/or the issuance of notes (the “Notes”), in a cumulative aggregate par amount up to \$300,000,000, for the purpose of refunding THDA Bonds (the “Plan of Financing”); and

WHEREAS, the Plan of Financing provides for an LOC and/or the issuance of one or more series of Notes, with the Notes, if any, to be issued under a new trust indenture, all at the election of the Committee; and

WHEREAS, the Plan of Financing provides that a request for proposals shall be made for the LOC and/or Notes, with the final selection of the provider and/or purchaser of the LOC and/or Note, any related documentation and final terms thereof, all at the election of the Committee; and

WHEREAS, THDA on January 29, 2020, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 14, 2020, 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, the Board wishes to authorize the Committee to proceed with a LOC and/or the issuance of the Notes to preserve volume cap available to THDA and 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 LOC and/or issuance of all or any series of Notes, in an aggregate par amount not to exceed \$300,000,000, 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. The Committee is expressly authorized to adopt a new trust indenture for the Notes, if necessary, and to approve multiple LOCs or the issuance of multiple individual series of Notes thereunder, so long as the maximum cumulative par amount is not exceeded, all 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.

2. 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.

3. The Committee is authorized to (a) select a provider or purchaser of the LOC and/or Notes; (b) designate multiple LOCs or series or sub-series of Notes, as needed; (c) designate fixed or variable interest rates applicable to the LOC and/or Notes; (d) approve a final terms for the LOC and/or each series of Notes; (e) approve a final principal amount or amounts for each LOC and/or each series of Notes, not to exceed a cumulative par amount of \$300,000,000; (f) determine all other final terms of each LOC and/or each series of Notes, in accordance with this Resolution, the Plan of Financing and a new trust indenture, if any, and any other necessary related documents, if and when approved by the Committee; (g) approve the final version of all documents deemed necessary, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Committee, upon the recommendation of the Executive Director and 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 LOC and/or each series of Notes; and (h) award the LOC and/or Notes in accordance therewith. At the discretion of the Committee, the LOC and/or the Notes may include any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Residential Finance Program Bond Resolution, the General Homeownership Program Bond Resolution, or the General Housing Finance Resolution, including, without limitation, to preserve volume cap.

4. 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 LOC and/or the issuance of all or any portion of the Notes.

5. The Secretary of the Committee, or the Chair, the Vice Chair, or the Executive Director of THDA is hereby authorized to (i) execute the proposal submitted by the lowest bidder or bidders for the LOC and/or all or any portion of Notes, as approved by the Committee, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to execute the LOC and/or deliver the Notes and any related documents as appropriate.

6. 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, or that are otherwise required to be done and performed prior to or simultaneously with the LOC and/or the issuance of any series of Notes.

7. 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 entry into the LOC and/or the issuance of any series of Notes or that are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the LOC and/or the issuance of any series of Notes.

8. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on January 29, 2020.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: January 17, 2020
TO: Bond Finance Committee
FROM: Lynn E. Miller *LEM*
SUBJECT: Annual Volume Cap Update

Late yesterday afternoon, THDA received informal information from the Department of Economic and Community Development ("ECD") that the initial 2020 allocation of volume cap to THDA will be \$250,972,050. This amount could change and the official amount will be contained in a letter from ECD that we expect shortly.

Due to the timing of receipt of this information, the volume cap annual update memo will be circulated late, but prior to the Bond Finance Committee meeting on January 28, 2020.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: January 16, 2020
TO: Bond Finance Committee
Board of Directors
FROM: Lynn E. Miller, Chief Legal Counsel *LEM*
SUBJECT: Issue 2019-4 State Form CT-0253 FINAL (the "State Form")

Attached please find the State Form for Issue 2019-4 that priced on November 6, 2019, and closed December 11, 2019. A copy of the State Form was filed with the Office of the Comptroller on January 21, 2020. To meet the reporting requirement pursuant to TCA Section 9-21-151(c)(2), the State Form will be presented at the January Bond Finance Committee and Board meetings.

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

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

Fees/Expenses ¹ Paid To:	2013 Resolution			
	\$200,000,000 Issue 2019-4	\$150,000,000 Issue 2019-3	\$200,000,000 Issue 2019-2	\$175,000,000 Issue 2019-1
Financial Advisor	\$ 37,500	\$ 47,500	\$ 60,000	\$ 70,000
Bond Counsel	35,000	35,000	35,000	35,000
Trustee	10,000	7,500	10,000	8,750
Bookrunning Underwriter	1,170,611	899,578	1,161,298	1,041,754
Moody's	105,000	90,000	105,000	90,000
Standard & Poor's	109,000	85,000	109,000	91,000
i-Deal	1,500	1,500	1,500	1,500
General Services Print Shop	1,091	1,070	1,077	1,250
Total Fees/Expenses Per Bond Issue	\$ 1,469,702	\$ 1,167,148	\$ 1,482,875	\$ 1,339,254

1. rounded to the nearest \$

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

LEM/ap

Attachment

REPORT ON DEBT OBLIGATION

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

1. Public Entity:

Name: Tennessee Housing Development Agency

Address: Andrew Jackson Building, Third Floor, 502 Deaderick Street
Nashville, TN 37243-0200

Debt Issue Name: Issue 2019-4

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

2. Face Amount:\$ 200,000,000.00Premium/Discount: \$ See Attachment 1**3. Interest Cost:**2.8270 %

*Excluding Underwriter's Discount

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

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

5. Ratings:☐ UnratedMoody's Aa1Standard & Poor's AA+

Fitch _____

6. Purpose:**BRIEF DESCRIPTION**☐ General Government _____ %☐ Education _____ %☐ Utilities _____ %☒ Other 84.10 %☒ Refunding/Renewal 15.90 %Single Family HousingRefunding of Single Family Housing Bonds**7. Security:**☐ General Obligation☐ Revenue☐ Annual Appropriation (Capital Lease Only)☐ General Obligation + Revenue/Tax☐ Tax Increment Financing (TIF)☒ Other (Describe): Special Limited Obligation**8. Type of Sale:**☐ Competitive Public Sale☒ Negotiated Sale☐ Informal Bid☐ Interfund Loan _____☐ Loan Program _____**9. Date:**Dated Date: 12/11/2019Issue/Closing Date: 12/11/2019

REPORT ON DEBT OBLIGATION

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

10. Maturity Dates, Amounts and Interest Rates *:

Year	Amount	Interest Rate	Year	Amount	Interest Rate
	\$ See Attachment 2	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%
	\$	%		\$	%

If more space is needed, attach an additional sheet.

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

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

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

	AMOUNT (Round to nearest \$)	FIRM NAME
Financial Advisor Fees	\$ 37,500	CSG Advisors Incorporated
Legal Fees	\$ 0	
Bond Counsel	\$ 35,000	Kutak Rock
Issuer's Counsel	\$ 0	
Trustee's Counsel	\$ 0	
Bank Counsel	\$ 0	
Disclosure Counsel	\$ 0	
Paying Agent Fees	\$ 0	
Registrar Fees	\$ 0	
Trustee Fees	\$ 10,000	US Bank, NA
Remarketing Agent Fees	\$ 0	
Liquidity Fees	\$ 0	
Rating Agency Fees	\$ 214,000	Moody's and S & P
Credit Enhancement Fees	\$ 0	
Bank Closing Costs	\$ 0	
Underwriter's Discount _____%		
Take Down	\$ 1,089,213	RBC Capital Markets, LLC ("RBC")
Management Fee	\$ 30,000	RBC
Risk Premium	\$ 0	
Underwriter's Counsel	\$ 25,000	Hawkins Delafield & Wood
Other expenses	\$ 26,399	RBC
Printing and Advertising Fees	\$ 2,591	i-Deal and TN General Services Printing Division
Issuer/Administrator Program Fees	\$ 0	
Real Estate Fees	\$ 0	
Sponsorship/Referral Fee	\$ 0	
Other Costs _____	\$ 0	
TOTAL COSTS	\$ 1,469,702	

REPORT ON DEBT OBLIGATION

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

12. Recurring Costs:☒ No Recurring Costs

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

13. Disclosure Document / Official Statement:☐ None Prepared☐ EMMA link☒ Copy attached

See Attachment 3: Issue 2019-4 Supplemental Resolution and
See Attachment 4: Issue 2019-4 Official Statement or

14. Continuing Disclosure Obligations:

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

☒ Yes ☐ No

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

☒ Yes ☐ NoIf yes to either question, date that disclosure is due 210 days after end of each Fiscal YearName and title of person responsible for compliance Trent Ridley, Chief Financial Officer/Lynn Miller, Chief Legal Counsel**15. Written Debt Management Policy:**

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

11/28/2011, as amended

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

☒ Yes ☐ No**16. Written Derivative Management Policy:**☒ No derivative

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

Date of Letter of Compliance for derivative

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

☐ Yes ☐ No**17. Submission of Report:**

To the Governing Body:

on 01/21/2020and presented at public meeting held on 01/29/2020

Copy to Director to OSF:

on 01/21/2020

either by:

☐ Mail to:

Cordell Hull Building
425 Fifth Avenue North, 4th Floor
Nashville, TN 37243-3400

OR

☒ Email to:SLF.PublicDebtForm@cot.tn.gov**18. Signatures:**

	AUTHORIZED REPRESENTATIVE	PREPARER
Name	<u>Lynn E. Miller</u>	Lynn E. Miller
Title	<u>Executive Director</u>	Chief Legal Counsel
Firm	<u>Tennessee Housing Development Agency</u>	Tennessee Housing Development Agency
Email	<u>RPerrey@thda.org</u>	<u>LMiller@thda.org</u>
Date	<u>12/11/2019</u>	<u>12/11/2019</u>

2. PREMIUM/DISCOUNT:

Includes the original issue premium of \$7,205,520.00 on the Issue 2019-4 PAC
Bonds maturing January 1, 2050

10. MATURITY DATES, AMOUNTS AND INTEREST RATES

\$200,000,000 Issue 2019-4 (Non-AMT)

\$44,825,000 Serial Bonds						
<u>Year</u>	<u>Principal Amount Due January 1</u>	<u>Interest Rate</u>	<u>CUSIP Number⁽¹⁾</u>	<u>Principal Amount Due July 1</u>	<u>Interest Rate</u>	<u>CUSIP Number⁽¹⁾</u>
2020				\$ 730,000	1.20 %	880461D47
2021	\$ 1,470,000	1.25%	880461D54	1,650,000	1.30	880461D62
2022	1,660,000	1.40	880461D70	1,680,000	1.40	880461D88
2023	1,695,000	1.50	880461D96	1,710,000	1.50	880461E20
2024	1,725,000	1.60	880461E38	1,745,000	1.60	880461E46
2025	1,760,000	1.70	880461E53	1,775,000	1.70	880461E61
2026	1,800,000	1.80	880461E79	1,815,000	1.85	880461E87
2027	1,840,000	1.90	880461E95	1,860,000	1.95	880461F29
2028	1,880,000	2.00	880461F37	1,905,000	2.05	880461F45
2029	1,925,000	2.10	880461F52	1,950,000	2.15	880461F60
2030	1,975,000	2.20	880461F78	2,000,000	2.25	880461F86
2031	2,025,000	2.30	880461F94	2,055,000	2.35	880461G28
2032	2,085,000	2.40	880461G36	2,110,000	2.45	880461G44

\$155,175,000 Term Bonds			
<u>Maturity Date</u>	<u>Principal Amount Due</u>	<u>Interest Rate</u>	<u>CUSIP Number⁽¹⁾</u>
July 1, 2034	\$ 8,755,000	2.65 %	880461G51
July 1, 2039	24,475,000	2.90	880461G69
July 1, 2044	19,345,000	3.05	880461G77
July 1, 2049	18,600,000	3.10	880461G85
January 1, 2050 (PAC)	84,000,000	3.50	880461G93

PRICE OF ISSUE 2019-4 BONDS DUE JANUARY 1, 2050 (PAC): 108.578%

PRICE OF ALL REMAINING ISSUE 2019-4 BONDS: 100.000%

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

13.DISCLOSURE DOCUMENT:

TENNESSEE HOUSING DEVELOPMENT AGENCY

**A Supplemental Resolution
Authorizing the Sale of
Residential Finance Program Bonds
\$200,000,000 Issue 2019-4 (Non-AMT)**

Adopted September 24, 2019
as amended and supplemented
by the Bond Finance Committee
of THDA on November 6, 2019

ARTICLE I
DEFINITIONS AND AUTHORITY

Section 1.01.	Short Title	1
Section 1.02.	Definitions.....	1
Section 1.03.	Authority for this Resolution	3

ARTICLE II
TERMS AND ISSUANCE

Section 2.01.	Issue Amount and Designation	3
Section 2.02.	Purposes	4
Section 2.03.	Amounts, Maturities and Interest Rates.....	4
Section 2.04.	Denominations, Numbers and Letters.....	5
Section 2.05.	Paying Agent.....	5
Section 2.06.	Execution of Bonds	5
Section 2.07.	Place of Payment; Record Date	6
Section 2.08.	Sinking Fund Redemption Provisions	6
Section 2.09.	Optional Redemption	7
Section 2.10.	Special Optional Redemption	8
Section 2.11.	Special Mandatory Redemptions	9
Section 2.12.	Selection by Lot	10
Section 2.13.	Purchase of Bonds by THDA or Trustee	11

ARTICLE III
SALE AND DELIVERY

Section 3.01.	Sale.....	11
---------------	-----------	----

ARTICLE IV
DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01.	Proceeds of the Issue 2019-4 Bonds	11
Section 4.02.	Loan Fund; Bond Reserve Fund Requirement.....	12
Section 4.03.	Program Loan Determinations.....	12

ARTICLE V
FORM OF BONDS, AND TRUSTEE’S CERTIFICATE OF AUTHENTICATION

Section 5.01.	Form of Bonds	13
Section 5.02.	Form of Trustee’s and Authenticating Agent’s Certificate of Authentication.....	14

ARTICLE VI
MISCELLANEOUS

Section 6.01.	No Recourse Against Members or Other Persons	14
---------------	--	----

Section 6.02.	Bonds not Debt, Liability or Obligation of the State or the United States of America	14
Section 6.03.	Delivery of Projected Cash Flow Statements	14
Section 6.04.	Authorized Officers	15
Section 6.05.	Authorized Trustee.....	15
Section 6.06.	Covenant to Comply with Federal Tax Law Requirements.....	15
Section 6.07.	Continuing Disclosure Undertaking	15
Section 6.08.	Confirmation and Adjustment of Terms by Committee	18
Section 6.09.	Effective Date	18

EXHIBIT A	BOND PURCHASE AGREEMENT
EXHIBIT B	PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS AND 400% PSA PREPAYMENT AMOUNT TABLE
EXHIBIT C	FORM OF BOND

**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS
\$200,000,000 ISSUE 2019-4 (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 2019-4 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

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

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

“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2019-4 Bonds (including the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.

“*Bond Purchase Agreement*” means the contract for the purchase of the Issue 2019-4 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

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

“*Co-Managers*” means J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and Wiley Brothers–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 2019-4 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2019-4 Bonds (including the Transferred Program Loans) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-4 Bonds.

“Issue 2019-4 Bonds” means the Issue 2019-4 Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“Issue Date” means the date on which the Issue 2019-4 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on December 11, 2019.

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

“Official Statement” means the Official Statement dated November 6, 2019 used in connection with the sale of the Issue 2019-4 Bonds.

“PAC Bonds” means the Issue 2019-4 Bonds in the aggregate principal amount of \$84,000,000 maturing January 1, 2050.

“PAC Bonds Planned Amortization Amount” means the cumulative amount of PAC Bonds expected to be redeemed upon the receipt of Excess 2019-4 Principal Payments at a rate equal to 100% PSA, as set forth in Exhibit B hereto.

“Preliminary Official Statement” means the Preliminary Official Statement dated October 30, 2019, used in connection with the offering of the Issue 2019-4 Bonds.

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

“Refunded Bonds” means the bonds of THDA set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-4 Bonds.

“Resolution” means this Supplemental Resolution adopted by THDA on September 24, 2019, as amended and supplemented by the Bond Finance Committee on November 6, 2019.

“Serial Bonds” means the Issue 2019-4 Bonds which are not Term Bonds.

“Term Bonds” means, collectively, the Issue 2019-4 Bonds maturing July 1, 2034, July 1, 2039, July 1, 2044, July 1, 2049 and January 1, 2050.

“Transferred Investments” means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2019-4 Bonds upon the refunding of the Refunded Bonds.

“Transferred Proceeds” means the amount on deposit in the Issue 2019-4 Bond Subaccount of the Loan Fund subsequent to the refunding of the Refunded Bonds, as set forth in a certificate of THDA to be delivered on or before the date of issuance of the Issue 2019-4 Bonds.

“Transferred Program Loans” means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2019-4 Bonds upon the refunding of the Refunded Bonds.

“Underwriters” means, collectively, RBC Capital Markets, LLC, Citigroup Global Markets Inc. and Raymond James & Associates, Inc., their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2019-4 Bonds.

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

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

(e) Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans as well as new Program Loans and, without duplication, Program Securities, and the phrase “Program Loans allocable to the Issue 2019-4 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2019-4 Bonds.

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

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2019-4 are hereby authorized to be issued in the aggregate principal amount of \$200,000,000. In addition to the title “Residential Finance Program Bond,” the Issue 2019-4

Bonds will bear the additional designation “Issue 2019-4 (Non-AMT).” The Issue 2019-4 Bonds shall be issued only in fully registered form. The Issue 2019-4 Bonds will consist of \$44,825,000 principal amount of Serial Bonds and \$155,175,000 principal amount of Term Bonds.

Section 2.02. Purposes. The Issue 2019-4 Bonds are being issued (a) to refund the Refunded Bonds, (b) to finance Program Loans, or participations therein, on single family residences located within the State, (c) if required, to pay capitalized interest on the Issue 2019-4 Bonds, (d) if required, to make a deposit in the Bond Reserve Fund, and (e) if required, to pay certain costs of issuance relating to the Issue 2019-4 Bonds. As a result of the refunding of the Refunded Bonds, the Transferred Proceeds, the Transferred Program Loans and the Transferred Investments will become allocated to the Issue 2019-4 Bonds.

The proceeds of the Issue 2019-4 Bonds, the Transferred Proceeds and the Transferred Investments shall be applied in accordance with Article IV hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2019-4 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing July 1, 2020, at the rate set opposite such date in the following tables:

Issue 2019-4 Bonds

Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
July 1, 2020	\$ 730,000	1.20%	January 1, 2027	\$ 1,840,000	1.90%
January 1, 2021	1,470,000	1.25	July 1, 2027	1,860,000	1.95
July 1, 2021	1,650,000	1.30	January 1, 2028	1,880,000	2.00
January 1, 2022	1,660,000	1.40	July 1, 2028	1,905,000	2.05
July 1, 2022	1,680,000	1.40	January 1, 2029	1,925,000	2.10
January 1, 2023	1,695,000	1.50	July 1, 2029	1,950,000	2.15
July 1, 2023	1,710,000	1.50	January 1, 2030	1,975,000	2.20
January 1, 2024	1,725,000	1.60	July 1, 2030	2,000,000	2.25
July 1, 2024	1,745,000	1.60	January 1, 2031	2,025,000	2.30
January 1, 2025	1,760,000	1.70	July 1, 2031	2,055,000	2.35
July 1, 2025	1,775,000	1.70	January 1, 2032	2,085,000	2.40
January 1, 2026	1,800,000	1.80	July 1, 2032	2,110,000	2.45
July 1, 2026	1,815,000	1.85			

Term Bonds

Maturity Date	Principal Amount	Interest Rate
July 1, 2034	\$ 8,755,000	2.65%
July 1, 2039	24,475,000	2.90
July 1, 2044	19,345,000	3.05
July 1, 2049	18,600,000	3.10
January 1, 2050 (PAC)	84,000,000	3.50

(b) Whenever the due date for payment of interest on or principal of the Issue 2019-4 Bonds or the date fixed for redemption of any Issue 2019-4 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2019-4 Bonds 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 2019-4 Bonds maturing in such year. The Issue 2019-4 Bonds are to be lettered "R" and numbered separately from 1 consecutively upwards.

(b) The Issue 2019-4 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2019-4 Bond will be outstanding for each maturity and interest rate of the Issue 2019-4 Bonds in the aggregate principal amount of such maturity and interest rate. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2019-4 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2019-4 Bonds will not receive certificates representing their interest in the Issue 2019-4 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2019-4 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2019-4 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2019-4 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2019-4 Bonds shall be executed by the manual or facsimile signature of the Chairperson or Vice Chairperson and the seal of THDA or a

facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2019-4 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2019-4 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2019-4 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2019-4 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2019-4 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2019-4 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2019-4 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2019-4 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2019-4 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2019-4 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2019-4 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2019-4 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

Issue 2019-4 Term Bonds due July 1, 2034

Date	Amount Due	Date	Amount Due
January 1, 2033	\$2,140,000	January 1, 2034	\$2,205,000
July 1, 2033	2,170,000	July 1, 2034*	2,240,000

*Maturity

Issue 2019-4 Term Bonds due July 1, 2039

Date	Amount Due	Date	Amount Due
January 1, 2035	\$2,275,000	July 1, 2037	\$2,465,000
July 1, 2035	2,310,000	January 1, 2038	2,505,000
January 1, 2036	2,350,000	July 1, 2038	2,545,000
July 1, 2036	2,385,000	January 1, 2039	2,590,000
January 1, 2037	2,420,000	July 1, 2039*	2,630,000

*Maturity

Issue 2019-4 Term Bonds due July 1, 2044

Date	Amount Due	Date	Amount Due
January 1, 2040	\$2,675,000	July 1, 2042	\$1,600,000
July 1, 2040	2,720,000	January 1, 2043	1,625,000
January 1, 2041	2,575,000	July 1, 2043	1,655,000
July 1, 2041	1,560,000	January 1, 2044	1,685,000
January 1, 2042	1,570,000	July 1, 2044*	1,680,000

*Maturity

Issue 2019-4 Term Bonds due July 1, 2049

Date	Amount Due	Date	Amount Due
January 1, 2045	\$1,710,000	July 1, 2047	\$1,875,000
July 1, 2045	1,745,000	January 1, 2048	1,910,000
January 1, 2046	1,775,000	July 1, 2048	1,945,000
July 1, 2046	1,805,000	January 1, 2049	1,980,000
January 1, 2047	1,845,000	July 1, 2049*	2,010,000

*Maturity

Issue 2019-4 Term Bonds due January 1, 2050 (PAC)

Date	Amount Due	Date	Amount Due
July 1, 2020	\$ 600,000	July 1, 2035	\$ 1,345,000
January 1, 2021	785,000	January 1, 2036	1,370,000
July 1, 2021	800,000	July 1, 2036	1,395,000
January 1, 2022	815,000	January 1, 2037	1,425,000
July 1, 2022	830,000	July 1, 2037	1,450,000
January 1, 2023	845,000	January 1, 2038	1,475,000
July 1, 2023	860,000	July 1, 2038	1,505,000
January 1, 2024	880,000	January 1, 2039	1,530,000
July 1, 2024	895,000	July 1, 2039	1,560,000
January 1, 2025	910,000	January 1, 2040	1,590,000
July 1, 2025	930,000	July 1, 2040	1,620,000
January 1, 2026	945,000	January 1, 2041	1,650,000
July 1, 2026	965,000	July 1, 2041	1,680,000
January 1, 2027	980,000	January 1, 2042	1,715,000
July 1, 2027	1,000,000	July 1, 2042	1,745,000
January 1, 2028	1,020,000	January 1, 2043	1,780,000
July 1, 2028	1,035,000	July 1, 2043	1,810,000
January 1, 2029	1,055,000	January 1, 2044	1,845,000
July 1, 2029	1,075,000	July 1, 2044	1,880,000
January 1, 2030	1,095,000	January 1, 2045	1,915,000
July 1, 2030	1,115,000	July 1, 2045	1,950,000
January 1, 2031	1,140,000	January 1, 2046	1,985,000
July 1, 2031	1,160,000	July 1, 2046	2,025,000
January 1, 2032	1,180,000	January 1, 2047	2,060,000
July 1, 2032	1,205,000	July 1, 2047	2,100,000
January 1, 2033	1,225,000	January 1, 2048	2,140,000
July 1, 2033	1,250,000	July 1, 2048	2,180,000
January 1, 2034	1,275,000	January 1, 2049	2,220,000
July 1, 2034	1,295,000	July 1, 2049	2,265,000
January 1, 2035	1,320,000	January 1, 2050*	2,305,000

*Maturity

(b) Upon the purchase or redemption of Issue 2019-4 Bonds of any 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 2019-4 Bonds 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 2019-4 Bonds of such maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such maturity of Issue 2019-4 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. Other than the PAC Bonds, the Issue 2019-4 Bonds maturing on and after July 1, 2029, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after January 1, 2029 (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 prior to their maturity, either as a whole or in part, at any time or on or after January 1, 2029 (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>PAC Bonds Redemption Price</u>
January 1, 2029 to June 30, 2029	102.344%
July 1, 2029 to December 31, 2029	102.051
January 1, 2030 to June 30, 2030	101.738
July 1, 2030 to December 31, 2030	101.403
January 1, 2031 to June 30, 2031	101.051
July 1, 2031 to December 31, 2031	100.692
January 1, 2032 and thereafter	100.000

Section 2.10. Special Optional Redemption. The Issue 2019-4 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2019-4 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans allocated to the Issue 2019-4 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2019-4 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-4 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof and (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the PAC Bonds Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2019-4 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2019-4 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-4 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

Section 2.11. Special Mandatory Redemptions.

(a) ***Unexpended Proceeds.*** The Issue 2019-4 Bonds are subject to mandatory redemption on February 1, 2021 in the event and to the extent that there are unexpended proceeds of the Issue 2019-4 Bonds on deposit in the Issue 2019-4 Subaccount of the Loan Fund on January 1, 2021; 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 4.02 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2019-4 Bonds are subject to mandatory redemption on June 1, 2023, to the extent any amounts (other than Transferred Proceeds) remain on deposit in the Issue 2019-4 Subaccount of the Loan Fund on May 1, 2023.

The redemption price of the Issue 2019-4 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2019-4 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-4 Bonds then Outstanding.

(b) ***Excess 2019-4 Principal Payments (PAC Bonds).*** The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2019-4 Principal Payments. Any Excess 2019-4 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing July 1, 2020; provided, however, that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2019-4 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2019-4 Bonds (including the Transferred Program Loans) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2019-4 Principal Payments shall first be applied to redeem the PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2019-4 Bonds (including the Transferred Program Loans) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2019-4 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount (as set forth in "FIRST" above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2019-4 Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds' proportionate amount of all Issue 2019-4 Bonds then Outstanding.

The PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2019-4 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.

(c) Ten Year Rule.

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2019-4 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, financed with proceeds of the Issue 2019-4 Bonds (directly or through a series of refundings) received more than ten years after the Issue Date of the Issue 2019-4 Bonds (or the date of original issuance of the bonds refunded by the Issue 2019-4 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2019-4 Bonds on or before the next Interest Payment Date with respect to the Issue 2019-4 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the

Code. The Redemption Price of Issue 2019-4 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2019-4 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the PAC Bonds Planned Amortization Amount only if there are no other Issue 2019-4 Bonds Outstanding.

Section 2.12. Selection by Lot. If less than all of the Issue 2019-4 Bonds of like 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 2019-4 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chair, Secretary or Assistant Secretary of the Bond Finance Committee and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2019-4 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2019-4 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2019-4 Bonds to the public is hereby authorized and approved.

(c) The Issue 2019-4 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2019-4 Supplemental Resolution.

ARTICLE IV

DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Proceeds of the Issue 2019-4 Bonds. Upon receipt of the proceeds of the sale of the Issue 2019-4 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2019-4 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-4 Bonds. On the Issue Date, an amount equal to the principal amount of the Refunded Bonds on deposit in the Issue 2019-4 Bond Subaccount of the Loan Fund (representing a portion of the proceeds of the Issue 2019-4 Bonds) shall be allocated to the refunding of the principal of the Refunded Bonds; interest due on the Refunded Bonds on their redemption date will be paid from funds on deposit in the Redemption Account of the Refunded Bonds. On such date, the Transferred Proceeds and the Transferred Program Loans shall be credited to the Issue 2019-4 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issue Date.

Section 4.02. Loan Fund; Bond Reserve Fund Requirement. Subsequent to the refunding of the Refunded Bonds, amounts on deposit in the Issue 2019-4 Bond Subaccount of the Loan Fund (including the Transferred Proceeds) shall be applied to (i) the financing of Program Loans, or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iv) payment of Costs of Issuance and (v) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2019-4 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2019-4 Bonds pursuant to Section 2.11(a) hereof, as set forth in the certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-4 Bonds. 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 2019-4 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2019-4 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2019-4 Bonds shall not exceed 2% of the proceeds of the Issue 2019-4 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2019-4 Bond Subaccount of the Loan Fund in excess of the Transferred Proceeds and which are to be used to finance Program Loans (or other available funds of THDA), shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until December 11, 2020.

The Bond Reserve Fund Requirement with respect to the Issue 2019-4 Bonds shall be an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2019-4 Bonds plus the amount on deposit in the Issue 2019-4 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund which, together with any excess amounts on deposit in the Bond Reserve Fund, shall satisfy the Bond Reserve Requirement.

Section 4.03. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2019-4 Bonds (including the Transferred Proceeds) 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 fee simple or leasehold estate, of real property located in the State 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 or have a commitment for insurance or guaranty by:
 - (i) the United States or any instrumentality thereof (inclusive of 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
 - (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or
- (c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA) or the sale price of the property securing the Program Loan; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale 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 issue such insurance or guarantee in the State and approved by THDA, 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 sale 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 2019-4 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication. The Issue 2019-4 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2019-4 (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 2019-4 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2019-4 Bonds and neither the members of THDA nor any person executing the Issue 2019-4 Bonds may be liable personally on the Issue 2019-4 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2019-4 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2019-4 Bonds. The Issue 2019-4 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2019-4 Bonds.

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

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

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

Section 6.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2019-4 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2019-4 Bonds from time to time.

Section 6.07. Continuing Disclosure Undertaking.

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

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

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature

disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

- (A) Residential Finance Program Bonds; and
- (B) Residential Finance Program Loans.

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

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

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2019-4 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) substitution of any credit or liquidity provider, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2019-4 Bonds, or other material events affecting the tax status of the Issue 2019-4 Bonds;
- (vii) modifications to rights of the holders of the Issue 2019-4 Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2019-4 Bonds, if material;

(xi) rating changes;

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

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

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

(xv) Incurrence of a financial obligation of THDA, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of THDA, any of which affect Bondholders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of THDA, any of which reflect financial difficulties.

For the purposes of the events identified in clauses (xv) and (xvi) above, the term “financial obligation” means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”).

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2019-4 Bonds or defeasance of any Issue 2019-4 Bonds need not be given

pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2019-4 Bonds pursuant to the Resolution.

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

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

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2019-4 Bonds whether or not the Rule applies to such Issue 2019-4 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2019-4 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of 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 2019-4 Bonds or (B) the holders of the Issue 2019-4 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2019-4 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2019-4 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2019-4 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and

actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

Section 6.08. Confirmation and Adjustment of Terms by Committee. The terms of the Issue 2019-4 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2019-4 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2019-4 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

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

EXHIBIT A

BOND PURCHASE AGREEMENT

Tab # 5

Items:

Grants Committee Meeting Materials

**Tennessee Housing Development Agency
Grants Committee**

January 29, 2020

10:00 a.m. Central Standard Time

AGENDA

1. Call to Order McMullen
2. Approval of Minutes for November 19, 2019 Meetings McMullen
3. Modification to the 2020 Creating Homes Initiative 2 Program Description Peraza
4. 2019 National Housing Trust Fund Program Awards Watt
5. 2020 National Housing Trust Fund Program Description Watt
6. Tennessee Renovation Loan Program Allocation from Attorney General Funds Peraza
7. Appraisal Gap Pilot Allocation Hall
8. Adjourn..... McMullen

LOCATION

Tennessee Tower
312 Rosa L. parks Ave, Third Floor
Nashville, TN 37243
The Nashville Room

COMMITTEE MEMBERS

Austin McMullen, Chair
Tre Hargett
John Krenson
Rick Neal
Lynn Tully
Justin Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY
GRANTS COMMITTEE
November 19, 2019

Pursuant to the call of the Chair, the Grants Committee of the Tennessee Housing Development Agency Board of Directors met in regular session on Tuesday, November 19, 2019, at 9:28 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: Austin McMullen (Chair), Secretary of State Tre Hargett, John Krenson and Comptroller Justin Wilson. Also present were Katie Armstrong, and Board Chairman Mike Hedges. Absent was Lynn Tully. Secretary of State Hargett left the meeting at 9:56 a.m. and Jonathan Rummel took his seat.

Chair McMullen called the meeting and called for consideration of the September 24, 2019, meeting. Upon motion by Ms. Armstrong, second by Mr. Krenson, the minutes were approved.

Chair McMullen then recognized Don Watt, Director of Community Programs, to present the request for approval of the 2020 Emergency Solutions Grants (ESG) Program Description. Mr. Watt referenced his memo dated November 7, 2019, and explained that THDA expects to receive approximately \$3,000,000 from the Department of Housing and Urban Development for the 2020 ESG Program, pending congressional approval. Mr. Watt reviewed the highlights of the 2020 ESG Program Description and delineated the changes from the 2019 ESG Program Description. Mr. Watt noted that this will be the first year the ESG Program will be accepting applications electronically. Upon motion by Ms. Armstrong, second by Mr. Hedges, the Committee recommended approval of the 2020 ESG Program Description to the Board.

Chair McMullen next recognized Mr. Watt, who referenced his memo dated November 7, 2019, requesting approval of the 2020 HOME Program Description and authorizing the Director or a designee to award 2020 HOME funds. Mr. Watt explained that THDA expects to receive approximately \$13,000,000 in federal 2020 HOME Program resources pending congressional approval. Mr. Watt reviewed the highlights of the 2020 HOME Program Description, stating these resources may be combined with the anticipated \$10,000,000 funding left over from prior years. He noted that local communities and non-profit organizations will implement homeowner down payment assistance, rehabilitation, and homeowner development programs. Mr. Watt described the new proposed restriction that all entities failing to spend a minimum of 75% of the funds awarded previously would be ineligible to apply for a minimum of three years following the end date of their contract. Mr. Watt also described modifications to the Homebuyer Education requirement, the developer fee, and the updated HOME per unit subsidy allowance. Upon a motion by Mr. Krenson, second by Secretary of State Hargett, the Committee recommended approval of the 2020 HOME Program Description to the Board.

Chair McMullen next recognized Mr. Watt, who referenced his memo dated November 7, 2019, requesting approval to adopt the proposed 2020 Spring Round of the Tennessee Housing Trust Fund (THTF) Competitive Grants Program Description. Mr. Watt explained that THDA has approximately \$1.8 million for the construction or rehabilitation of affordable rental housing for low-to-moderate-income households under the 2020 Spring Round THTF Competitive Grants Program Description, and that there have been no changes from the Fall 2020 Grant Round other than the updated spend-down limits, spend-down requirements and the application due dates. Upon a motion by Ms. Armstrong, second by Mr. Hedges,

the Committee recommend approval of the 2020 Spring Round of the THTF Competitive Grants Program Description.

Chair McMullen next recognized Mr. Watt, who referenced his memo dated November 7, 2019, requesting reauthorization of the Capacity Building Grants Program. Mr. Watt explained the Board authorized implementing the Capacity Building Grant Program in January, 2019 KHRA, making \$200,000 available to nonprofit organizations to assist in developing a strategic plan or a succession management plan for their organization. Mr. Watt explained that on November 18, 2019, the Executive Director approved the award of \$5,488 to Jonah Affordable Housing in Jackson, TN, to develop a strategic plan, and a second award of \$10,000 to Power Center Community Development Corporation in Memphis, to also develop a strategic plan. He noted approximately \$139,000 of the original \$200,000 remains. Upon a motion by Secretary of State Hargett, second by Ms. Armstrong, the Committee recommended reauthorization of the Capacity Building Grant Program for 2020.

Chair McMullen next recognized Mr. Watt, who referenced his memo dated November 7, 2019, requesting approval of a second extension to the 2016 Spring THTF Competitive Grant made to Kingsport Housing and Redevelopment Authority (KHRA). Mr. Watt noted that THDA awarded a \$500,000 grant to KHRA for the rehabilitation of Charlemont Apartments, with a grant period ending June 30, 2019, but with a Board approved extension to December 31, 2019. He explained that KHRA is now requesting an additional six-month extension to accommodate any unforeseen circumstances that may be encountered. Mr. Watt then introduced KHRA representatives, Sam Edwards, Marketing Compliance Officer and Terry Cunningham, Executive Director, who explained the need for a second extension. Upon a motion by Secretary of State Hargett, second by Mr. Krenson, the Committee recommended a second extension of six months to June 30, 2020.

Chair McMullen next recognized Mr. Watt, who referenced his memo dated November 7, 2019, requesting approval of 2015-2016 HOME Grant extensions through June 30, 2020, for Greene County (HM-1516-07), Hawkins County (HM-1516-08), Montgomery County (HM-1516-27), Town of Surgoinsville (HM-1516-17, and Unicoi County (HM-1516-30). Mr. Watt explained that this is the second extension request for each grantee. Mr. Perrey indicated his support for these extensions and indicated he believes these are the partners who make the greatest effort and are simply having a difficult time. Mr. Watt introduced Bill Forrester, Director of Community Planning, Housing and Development at First Tennessee Development District, who addressed the contractor difficulties encountered. Mr. Hedges and Secretary of State Hargett recommended regular tracking of updates. Upon a motion by Mr. Rummel, second by Mr. Krenson, the Committee recommended approval of second extensions to June 30, 2020.

Chair McMullen next recognized Mr. Watt, who referenced his memo dated November 7, 2019, describing, for informational purposes only, the 2020 HOME Bright Futures Bridge Subsidy Proposal, which is intended to provide rental assistance to youth transitioning out of foster care and to ex-offenders.

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

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 29th day of January, 2020.



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

TO: Grants Committee and Board of Directors

FROM: Cynthia Peraza, Director of Community Programs
Don Watt, Chief Programs Officer

DATE: January 15, 2020

SUBJECT: Modification to the Creating Homes Initiative -2 (CHI-2) Program Description

Recommendation:

At the request of the Department of Mental Health and Substance Abuse Services (DMHSAS), THDA staff is requesting authorization from the Board to modify the Creating Home Initiative (CHI-2) Program Description to make the following changes (the redlined version of the CHI-2 Program Description is attached hereto):

- Expand the qualifying diagnosis from "Opioid Use Disorder" to "Opioid or opioid derivatives must be a drug of choice" throughout the Program Description;
- Remove the language referenced on Page 1, Section A, referencing the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition.; and
- Extend the application deadline to 4:00 PM CST on Thursday, February 13, 2020, with application decisions to be announced by April 1, 2020, and contracts effective on May 1, 2020.

The DMHSAS and the THDA staff both believe these changes will help increase the reach and success of the program. All other language in the CHI-2 Program Description, previously approved by the Board, will remain unchanged. Staff will provide information to the Grants

Committee and Board of Directors regarding the awards made under the CHI-2 Program at the first Board meeting following the date of the awards.

Background:

In the 2019 state budget, DMHSAS received a \$3 million budget appropriation directed towards substance abuse recovery, particularly in opioid recovery. The DMHSAS approached THDA about matching this appropriation with \$3 million of THDA's funds to provide "recovery housing", enriched by needed services for this population.

In September 2019, THDA's Board of Directors approved the creation of the CHI-2 Program. The goal of the program is to provide up to \$500,000 in funding to eligible nonprofit organizations and local public housing authorities to develop permanent recovery housing for individuals recovering from opioid use disorder (OUD) and their families. Eligible households will include those with incomes up to 80% of Area Median Income. Match will not be required for eligibility; however, THDA will encourage, through its scoring structure, applications that include an eligible match source. The program includes a compliance period of 5 - 15 years based on the per unit investment of CHI-2 funds.



**TENNESSEE HOUSING TRUST FUND
CREATING HOMES INITIATIVE-2 (CHI-2) PROGRAM
PROGRAM DESCRIPTION**

In collaboration with the Tennessee Department of Mental Health and Substance Abuse Services (TDMHSAS), the Tennessee Housing Development Agency (THDA) is seeking creative and innovative proposals that expand permanent recovery housing options for individuals recovering from the use of opioids or opioid derivatives. The amount available is \$3.0 million in Tennessee Housing Trust Fund (THTF) resources. The purpose of this Program Description is to explain program requirements and the application process.

THDA will award funds under this program description to successful Applicants as a grant. Proposals for funding are limited to a maximum of \$500,000. There is no minimum grant amount.

THDA must receive applications under this Program Description on or before 4:00 PM CST on Thursday, February 13, 2020. THDA anticipates notifying successful applicants by April 1, 2020. The CHI-2 grant contracts will begin May 1, 2020 and will end April 30, 2023. Applicants should be aware that there is no cure period. Submission of a complete application is a threshold criterion.

The Program Description and the associated application are available at www.thda.org. At the THDA website, click on BUSINESS PARTNERS, then GRANT ADMINISTRATORS for links to the Creating Homes Initiative- 2 page. If you have questions, please call (615) 815-2034.

A. OPIOID USE DISORDER & RECOVERY HOUSING

The CHI-2 Program Description is designed to expand permanent recovery housing options across Tennessee for individuals recovering from the use of opioids or opioid derivatives, . For the purposes of CHI-2 and the CHI-2 Program Description, use of opioids or opioid derivatives may present in the form of one or more of the following observations:

1. Opioids or opioid derivatives are often taken in larger amounts or over a longer period than was intended.
2. There is a persistent desire or unsuccessful efforts to cut down or control opioid or opioid derivative use.



3. A great deal of time is spent in activities necessary to obtain the opioid or opioid derivative, use the opioid derivative, or recover from its effects.
4. Craving, or a strong desire or urge to use opioids or opioid derivatives.
5. Recurrent opioid or opioid derivative use resulting in a failure to fulfill major role obligations at work, school, or home.
6. Continued opioid or opioid derivative use despite having persistent or recurrent social or interpersonal problems caused or exacerbated by the effects of opioids or opioid derivatives.
7. Important social, occupational, or recreational activities are given up or reduced because of opioid or opioid derivative use.
8. Recurrent opioid or opioid derivative use in situations in which it is physically hazardous.
9. Continued opioid or opioid derivative use despite knowledge of having a persistent or recurrent physical or psychological problem that is likely to have been caused or exacerbated by the substance.
10. Exhibits tolerance.
11. Exhibits withdrawal.

Opioids or opioid derivatives must be a drug of choice of the individual who is the head of household or their spouse. Other immediate family members of the head of household may reside in the housing created under this program description as made available under the terms of the housing provider.

In accordance with the recommendations made under the Recovery Housing Policy Brief issued in December 2015 by the U.S. Department of Housing and Urban Development, THDA and TDMHSAS will seek permanent housing options under this program description that support individuals recovering from the use of opioids or opioid derivatives following four dimensions:

1. Health – Overcoming or managing one’s disease(s) or symptoms—for example, abstaining from use of alcohol, illicit drugs, and non-prescribed medications if an individual has an addiction problem—and for everyone in recovery, making informed, healthy choices that support physical and emotional wellbeing.
2. Home – A stable and safe place to live.
3. Purpose – Meaningful daily activities, such as a job, school, volunteerism, family caretaking, or creative endeavors, and the independence, income and resources to participate in society.
4. Community – Relationships and social networks that provide support, friendship, love, and hope.



In accordance with the Recovery Housing Policy Brief, THDA and TDMHSAS will expect all Recovery Housing programs supported under this program description to have the following defining characteristics:

- Program participation is self-initiated (there may be exceptions for court ordered participation) and residents have expressed a preference for living in a housing setting targeted to people in recovery with an abstinence focus.
- Minimal barriers exist to entry into programs, so that long periods of sobriety, clean criminal records, or clear eviction histories are not required for program entry.
- Housing generally is single-site because of the benefits of the creation of a Recovery Oriented Community, but may include other housing configurations.
- Residents have personal privacy and 24/7 access to the housing, with community space for resident gatherings and meetings.
- Holistic services and peer-based recovery supports are available to all program participants.
- Along with services to help achieve goals focused on permanent housing placements and stability, and income and employment, programs provide services that align with participants' choice and prioritization of personal goals of sustained recovery and abstinence from opioid use.
- Relapse is not treated as an automatic cause for eviction from housing or termination from a program.
- Eviction from permanent supportive housing should only occur when a participant's behavior substantially disrupts or impacts the welfare of the recovery community in which the participant resides; however, the participant may apply to reenter the housing program if they express a renewed commitment to living in a housing setting targeted to people in recovery with an abstinence focus.
- Participants who determine that they are no longer interested in living in a housing setting with an abstinence focus, or who are discharged from the program or evicted from the housing, are offered assistance in accessing other housing and services options, including options operated with harm reduction principles.
- Permanent housing programs must abide by all local and State landlord tenant laws that govern grounds for eviction.

B. ELIGIBLE APPLICANTS

THDA will accept applications from private, non-profit organizations and local public housing authorities that meet the requirements of this Program Description ("Applicant").



The Applicant selected for funding must be the owner of the proposed rental project at award. If combined with the Low Income Housing Credit (LIHC), the Grantee must be the sole general partner or the sole managing member of the ownership entity or own 100% of the stock of a corporate ownership entity.

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

All private, non-profit Applicants must demonstrate at least two years of experience providing affordable housing or affordable housing related services in the state of Tennessee. Affordable housing related services that will assist or sustain an individual in permanent housing, including but not limited to, the provision of down payment assistance; home buyer education; and the delivery of shelter and related services for individuals recovering from the use of opioids or opioid derivatives, the homeless, and other special needs populations which improve the housing stability of assisted households.

Applicants with prior THDA THTF Competitive Grants must also have *requested* the following percentages of their prior grants by January 9, 2020 to be eligible for the CHI-2 program:

COMPETITIVE GRANT YEAR	SPEND DOWN REQUIREMENT
2017 Spring and earlier	100%
2018 Fall	75%
2018 Spring	50%
2019 Fall	25%
2019 Spring	10%
2020 Fall	Not Eligible

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

C. ELIGIBLE ACTIVITIES

All housing financed using CHI-2 resources must be affordable rental housing and must address the housing needs of households who have an income that is equal to or less than 80% of AMI as defined in Section F (4).



The following rental housing activities are eligible:

- New construction of rental housing units.
- Acquisition of rental housing units.
- Rehabilitation of rental housing units.
- Conversion of non-residential buildings to residential units.
- Combinations of the above.

The rental housing provided must be “permanent”, meaning the housing is community-based and with a tenant on a lease (or a sublease) for an initial term of at least one month and that is renewable and is terminable only for cause.

All Applicants shall complete *Attachment Two: Rental Housing Feasibility Worksheet* to demonstrate a need for the CHI-2 funds and the financial feasibility of the project.

D. PROHIBITED ACTIVITIES

An Applicant may not use the CHI-2 resources for any of the following:

1. Develop transitional housing.
2. Pledge CHI-2 funds as support for tax-exempt borrowing by local grantees.
3. Provide off-site improvements or neighborhood infrastructure or public facility improvements.
4. Provide assistance to private, for-profit owners of rental property.
5. Implement homeowner rehabilitation projects.
6. Implement homeownership related activities, including down payment assistance programs, the development of units for homeownership, or homeowner rehabilitation projects.
7. Acquire, rehabilitate or construct rental housing that is a treatment, hospice, nursing home, or convalescent facility.
8. Use funds to provide Project Operating Reserves
9. Cover any costs incurred prior to the CHI-2 contract start date or after the end date of the grant agreement.
10. Use of Tennessee Housing Trust Fund Competitive Grants Program resources for any costs associated with the project.



E. MATCH

Proposals are not required to match the CHI-2 funds awarded. However, THDA will prioritize those applications that include firm documentation of eligible match sources to the CHI-2 funds awarded.

Eligible Sources of Match Include:

1. Grants from other agencies.
2. Federal sources such as USDA Rural Development, state or locally administered Community Development Block Grant (CDBG) programs, or HOME grants from local participating jurisdictions.
3. Federal Home Loan Bank.
4. Cash Contributions by local church groups, local agencies, or contributions by individuals.
5. Bank loans.
6. A funding pool established by a local lender for the applicant.
7. Value of the supportive services provided to the individuals recovering from the use of opioids or opioid derivatives over the length of the applicable compliance period, provided that such supportive services are provided at no cost to the tenant.
8. Rental assistance tied to the property. To be eligible, the commitment of rental assistance must extend beyond the end of the grant term. For purposes of application scoring, THDA will only count that value of rental assistance after the date of the certificate of occupancy issued for the last building occupied.
9. The value of property owned by the Applicant prior to the grant term and upon which the proposed housing will be rehabilitated or constructed.

Ineligible Sources of Match:

1. THDA program funds, including federal funding sources such as HOME or the National Housing Trust Fund or the Tennessee Housing Trust Fund financed Competitive Grants Program.
2. In-kind donations, services, or labor.



F. PROGRAM REQUIREMENTS

1. COMPLIANCE PERIOD REQUIREMENTS

All rental housing projects funded under this program description shall have a compliance period that begins on the date of issuance of the certificate of occupancy for the final building within the project. If a certificate of occupancy is not issued, the compliance period will begin on the date of recordation of the notice of completion for the project. With the exception of incurring costs associated with property acquisition, the Grantee shall sign a grant note, deed of trust, and restrictive covenant to enforce the compliance period on a property prior to incurring any costs associated with project development. In no case shall the Grantee draw any CHI-2 funds on a subject property prior to signing a grant note, deed of trust and restrictive covenant to enforce the compliance period on that property. THDA will forgive the CHI-2 grant at the end of the compliance period if the Grantee achieved full compliance throughout the compliance term.

The length of the compliance period will be determined based on the amount of CHI-2 funds invested per unit:

Average Per Unit CHI-2 Investment	Compliance Period
< \$15,000	5 Years
\$15,000 – \$40,000	10 Years
> \$40,000	15 Years

During the compliance period, the Grantee will have on-going obligations for the operation of the rental property, including:

- Conducting initial and annual income certification of tenants;
- Adhering to the CHI-2 rent limits;
- Complying with THDA Property Standards;
- Adhering to fair housing and affirmative marketing requirements;
- Operating the units as recovery housing for individuals recovering from the use of opioids or opioid derivatives as described in this program description;
- Reporting to THDA as THDA may require; and,
- Taking other actions as THDA may require.

2. CRIMINAL BACKGROUND REQUIREMENTS

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



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

3. DEVELOPER FEE REQUIREMENTS

Applicants may request a developer fee equal to or less than 7.0% of total CHI-2 grant request less any costs associated with the developer fee, acquisition, and permanent financing. If the applicant proposes other funds for the project, the total developer fee earned for the project may not exceed 15% of the total development cost less any costs associated with the developer fee, acquisition, and permanent financing.

The developer fee may be requested in equal percentages of the total CHI-2 grant funds requested up until 75% of the grant has been expended. The final 25% of the developer fee may not be requested until project development is complete, with all certificates of occupancy issued and all required documentation submitted to THDA.

No administrative funds will be provided under this program description.

4. INCOME LIMIT REQUIREMENTS

CHI-2 Grants for rental projects may be used to benefit low income households, meaning an individual or family unit whose gross annual income does not exceed 80% of the area median income, adjusted for family size.

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

Grantees shall ensure occupancy of units by low-income households during the compliance period. Tenants whose annual incomes increase to over 80% of the area median may remain in occupancy, but must pay no less than 30% of their adjusted monthly income for rent and utilities.



5. PROPERTY STANDARD REQUIREMENTS

Any rental units constructed or rehabilitated with CHI-2 funds must meet THDA Design Standards for New Construction or Rehabilitation, as applicable. Additionally, all housing must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion.

In the absence of local codes, new construction of multi-family apartments of 3 or more units must meet the State-adopted edition of the International Building Code; new construction of single-family rental units or duplexes must meet the State-adopted edition of the International Residential Code for One- and Two-Family Dwellings; and rehabilitation of existing rental units must meet the State-adopted edition of the International Existing Building Code.

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

Following project completion, all assisted properties must meet Housing Quality Standards throughout the compliance period.

Building Permits. The Grantee must ensure that building permits are pulled on all new construction and rehabilitation projects as required by the state or local jurisdiction, including mechanical, plumbing, and or electrical permits.

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

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

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

If the work is exempted by the state or local code and a permit is not required, then documentation from state or local code officials must be provided confirming that exemption. If exempted, a qualified inspector may be used. A “qualified inspector” is defined as an individual with credentials appropriate for the type of work being performed, such as inspectors licensed by the State of Tennessee as Building, Mechanical, Plumbing, or Electrical Inspectors.

For an activity where the state or local code officials do not issue a building permit, a qualified inspector may include home inspectors as appropriate for the work performed, including individuals certified as a housing inspector by a national organization such as the International Code Council, the National Fire Protection Association, or the Standard Building Code Congress. THDA may accept other qualifications on a case-by-case basis; however, THDA approval is required before the individual may perform inspections.



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

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

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

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University:

https://projects.ncsu.edu/ncsu/design/cud/pubs_p/docs/UDinHousing.pdf

6. RENT REQUIREMENTS

Every rental unit assisted with CHI-2 funds is subject to rent controls designed to make sure that rents are affordable to low-income households. Unless the housing is a group home or a Single Room Occupancy (SRO) unit, the maximum rents are the *High HOME rents*. The maximum rent for a Group Home or a SRO unit is defined below.

However, Grantees are encouraged, but not required, to charge tenants no more than 30% of gross monthly income for rent. See *Attachment Four: HOME Program Rents*.

Rents are controlled for the length of the compliance period, and may be adjusted annually in accordance with the applicable HUD standard. The published rents include utilities. *The cost of utilities paid by tenants must be subtracted, using applicable utility allowances, from the published HOME rents to determine the maximum allowable rents.*

Each Grantee should be aware of the market conditions of the area in which the project is located. The High HOME rents are maximum rents which can be charged. Each project should



show market feasibility not based upon the High HOME rents, but rather upon area housing markets and CHI-2 occupancy requirements. Rents shall not exceed the published High HOME rents as adjusted for utility arrangements and bedroom size. However, because these rents must also be attractive to *low-income* tenants, actual rents may be lower than the High HOME rents to keep within 30% of the tenant's monthly income. The Grantee should design the development's rent structure to consider the market feasibility of the project.

A CHI-2 Grant may fund the development of a group home, a housing unit that is occupied by two or more single persons or families. A group home consists of common space and/or facilities for group use by the occupants and, except in the case of a shared one-bedroom unit, a separate private space for each individual or family. The calculation of the applicable rent and tenant contributions must follow the following requirements:

- A CHI-2-assisted group home is treated as a single CHI-2-assisted housing unit with multiple bedrooms. The rent limit for a group home is the HUD-published Fair Market Rent (FMR) rent limit for the total number of bedrooms in the group home.
- However, the bedrooms of live-in supportive service providers or other non-client staff are not included when calculating the total number of bedrooms for the purpose of establishing the rent. For example, if one bedroom in a four-bedroom home is occupied by a service provider, the maximum rent for the group home is the HUD-published FMR Limit for a three-bedroom unit.
- The HUD-published FMR Limit is the maximum combined rent that can be charged to all income eligible tenants residing in the group home. Each tenant pays a pro-rata share of the total rent.
- When group home tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published FMR limit in order to determine the maximum combined rent that can be charged to all tenants.
- Group homes frequently include food and/or other supportive services to its residents. Group home rents may not include food costs or the costs of supportive services. Costs for such services must be billed as separate charges. For group home units that are developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose the service provider. The lease must also state whether the fee-based services are optional or mandatory and must identify the amount of the additional fees or surcharges separately from the basic THTF rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

A CHI-2 Grant may assist with the development of Single Room Occupancy (SRO) housing, which consists of a single room dwelling unit that is the primary residence of a single occupant. The unit may or may not have food preparation and sanitary facilities. Rents for SRO units are based on the HUD Fair Market Rent (FMR) or the HUD High HOME rent depending on the characterization of the unit as described below.



IF THE SRO HOUSING IS....	THEN...
A unit with <i>neither</i> food preparation nor sanitary facilities, or with one (food preparation or sanitary facilities)	The CHI-2 rent may not exceed 75% of the HUD-published FMR limit for a 0-bedroom (efficiency) unit.
A unit with <i>both</i> food preparation and sanitary facilities	The CHI-2 rent cannot exceed the HUD published High HOME rent limit for a 0-bedroom unit.
A unit that receives state or Federal <i>project-based</i> rental assistance and is occupied by a very low income tenant	The CHI-2 rent can be the applicable State or Federal project-based rent, as long as the unit is occupied by a very low income tenant who does not pay more than 30% of the family's monthly adjusted income for rent.

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

- Utility costs are included in the maximum published HOME or FMR SRO rent. If SRO tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published HOME rent limit or FMR limit in order to determine the maximum rent that can be charged for the SRO unit.
- SRO units may not include food costs or the costs of any supportive services. Costs for such services must be billed as separate charges. For SRO units that are developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose the service provider.
- Each SRO tenant's lease must clearly state whether the fee-based services are optional or required and must also identify the amount of additional fees or surcharges separately from the basic CHI-2 rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

G. PROCUREMENT REQUIREMENTS

It is important to keep the solicitation of bids for goods and services, materials, supplies and/or equipment open and competitive. Grantees shall develop and follow the established procurement policies of the Grantee. At a minimum, the Grantee must have or establish a selection procedure that requires the Grantee to obtain at least three (3) bids and to purchase the goods or services from the lowest or best bidder. The Grantee must have a written rationale for selecting the successful bid or proposal.



H. MARKETING REQUIREMENTS

One goal of CHI-2 is to raise the profile of affordable housing at the local, state and federal level, and to demonstrate that decent housing impacts all facets of a community. Each Grantee shall implement marketing and public relations plans to accentuate program achievements. THDA's Communications Division will assist the Grantee to develop these plans if requested. The Grantee shall submit data and beneficiary stories to THDA as may be required by THDA.

I. FAIR HOUSING AND EQUAL OPPORTUNITY REQUIREMENTS

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

In particular, owners and property managers will need to be aware of discrimination issues with regard to: housing opportunities, employment opportunities, business opportunities, and benefits resulting from activities funded in full or in part by the CHI-2 Grant.

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

J. AFFORDABLE HOUSING LOCATOR SYSTEMS

Beginning at the start of initial lease-up through the end of the compliance period, all Grantees shall list units available for occupancy on both:

1. TNHousingSearch.org or any subsequent affordable rental housing locator system sponsored by THDA, and
2. Recovery within Reach (<http://www.recoverywithinreach.org/housingwithinreach/>) or any subsequent affordable rental housing locator system sponsored by TDMHSAS.

K. APPLICATION AND EVALUATION PROCEDURE

Respondents should only limit the design of the recovery housing for individuals recovering from the use of opioids or opioid derivatives by the terms of the CHI-2 Program Description, the availability of matching sources and support services, and the need in a given area for the proposed project.

THDA and TDMHSAS will evaluate each application to determine if the proposal meets program criteria, including, without limitation, submission of a complete application, proposal of an eligible activity that serves individuals recovering from the use of opioids or opioid derivatives, and proposal



of a project that, in the opinion of THDA in its sole discretion, is physically, financially and administratively feasible.

THDA will not consider applications if the applicant fails to submit the following threshold items by the application due date and in accordance with the documentation submission instructions:

- Application signed by the organization's Chief Executive or President/Chairman of the Board of Directors.
- Copy of the latest audit or audited financial statement of the organization.
- Copy of a current resolution by the Board of Directors or governing body approving the submission of the application under the CHI-2 Program Description.
- If a non-profit organization, a Certificate of Existence or Certificate of Authorization from the Tennessee Secretary of State, as applicable, dated within 30 days of the application date. If the non-profit organization is organized in a state other than Tennessee, a Certificate of Existence from the Secretary of State in which the organization was organized must also be submitted.
- If a nonprofit organization, documentation of an IRS designation under Section 501(c)3 or Section 501(c)4 of the federal tax code.
- If a nonprofit organization, copy of the Charter and By-laws of the organization.

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

The Review Committee will score and rank all applications meeting the threshold criteria, as determined by the Review Committee in its sole discretion. Applications will be ranked in descending numerical order based on the categories in the CHI-2 Scoring Matrix.

Applicants must receive a minimum score of 60 to be considered for funding.

In the event of a tie score, THDA first will select the application with the highest Project Design score and then, if a tie still remains, the highest total Applicant Capacity score. If a tie still remains, THDA will prioritize funding for the application with the greatest number of CHI-2 funded units as the final determinant.

The Review Committee will present its recommendations to the THDA Executive Director for determination of awards.



CHI-2 SCORING MATRIX – UP TO 100 POINTS

PROJECT DESIGN:		40 POINTS
<ul style="list-style-type: none"> The program design is complete, adheres to program guidelines, all necessary components are identified in the application, and demonstrates an effective use of THDA resources. 		
1. Site Control – Up to 3 points	The Applicant owns the property on which the proposed housing will be developed.	3 Points
	The Applicant has an option or contract to purchase the property on which the proposed housing will be developed.	2 Points
	The Applicant demonstrates a consistent and successful history of securing ownership control of property over the past five years prior to the Application Due Date that equals either: (1) the number of single family units proposed in the application or (2) if multifamily housing, the number of multifamily sites proposed for acquisition in the application.	1 Point
2. The project is physically, administratively, and financially feasible with sufficient revenue for the on-going operation of the housing during the compliance period – Up to 10 points	<p>The project feasibility worksheet is completed correctly and demonstrates that operating revenue supports operating expenses and expected cash flow is positive.</p> <p>The physical unit design is appropriate for the target population such that all individuals, including those with physical disabilities, have full access to all common areas and amenities in the unit.</p> <p>If site control has been established, the proposed housing meets local zoning requirements, if applicable.</p>	Up to 10 points
3. Rent Reasonableness – Up to 5 points	Rents are affordable, such that households targeted by the application who suffer from the use of opioids or opioid derivatives will not pay more than 30% of their income on rent and utilities.	Up to 5 points
4. Match – Up to 3 points	The application demonstrates firm commitments of match greater than or equal to 25.0% of the CHI-2 grant request.	3 points
	The application demonstrates firm commitments of match between 15.0% - 24.99% of the CHI-2 grant request.	2 points
	The application demonstrates firm commitments of match between 5.0% - 14.99% of the CHI-2 grant request.	1 point



<p>5. Universal Design – Up to 4 points</p>	<p>The unit includes universal design features associated with each unit. THDA will award points for the characteristics noted below. Item “a” is worth (3) points. All other items are worth (1) point each. The maximum number of points under this category is 4.</p> <ul style="list-style-type: none"> a. One entrance door that is on an accessible route served by a ramp or no-step entrance and which also has a 36” door. b. All interior doors have a minimum of 32 inches of clear passage space except closets of less than 15 square feet. c. All hallways have a clear passage of at least 36 inches, is level with ramped or beveled changes at each threshold. d. Each electrical panel, breaker box, light switch or thermostat is no higher than 48 inches above the floor. e. Each electrical plug or receptacle is at least 15” above the floor. f. Minimum 5’ x 5’ level clear space inside and outside entry door. g. Broad blocking in walls around each toilet, tub and shower for future placement of grab bars. h. Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen. i. Front mounted controls on all appliances. j. Lever door handles on all doors. k. Loop handle pulls on drawers and cabinet doors. 	<p>Up to 4 points</p>
<p>6. Support Services – Up to 10 points</p>	<p>The application includes firm commitments demonstrated in the application that a range of support services will be available that will enable the tenant to meet each of the Health, Purpose and Community dimensions of their recovery as described in Section A – Recovery Housing of this program description. Services are available at the choice of the applicant.</p> <p>If housing will be provided to include family members of the individual in recovery, support services are available to each household member to foster their long-term success in the recovery of the use of opioids or opioid derivatives.</p>	<p>Up to 10 points</p>
<p>7. Innovation – Up to 5 points</p>	<p>The housing proposed in the application demonstrates a creative approach to affordable rental housing for low income households recovering from the use of opioids or opioid derivatives.</p>	<p>Up to 5 points</p>



APPLICANT CAPACITY		40 POINTS												
<ul style="list-style-type: none"><i>The Applicant demonstrates sufficient capacity to carry out the proposed project and to manage the permanent rental housing through the compliance period.</i>														
1. Housing Development & Housing Service Delivery Experience – Up to 14 points	The Applicant, including its staff or contracted consultants, has successful experience with rental housing development. The Applicant, including its staff, has successful experience in the delivery of housing related services.	Up to 14 points												
2. Housing Management Experience – Up to 14 points	<p>The Applicant, including its staff or a contracted, third party property management entity, has successful experience with the management of affordable rental housing.</p> <table><tr><td><u>Years</u></td><td><u>Points</u></td></tr><tr><td>1-3</td><td>3</td></tr><tr><td>4-6</td><td>6</td></tr><tr><td>7-9</td><td>9</td></tr><tr><td>10-12</td><td>12</td></tr><tr><td>13 Years and Over</td><td>14</td></tr></table>	<u>Years</u>	<u>Points</u>	1-3	3	4-6	6	7-9	9	10-12	12	13 Years and Over	14	Up to 14 points
<u>Years</u>	<u>Points</u>													
1-3	3													
4-6	6													
7-9	9													
10-12	12													
13 Years and Over	14													
3. Financial Capacity of the Applicant – Up to 12 points	The Applicant’s financial statement demonstrates that the Applicant has a strong financial health, including, but not limited to, a diverse source of revenues, unrestricted cash resources to support the property’s operation if project income is insufficient to meet project expenses. The Applicant’s financial audit does not demonstrate material exceptions or concerns about management and operation.	Up to 12 points												
4. Past Performance – Up to 8 points deduction	<p>Applicants with past experience as a recipient of funds under THDA’s Competitive Grants Program, National Housing Trust Fund Program, Neighborhood Stabilization Program, or HOME Program may receive a point deduction based on the Applicant’s past failure to:</p> <ul style="list-style-type: none">Draw funds timely and according to instructions.Complete the project in accordance with requirements.Operate the rental housing in accordance THDA guidelines over the compliance period.Respond timely to resident complaints, contractor concerns, and THDA requests for information and documentation.	Up to 2 points deduction for each concern												



COMMUNITY SUPPORTS		14 POINTS
<ul style="list-style-type: none"> <i>The Applicant proposes housing in a county with health, purpose, and community dimension supports necessary for an individual's successful from the recovery of the use of opioids or opioid derivatives.</i> 		
1. Purpose & Community - Up to 7 points	<p>The Applicant proposes housing in a county that has an unemployment rate equal to or less than the statewide unemployment rate.</p> <p>OR</p> <p>The Applicant proposes housing in a county with an unemployment rate higher than the statewide unemployment rate and the Applicant demonstrates that partnerships are established to link tenants of the proposed housing to employment.</p>	Up to 7 points
2. Health – Up to 7 points	The Applicant proposes housing in a county or adjacent county in which a drug & alcohol treatment center or a mental health treatment is located.	Up to 7 points
NEED		6 POINTS
<ul style="list-style-type: none"> <i>The Applicant proposes housing in a county evidencing a high need.</i> 		
1. Opioid Use Prevalence – 4 points.	The Applicant proposes housing in a county with a high prevalence of opioid use.	4 points
2. Economic Status Designation – 2 points	For FY2020, the Appalachian Regional Commission designates a county in which the housing will be located as either Economically Distressed or At Risk.	2 points





**TENNESSEE HOUSING TRUST FUND
CREATING HOMES INITIATIVE-2 (CHI-2) PROGRAM
PROGRAM DESCRIPTION**

In collaboration with the Tennessee Department of Mental Health and Substance Abuse Services (TDMHSAS), the Tennessee Housing Development Agency (THDA) is seeking creative and innovative proposals that expand permanent recovery housing options for individuals recovering from the use of opioids or opioid derivatives an Opioid Use Disorder (OUD). The amount available is \$3.0 million in Tennessee Housing Trust Fund (THTF) resources. The purpose of this Program Description is to explain program requirements and the application process.

THDA will award funds under this program description to successful Applicants as a grant. Proposals for funding are limited to a maximum of \$500,000. There is no minimum grant amount.

THDA must receive applications under this Program Description on or before 4:00 PM CST on Thursday, ~~January 16~~ February 13, 2020. THDA anticipates notifying successful applicants by ~~March~~ April 1, 2020. The CHI-2 grant contracts will begin ~~April~~ May 1, 2020 and will end ~~March~~ April 30, 2023. Applicants should be aware that there is no cure period. Submission of a complete application is a threshold criterion.

The Program Description and the associated application are available at www.thda.org. At the THDA website, click on BUSINESS PARTNERS, then GRANT ADMINISTRATORS for links to the Creating Homes Initiative- 2 page. If you have questions, please call (615) 815-2034.

A. OPIOID USE DISORDER & RECOVERY HOUSING

The CHI-2 Program Description is designed to expand permanent recovery housing options across Tennessee for individuals recovering from the use of opioids or opioid derivatives who have OUD, which is defined by the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5) as a problematic pattern of opioid use leading to clinically significant impairment or distress. For the purposes of CHI-2 and the CHI-2 Program Description, to confirm a diagnosis of OUD



opioids or opioid derivatives may present in the form of one or more, at least two of the following observations should be observed within a 12-month period:

1. Opioids or opioid derivatives are often taken in larger amounts or over a longer period than was intended.
2. There is a persistent desire or unsuccessful efforts to cut down or control opioid or opioid derivative use.
3. A great deal of time is spent in activities necessary to obtain the opioid or opioid derivative, use the opioid derivative, or recover from its effects.
4. Craving, or a strong desire or urge to use opioids or opioid derivatives.
5. Recurrent opioid or opioid derivative use resulting in a failure to fulfill major role obligations at work, school, or home.
6. Continued opioid or opioid derivative use despite having persistent or recurrent social or interpersonal problems caused or exacerbated by the effects of opioids or opioid derivatives.
7. Important social, occupational, or recreational activities are given up or reduced because of opioid or opioid derivative use.
8. Recurrent opioid or opioid derivative use in situations in which it is physically hazardous.
9. Continued opioid or opioid derivative use despite knowledge of having a persistent or recurrent physical or psychological problem that is likely to have been caused or exacerbated by the substance.
10. Exhibits tolerance.
11. Exhibits withdrawal.

Opioids or opioid derivatives must be a drug of choice ~~OD must be the primary diagnosis of the individual who is the head of household or their spouse.~~ Other immediate family members of the head of household may reside in the housing created under this program description as made available under the terms of the housing provider.

In accordance with the recommendations made under the Recovery Housing Policy Brief issued in December 2015 by the U.S. Department of Housing and Urban Development, THDA and TDMHSAS will seek permanent housing options under this program description that support individuals recovering from the use of opioids or opioid derivatives ~~recovery of individuals with OUD~~ following four dimensions:

1. Health – Overcoming or managing one's disease(s) or symptoms—for example, abstaining from use of alcohol, illicit drugs, and non-prescribed medications if an individual has an addiction



problem—and for everyone in recovery, making informed, healthy choices that support physical and emotional wellbeing.

2. Home – A stable and safe place to live.
3. Purpose – Meaningful daily activities, such as a job, school, volunteerism, family caretaking, or creative endeavors, and the independence, income and resources to participate in society.
4. Community – Relationships and social networks that provide support, friendship, love, and hope.

In accordance with the Recovery Housing Policy Brief, THDA and TDMHSAS will expect all Recovery Housing programs supported under this program description to have the following defining characteristics:

- Program participation is self-initiated (there may be exceptions for court ordered participation) and residents have expressed a preference for living in a housing setting targeted to people in recovery with an abstinence focus.
- Minimal barriers exist to entry into programs, so that long periods of sobriety, clean criminal records, or clear eviction histories are not required for program entry.
- Housing generally is single-site because of the benefits of the creation of a Recovery Oriented Community, but may include other housing configurations.
- Residents have personal privacy and 24/7 access to the housing, with community space for resident gatherings and meetings.
- Holistic services and peer-based recovery supports are available to all program participants.
- Along with services to help achieve goals focused on permanent housing placements and stability, and income and employment, programs provide services that align with participants' choice and prioritization of personal goals of sustained recovery and abstinence from opioid use.
- Relapse is not treated as an automatic cause for eviction from housing or termination from a program.
- Eviction from permanent supportive housing should only occur when a participant's behavior substantially disrupts or impacts the welfare of the recovery community in which the participant resides; however, the participant may apply to reenter the housing program if they express a renewed commitment to living in a housing setting targeted to people in recovery with an abstinence focus.
- Participants who determine that they are no longer interested in living in a housing setting with an abstinence focus, or who are discharged from the program or evicted from the housing, are



offered assistance in accessing other housing and services options, including options operated with harm reduction principles.

- Permanent housing programs must abide by all local and State landlord tenant laws that govern grounds for eviction.

B. ELIGIBLE APPLICANTS

THDA will accept applications from private, non-profit organizations and local public housing authorities that meet the requirements of this Program Description (“Applicant”).

The Applicant selected for funding must be the owner of the proposed rental project at award. If combined with the Low Income Housing Credit (LIHC), the Grantee must be the sole general partner or the sole managing member of the ownership entity or own 100% of the stock of a corporate ownership entity.

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

All private, non-profit Applicants must demonstrate at least two years of experience providing affordable housing or affordable housing related services in the state of Tennessee. Affordable housing related services that will assist or sustain an individual in permanent housing, including but not limited to, the provision of down payment assistance; home buyer education; and the delivery of shelter and related services for individuals recovering from the use of opioids or opioid derivatives OUD, the homeless, and other special needs populations which improve the housing stability of assisted households.

Applicants with prior THDA THTF Competitive Grants must also have *requested* the following percentages of their prior grants by January 9, 2020 to be eligible for the CHI-2 program:

COMPETITIVE GRANT YEAR	SPEND DOWN REQUIREMENT
2017 Spring and earlier	100%



2018 Fall	75%
2018 Spring	50%
2019 Fall	25%
2019 Spring	10%
2020 Fall	Not Eligible

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

C. ELIGIBLE ACTIVITIES

All housing financed using CHI-2 resources must be affordable rental housing and must address the housing needs of households who have an income that is equal to or less than 80% of AMI as defined in Section F (4).

The following rental housing activities are eligible:

- New construction of rental housing units.
- Acquisition of rental housing units.
- Rehabilitation of rental housing units.
- Conversion of non-residential buildings to residential units.
- Combinations of the above.

The rental housing provided must be “permanent”, meaning the housing is community-based and with a tenant on a lease (or a sublease) for an initial term of at least one month and that is renewable and is terminable only for cause.

All Applicants shall complete *Attachment Two: Rental Housing Feasibility Worksheet* to demonstrate a need for the CHI-2 funds and the financial feasibility of the project.

D. PROHIBITED ACTIVITIES

An Applicant may not use the CHI-2 resources for any of the following:

1. Develop transitional housing.
2. Pledge CHI-2 funds as support for tax-exempt borrowing by local grantees.
3. Provide off-site improvements or neighborhood infrastructure or public facility improvements.
4. Provide assistance to private, for-profit owners of rental property.



5. Implement homeowner rehabilitation projects.
6. Implement homeownership related activities, including down payment assistance programs, the development of units for homeownership, or homeowner rehabilitation projects.
7. Acquire, rehabilitate or construct rental housing that is a treatment, hospice, nursing home, or convalescent facility.
8. Use funds to provide Project Operating Reserves
9. Cover any costs incurred prior to the CHI-2 contract start date or after the end date of the grant agreement.
10. Use of Tennessee Housing Trust Fund Competitive Grants Program resources for any costs associated with the project.

E. MATCH

Proposals are not required to match the CHI-2 funds awarded. However, THDA will prioritize those applications that include firm documentation of eligible match sources to the CHI-2 funds awarded.

Eligible Sources of Match Include:

1. Grants from other agencies.
2. Federal sources such as USDA Rural Development, state or locally administered Community Development Block Grant (CDBG) programs, or HOME grants from local participating jurisdictions.
3. Federal Home Loan Bank.
4. Cash Contributions by local church groups, local agencies, or contributions by individuals.
5. Bank loans.
6. A funding pool established by a local lender for the applicant.
7. Value of the supportive services provided to the individuals recovering from ~~ODU~~ the use of opioids or opioid derivatives over the length of the applicable compliance period, provided that such supportive services are provided at no cost to the tenant.
8. Rental assistance tied to the property. To be eligible, the commitment of rental assistance must extend beyond the end of the grant term. For purposes of application scoring, THDA will only count that value of rental assistance after the date of the certificate of occupancy issued for the last building occupied.



9. The value of property owned by the Applicant prior to the grant term and upon which the proposed housing will be rehabilitated or constructed.

Ineligible Sources of Match:

1. THDA program funds, including federal funding sources such as HOME or the National Housing Trust Fund or the Tennessee Housing Trust Fund financed Competitive Grants Program.
2. In-kind donations, services, or labor.

F. PROGRAM REQUIREMENTS

1. COMPLIANCE PERIOD REQUIREMENTS

All rental housing projects funded under this program description shall have a compliance period that begins on the date of issuance of the certificate of occupancy for the final building within the project. If a certificate of occupancy is not issued, the compliance period will begin on the date of recordation of the notice of completion for the project. With the exception of incurring costs associated with property acquisition, the Grantee shall sign a grant note, deed of trust, and restrictive covenant to enforce the compliance period on a property prior to incurring any costs associated with project development. In no case shall the Grantee draw any CHI-2 funds on a subject property prior to signing a grant note, deed of trust and restrictive covenant to enforce the compliance period on that property. THDA will forgive the CHI-2 grant at the end of the compliance period if the Grantee achieved full compliance throughout the compliance term.

The length of the compliance period will be determined based on the amount of CHI-2 funds invested per unit:

Average Per Unit CHI-2 Investment	Compliance Period
< \$15,000	5 Years
\$15,000 – \$40,000	10 Years
> \$40,000	15 Years

During the compliance period, the Grantee will have on-going obligations for the operation of the rental property, including:

- Conducting initial and annual income certification of tenants;
- Adhering to the CHI-2 rent limits;
- Complying with THDA Property Standards;



- Adhering to fair housing and affirmative marketing requirements;
- Operating the units as recovery housing for individuals with ~~recovering from OUD~~ the use of opioids or opioid derivatives as described in this program description;
- Reporting to THDA as THDA may require; and,
- Taking other actions as THDA may require.

2. CRIMINAL BACKGROUND REQUIREMENTS

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

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

3. DEVELOPER FEE REQUIREMENTS

Applicants may request a developer fee equal to or less than 7.0% of total CHI-2 grant request less any costs associated with the developer fee, acquisition, and permanent financing. If the applicant proposes other funds for the project, the total developer fee earned for the project may not exceed 15% of the total development cost less any costs associated with the developer fee, acquisition, and permanent financing.

The developer fee may be requested in equal percentages of the total CHI-2 grant funds requested up until 75% of the grant has been expended. The final 25% of the developer fee may not be requested until project development is complete, with all certificates of occupancy issued and all required documentation submitted to THDA.

No administrative funds will be provided under this program description.

4. INCOME LIMIT REQUIREMENTS

CHI-2 Grants for rental projects may be used to benefit low income households, meaning an individual or family unit whose gross annual income does not exceed 80% of the area median income, adjusted for family size.



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

Grantees shall ensure occupancy of units by low-income households during the compliance period. Tenants whose annual incomes increase to over 80% of the area median may remain in occupancy, but must pay no less than 30% of their adjusted monthly income for rent and utilities.

5. PROPERTY STANDARD REQUIREMENTS

Any rental units constructed or rehabilitated with CHI-2 funds must meet THDA Design Standards for New Construction or Rehabilitation, as applicable. Additionally, all housing must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion.

In the absence of local codes, new construction of multi-family apartments of 3 or more units must meet the State-adopted edition of the International Building Code; new construction of single-family rental units or duplexes must meet the State-adopted edition of the International Residential Code for One- and Two-Family Dwellings; and rehabilitation of existing rental units must meet the State-adopted edition of the International Existing Building Code.

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

Following project completion, all assisted properties must meet Housing Quality Standards throughout the compliance period.

Building Permits. The Grantee must ensure that building permits are pulled on all new construction and rehabilitation projects as required by the state or local jurisdiction, including mechanical, plumbing, and or electrical permits.

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

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

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



If the work is exempted by the state or local code and a permit is not required, then documentation from state or local code officials must be provided confirming that exemption. If exempted, a qualified inspector may be used. A “qualified inspector” is defined as an individual with credentials appropriate for the type of work being performed, such as inspectors licensed by the State of Tennessee as Building, Mechanical, Plumbing, or Electrical Inspectors.

For an activity where the state or local code officials do not issue a building permit, a qualified inspector may include home inspectors as appropriate for the work performed, including individuals certified as a housing inspector by a national organization such as the International Code Council, the National Fire Protection Association, or the Standard Building Code Congress. THDA may accept other qualifications on a case-by-case basis; however, THDA approval is required before the individual may perform inspections.

Visitability. THDA will award additional points for applications that propose newly constructed single-family or multi-family projects that include design features to make the units visitable by individuals with physical disabilities. These options include a step-free entrance, free passage of 32-36” for interior/exterior doorways, and easy use by individuals confined to a wheelchair. Further information about visitability may be found at www.visitability.org.

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

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

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University:

https://projects.ncsu.edu/ncsu/design/cud/pubs_p/docs/UDinHousing.pdf

6. RENT REQUIREMENTS



Every rental unit assisted with CHI-2 funds is subject to rent controls designed to make sure that rents are affordable to low-income households. Unless the housing is a group home or a Single Room Occupancy (SRO) unit, the maximum rents are the *High HOME rents*. The maximum rent for a Group Home or a SRO unit is defined below.

However, Grantees are encouraged, but not required, to charge tenants no more than 30% of gross monthly income for rent. See *Attachment Four: HOME Program Rents*.

Rents are controlled for the length of the compliance period, and may be adjusted annually in accordance with the applicable HUD standard. The published rents include utilities. *The cost of utilities paid by tenants must be subtracted, using applicable utility allowances, from the published HOME rents to determine the maximum allowable rents.*

Each Grantee should be aware of the market conditions of the area in which the project is located. The High HOME rents are maximum rents which can be charged. Each project should show market feasibility not based upon the High HOME rents, but rather upon area housing markets and CHI-2 occupancy requirements. Rents shall not exceed the published High HOME rents as adjusted for utility arrangements and bedroom size. However, because these rents must also be attractive to *low-income* tenants, actual rents may be lower than the High HOME rents to keep within 30% of the tenant's monthly income. The Grantee should design the development's rent structure to consider the market feasibility of the project.

A CHI-2 Grant may fund the development of a group home, a housing unit that is occupied by two or more single persons or families. A group home consists of common space and/or facilities for group use by the occupants and, except in the case of a shared one-bedroom unit, a separate private space for each individual or family. The calculation of the applicable rent and tenant contributions must follow the following requirements:

- A CHI-2-assisted group home is treated as a single CHI-2-assisted housing unit with multiple bedrooms. The rent limit for a group home is the HUD-published Fair Market Rent (FMR) rent limit for the total number of bedrooms in the group home.
- However, the bedrooms of live-in supportive service providers or other non-client staff are not included when calculating the total number of bedrooms for the purpose of establishing the rent. For example, if one bedroom in a four-bedroom home is occupied by a service provider, the maximum rent for the group home is the HUD-published FMR Limit for a three-bedroom unit.
- The HUD-published FMR Limit is the maximum combined rent that can be charged to all income eligible tenants residing in the group home. Each tenant pays a pro-rata share of the total rent.
- When group home tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published FMR limit in order to determine the maximum combined rent that can be charged to all tenants.



- Group homes frequently include food and/or other supportive services to its residents. Group home rents may not include food costs or the costs of supportive services. Costs for such services must be billed as separate charges. For group home units that are developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose the service provider. The lease must also state whether the fee-based services are optional or mandatory and must identify the amount of the additional fees or surcharges separately from the basic THTF rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

A CHI-2 Grant may assist with the development of Single Room Occupancy (SRO) housing, which consists of a single room dwelling unit that is the primary residence of a single occupant. The unit may or may not have food preparation and sanitary facilities. Rents for SRO units are based on the HUD Fair Market Rent (FMR) or the HUD High HOME rent depending on the characterization of the unit as described below.

IF THE SRO HOUSING IS....	THEN...
A unit with <i>neither</i> food preparation nor sanitary facilities, or with one (food preparation or sanitary facilities)	The CHI-2 rent may not exceed 75% of the HUD-published FMR limit for a 0-bedroom (efficiency) unit.
A unit with <i>both</i> food preparation and sanitary facilities	The CHI-2 rent cannot exceed the HUD published High HOME rent limit for a 0-bedroom unit.
A unit that receives state or Federal <i>project-based</i> rental assistance and is occupied by a very low income tenant	The CHI-2 rent can be the applicable State or Federal project-based rent, as long as the unit is occupied by a very low income tenant who does not pay more than 30% of the family's monthly adjusted income for rent.

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

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



the basic CHI-2 rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

G. PROCUREMENT REQUIREMENTS

It is important to keep the solicitation of bids for goods and services, materials, supplies and/or equipment open and competitive. Grantees shall develop and follow the established procurement policies of the Grantee. At a minimum, the Grantee must have or establish a selection procedure that requires the Grantee to obtain at least three (3) bids and to purchase the goods or services from the lowest or best bidder. The Grantee must have a written rationale for selecting the successful bid or proposal.

H. MARKETING REQUIREMENTS

One goal of CHI-2 is to raise the profile of affordable housing at the local, state and federal level, and to demonstrate that decent housing impacts all facets of a community. Each Grantee shall implement marketing and public relations plans to accentuate program achievements. THDA's Communications Division will assist the Grantee to develop these plans if requested. The Grantee shall submit data and beneficiary stories to THDA as may be required by THDA.

I. FAIR HOUSING AND EQUAL OPPORTUNITY REQUIREMENTS

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

In particular, owners and property managers will need to be aware of discrimination issues with regard to: housing opportunities, employment opportunities, business opportunities, and benefits resulting from activities funded in full or in part by the CHI-2 Grant.

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

J. AFFORDABLE HOUSING LOCATOR SYSTEMS

Beginning at the start of initial lease-up through the end of the compliance period, all Grantees shall list units available for occupancy on both:

1. TNHousingSearch.org or any subsequent affordable rental housing locator system sponsored by THDA, and



2. Recovery within Reach (<http://www.recoverywithinreach.org/housingwithinreach/>) or any subsequent affordable rental housing locator system sponsored by TDMHSAS.

K. APPLICATION AND EVALUATION PROCEDURE

Respondents should only limit the design of the recovery housing for individuals recovering from the use of opioids or opioid derivatives ~~OD~~ by the terms of the CHI-2 Program Description, the availability of matching sources and support services, and the need in a given area for the proposed project.

THDA and TDMHSAS will evaluate each application to determine if the proposal meets program criteria, including, without limitation, submission of a complete application, proposal of an eligible activity that serves individuals recovering from the use of opioids or opioid derivatives ~~OD~~, and proposal of a project that in the opinion of THDA, in its sole discretion, is physically, financially and administratively feasible.

THDA will not consider applications if the applicant fails to submit the following threshold items by the application due date and in accordance with the documentation submission instructions:

- Application signed by the organization's Chief Executive or President/Chairman of the Board of Directors.
- Copy of the latest audit or audited financial statement of the organization.
- Copy of a current resolution by the Board of Directors or governing body approving the submission of the application under the CHI-2 Program Description.
- If a non-profit organization, a Certificate of Existence or Certificate of Authorization from the Tennessee Secretary of State, as applicable, dated within 30 days of the application date. If the non-profit organization is organized in a state other than Tennessee, a Certificate of Existence from the Secretary of State in which the organization was organized must also be submitted.
- If a nonprofit organization, documentation of an IRS designation under Section 501(c)3 or Section 501(c)4 of the federal tax code.
- If a nonprofit organization, copy of the Charter and By-laws of the organization.

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

The Review Committee will score and rank all applications meeting the threshold criteria, as determined by the Review Committee in its sole discretion. Applications will be ranked in descending numerical order based on the categories in the CHI-2 Scoring Matrix.



Applicants must receive a minimum score of 60 to be considered for funding.

In the event of a tie score, THDA first will select the application with the highest Project Design score and then, if a tie still remains, the highest total Applicant Capacity score. If a tie still remains, THDA will prioritize funding for the application with the greatest number of CHI-2 funded units as the final determinant.

The Review Committee will present its recommendations to the THDA Executive Director for determination of awards.



CHI-2 SCORING MATRIX – UP TO 100 POINTS

PROJECT DESIGN:		40 POINTS
<ul style="list-style-type: none"> The program design is complete, adheres to program guidelines, all necessary components are identified in the application, and demonstrates an effective use of THDA resources. 		
1. Site Control – Up to 3 points	The Applicant owns the property on which the proposed housing will be developed.	3 Points
	The Applicant has an option or contract to purchase the property on which the proposed housing will be developed.	2 Points
	The Applicant demonstrates a consistent and successful history of securing ownership control of property over the past five years prior to the Application Due Date that equals either: (1) the number of single family units proposed in the application or (2) if multifamily housing, the number of multifamily sites proposed for acquisition in the application.	1 Point
2. The project is physically, administratively, and financially feasible with sufficient revenue for the on-going operation of the housing during the compliance period – Up to 10 points	<p>The project feasibility worksheet is completed correctly and demonstrates that operating revenue supports operating expenses and expected cash flow is positive.</p> <p>The physical unit design is appropriate for the target population such that all individuals, including those with physical disabilities, have full access to all common areas and amenities in the unit.</p> <p>If site control has been established, the proposed housing meets local zoning requirements, if applicable.</p>	Up to 10 points
3. Rent Reasonableness – Up to 5 points	Rents are affordable, such that QUD households targeted by the application <u>who suffer from the use of opioids or opioid derivatives</u> will not pay more than 30% of their income on rent and utilities.	Up to 5 points
4. Match – Up to 3 points	The application demonstrates firm commitments of match greater than or equal to 25.0% of the CHI-2 grant request.	3 points
	The application demonstrates firm commitments of match between 15.0% - 24.99% of the CHI-2 grant request.	2 points
	The application demonstrates firm commitments of match between 5.0% - 14.99% of the CHI-2 grant request.	1 point



<p>5. Universal Design – Up to 4 points</p>	<p>The unit includes universal design features associated with each unit. THDA will award points for the characteristics noted below. Item “a” is worth (3) points. All other items are worth (1) point each. The maximum number of points under this category is 4.</p> <ul style="list-style-type: none"> a. One entrance door that is on an accessible route served by a ramp or no-step entrance and which also has a 36” door. b. All interior doors have a minimum of 32 inches of clear passage space except closets of less than 15 square feet. c. All hallways have a clear passage of at least 36 inches, is level with ramped or beveled changes at each threshold. d. Each electrical panel, breaker box, light switch or thermostat is no higher than 48 inches above the floor. e. Each electrical plug or receptacle is at least 15” above the floor. f. Minimum 5’ x 5’ level clear space inside and outside entry door. g. Broad blocking in walls around each toilet, tub and shower for future placement of grab bars. h. Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen. i. Front mounted controls on all appliances. j. Lever door handles on all doors. k. Loop handle pulls on drawers and cabinet doors. 	<p>Up to 4 points</p>
<p>6. Support Services – Up to 10 points</p>	<p>The application includes firm commitments demonstrated in the application that a range of support services will be available that will enable the tenant to meet each of the Health, Purpose and Community dimensions of their recovery as described in Section A – Recovery Housing of this program description. Services are available at the choice of the applicant.</p> <p>If housing will be provided to include family members of the individual in recovery, support services are available to each household member to foster their long-term success in the <u>OD-recovery of the use of opioids or opioid derivatives</u>.</p>	<p>Up to 10 points</p>
<p>7. Innovation – Up to 5 points</p>	<p>The housing proposed in the application demonstrates a creative approach to affordable rental housing for low income households recovering from <u>the use of opioids or opioid derivatives</u> <u>OD</u>.</p>	<p>Up to 5 points</p>



APPLICANT CAPACITY		40 POINTS												
<ul style="list-style-type: none"><i>The Applicant demonstrates sufficient capacity to carry out the proposed project and to manage the permanent rental housing through the compliance period.</i>														
1. Housing Development & Housing Service Delivery Experience – Up to 14 points	The Applicant, including its staff or contracted consultants, has successful experience with rental housing development. The Applicant, including its staff, has successful experience in the delivery of housing related services.	Up to 14 points												
2. Housing Management Experience – Up to 14 points	<p>The Applicant, including its staff or a contracted, third party property management entity, has successful experience with the management of affordable rental housing.</p> <table><tr><td><u>Years</u></td><td><u>Points</u></td></tr><tr><td>1-3</td><td>3</td></tr><tr><td>4-6</td><td>6</td></tr><tr><td>7-9</td><td>9</td></tr><tr><td>10-12</td><td>12</td></tr><tr><td>13 Years and Over</td><td>14</td></tr></table>	<u>Years</u>	<u>Points</u>	1-3	3	4-6	6	7-9	9	10-12	12	13 Years and Over	14	Up to 14 points
<u>Years</u>	<u>Points</u>													
1-3	3													
4-6	6													
7-9	9													
10-12	12													
13 Years and Over	14													
3. Financial Capacity of the Applicant – Up to 12 points	The Applicant’s financial statement demonstrates that the Applicant has a strong financial health, including, but not limited to, a diverse source of revenues, unrestricted cash resources to support the property’s operation if project income is insufficient to meet project expenses. The Applicant’s financial audit does not demonstrate material exceptions or concerns about management and operation.	Up to 12 points												
4. Past Performance – Up to 8 points deduction	<p>Applicants with past experience as a recipient of funds under THDA’s Competitive Grants Program, National Housing Trust Fund Program, Neighborhood Stabilization Program, or HOME Program may receive a point deduction based on the Applicant’s past failure to:</p> <ul style="list-style-type: none">Draw funds timely and according to instructions.Complete the project in accordance with requirements.Operate the rental housing in accordance THDA guidelines over the compliance period.Respond timely to resident complaints, contractor concerns, and THDA requests for information and documentation.	Up to 2 points deduction for each concern												



COMMUNITY SUPPORTS		14 POINTS
<ul style="list-style-type: none"> <i>The Applicant proposes housing in a county with health, purpose, and community dimension supports necessary for an individual's successful OADfrom the recovery of the use of opioids or opioid derivatives.</i> 		
1. Purpose & Community - Up to 7 points	<p>The Applicant proposes housing in a county that has an unemployment rate equal to or less than the statewide unemployment rate.</p> <p>OR</p> <p>The Applicant proposes housing in a county with an unemployment rate higher than the statewide unemployment rate and the Applicant demonstrates that partnerships are established to link tenants of the proposed housing to employment.</p>	Up to 7 points
2. Health – Up to 7 points	The Applicant proposes housing in a county or adjacent county in which a drug & alcohol treatment center or a mental health treatment is located.	Up to 7 points
NEED		6 POINTS
<ul style="list-style-type: none"> <i>The Applicant proposes housing in a county evidencing a high need.</i> 		
1. Opioid Use Prevalence – 4 points.	The Applicant proposes housing in a county with a high prevalence of opioid use.	4 points
2. Economic Status Designation – 2 points	For FY2020, the Appalachian Regional Commission designates a county in which the housing will be located as either Economically Distressed or At Risk.	2 points





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: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: January 16, 2020

RE: 2019 National Housing Trust Fund Program Awards

THDA made \$3,241,878 available for award under the 2019 National Housing Trust Fund Program Description. THDA received three eligible applications requesting over \$1.9 million. THDA awarded full funding for the top scoring applicant in the Middle Tennessee Grand Division, and full funding for the next two highest overall scoring applications. A full breakout of scores and funding is shown on the attached funding matrix. Those applications recommended for a full funding award include:

- **Metropolitan Development and Housing Agency** – (Middle TN) – New construction of 102 units of mixed income housing at the Red Oak Flats (aka Boscobel III) development site, with four units set-aside for NHTF eligible households. All NHTF units will have a set aside of project-based rental assistance. The project originally received a commitment of Housing Credits in the 2019 Exchange Round. The Red Oak Flats development is part of the Envision Cayce Master Plan.
- **Murfreesboro Housing Authority** – (Middle TN) –Redevelopment of Oakland Court public housing neighborhood, a 76-unit family development that will be create 76 units in this initial Phase 1 and another 74 homes to be added in a future Phase 2, in accordance with a New Urbanist masterplan for the property. Of the 76 units in Phase 1, 11 of the units will be set-aside for NHTF eligible tenants. The remaining units will be reserved for households eligible through the Housing Credit program. All units in the development will be assisted with RAD project-based vouchers. The project includes 2019 Housing Credits as part of the development financing and a contribution of owner equity.
- **The Crossroads Campus** – (Middle TN) – New construction of the Crossroads Campus Expansion project in Nashville that will include 22 total permanent units, with 9 units set-aside as NHTF funded housing. The development will provide housing for young adults facing homelessness, including individuals who have experienced foster care, the effects of long-term poverty, and other past traumas. The development has also

received funding through the Tennessee Housing Trust Fund Competitive Grants program, Barnes funding from Nashville-Davidson County, and includes a contribution of owner equity.

The remaining three applications did not meet the minimum threshold criteria for the program as noted on the attached scoring matrix.

The total funding award of \$1,945,959 will create 24 units of housing for households at incomes not to exceed 30% of AMI. THDA will make available the remaining \$1,295,919 under the 2020 National Housing Trust Fund program that the Board will be will consider at its January 2020 meeting.

2019 NATIONAL HOUSING TRUST FUND PROGRAM

Applicants Passing Threshold	COUNTY	E M W	NHTF Eligible Development Request	NHTF Operating Reserve Request	Total NHTF Request	Total Project Cost	# of NHTF Units	# of Total Units	Activity	Project Design 30 Pts	Capacity & Experience 30 Pts	Leverage 10 Pts	Need 15 Pts	Areas of Opportunity 15 Pts	Total Score	Total NHTF Funding Award	TOTAL FUNDS AVAILABLE
Top Regional Scores																	\$3,241,878
1-Metropolitan Development Housing Agency	Davidson	M	\$483,954	\$0	\$483,954	\$34,773,581	4	102	New Construction	30	28	4	10	2	74	\$483,954	\$2,757,924
Ranking of Remaining Applications																	
1 Murfreesboro Housing Authority	Rutherford	M	\$900,000	\$0	\$900,000	\$22,123,090	11	76	New Construction	25	23	3	10	9	71	\$900,000	\$1,857,924
2 The Crossroads Campus	Davidson	M	\$562,005	\$0	\$562,005	\$4,751,220	9	22	New Construction	21	28	3	10	6	68	\$562,005	\$1,295,919

NOTE

1. In the event of a tie in the Total Score, priority for funding is determined based on that application with the highest total points received under the Need & Areas of Opportunity categories.
2. Unallocated funds will be reallocated under the 2020 National Housing Trust Fund Program Description.

	NHTF Eligible Development Funds	NHTF Operating Reserve Funds	Total NHTF Funds	Total Project Cost	# of NHTF Units	# of Total Units
Total Applications Recommended for Award:	\$1,945,959	\$0	\$1,945,959	\$61,647,891	24	200
Total Funds for which Eligible Applications Received:	\$1,945,959	\$0	\$1,945,959	\$61,647,891	24	200

Approved:


Ralph M. Perrey, Executive Director

12/12/19
Date

Applicants Not Passing Threshold	County	Threshold Issue
1 Knox Community Development Corporation	Knox	Application failed threshold due to budgeted NHTF rents in proforma exceeding the limit allowed under the program description.
2 Sparta Housing Authority	White	Failure to properly fund a required rereplacement reserve. 30 year Proforma is not viable. Application received score of 48 points, below the 60 point funding threshold.
3 Bluff City Community Development Corporation	Shelby	Did not submit the entire application. Operating Budget not submitted. NHTF funds request exceeds maximum allowed based on per unit subsidy limits. Development has gap in financial resources making the proposal financially infeasible. Application received a score of 39 points, below the 60 point minimum funding threshold.



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: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: January 16, 2020

RE: 2020 National Housing Trust Fund Program Description

Recommendation:

Staff proposes the adoption of the proposed 2020 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 2020 National Housing Trust Fund Program Description at the meeting that immediately follows the date of the awards.

Background:

Staff proposes making available approximately \$4,335,570 under the 2020 National Housing Trust Fund (NHTF) Program Description for the development of affordable rental housing for extremely low income households. This amount includes \$1,295,919 in funds remaining under the 2019 NHTF Program Description plus \$3,039,651 in 2020 NHTF project funds anticipated to be allocated in April by HUD for the 2020 program year. The projected amount of 2020 NHTF project funds is equal to the award received in 2019.

Eligible applicants 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. All funded applicants must maintain NHTF designated units in accordance with program requirements for a 30-year affordability period.

Staff is proposing only very limited changes to the program description for this new program year, including:

- Reduce the minimum funding award from \$250,000 to \$100,000 in order to encourage the combination of NHTF funds in rural developments implemented by small public housing authorities participating in the HUD Rental Assistance Demonstration (RAD) program. The maximum award will remain at \$900,000.
- Add a spend down requirement for entities with prior NHTF funding awards, similar to the requirement implemented under the HOME and THTF Competitive Grants programs. Applicants with a 2019 NHTF award will not be eligible for 2020 NHTF funding.
- Reduce the value of the Applicant Capacity and Experience scoring category from 30 to 25 points and increased the Rural Designation scoring category from 5 to 10 points. Under the Rural Designation category, staff is proposing to provide 7 points for a project located in a rural county and an additional 3 points if the applicant is a rural public housing authority.

As with prior program descriptions, 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.

Staff proposes to open the application round by February 14, 2020 with applications due on April 2, 2020. Funding awards are anticipated to be made on or about May 31, 2020. Contracts will be effective July 1, 2020 – June 30, 2023.



NATIONAL HOUSING TRUST FUND 2020

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 and non-profit entities. Applications for the NHTF program must be received by THDA on or before 4:00 PM CDT on Thursday, April 2, 2020. THDA anticipates notifying successful applicants on or about May 31, 2020. NHTF grant agreements will begin on July 1, 2020 and will end on June 30, 2023.

The application package for NHTF resources as well as additional program documentation will be made available on THDA's website beginning February 14, 2020 at <https://thda.org/business-partners/nhtf>.

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 LEGAL AUTHORITY

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

National Housing Trust Fund (NHTF) funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. The amount of the 2020 (NHTF) allocation is unknown until there is an approved federal budget; however, THDA anticipates receipt of an amount equivalent to the amount received in FY 2019, approximately \$3,377,390. Additionally, THDA may make available any returned or leftover funds from the 2019 or earlier funding rounds as determined at the time of award in May 2020.

- a. 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 one hundred thousand dollars (\$100,000) and a maximum of nine hundred thousand dollars (\$900,000).
- b. NHTF funding 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

THDA will accept applications for the NHTF program from public housing authorities, and non-profit entities that will be the owner of the proposed rental project. If the Applicant is involved in a partnership associated with a low income housing tax credit project, the Applicant must be the sole general partner or the sole managing member of the ownership entity or own 100% of the stock of a corporate ownership entity. The Applicant must materially participate (regular, continuous, and substantial on-site involvement) in the development and operation of the development throughout the compliance period.

- a. 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) SPEND DOWN REQUIREMENT

Applicants with past NHTF grant awards must meet both of the following requirements:

- a. Must not have received an award under the 2019 NHTF Program Description round.

- b. *Requested* (submitted an official Request for Payment Form with supporting documentation) the following percentages of their grants by March 26, 2020 to be eligible for the 2020 NHTF program:

NHTF GRANT YEAR	SPEND DOWN REQUIREMENT
2016 NHTF Round	50%
2017 NHTF Round	25%
2018 NHTF Round	10%

4) FORM OF ASSISTANCE

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

- a. Grantee will be required to record a note, deed of trust and restrictive covenants during the construction phase prior to requesting any draws.
- b. Final legal documents including a grant note, deed of trust and restrictive covenants must be recorded at time of final closing. A copy of all recorded final legal documents must be submitted to THDA within 30 days of final closing.

5) LEVEL OF SUBSIDY

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

- a. Minimum NHTF Funds: \$1,000 per unit
- b. Maximum NHTF Funds Per Unit:

\$62,445	0-Bedroom (Efficiency) Limit
\$71,584	1-Bedroom Limit
\$87,047	2-Bedroom Limit
\$112,611	3-Bedroom Limit
\$123,611	4-Bedroom Limit

6) DEVELOPER FEE

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.

7) ELIGIBLE ACTIVITIES

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. NHTF funds may only be charged to NHTF units or residential buildings where NHTF fixed or floating units are located per the allocation formula in HUD's final rule for the "National" Housing Trust Fund. 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

8) UNIT DESIGNATION

Fixed and floating HTF units. In a project containing HTF-assisted and other units, the grantee may designate fixed or floating HTF units.

- a. This designation will be required in the application and designation of specific units must be included in the written agreement between THDA and the recipient.

9) 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; (See Paragraph 4 above)
- 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.

10) LAYERING

Layering is the combination of government resources on a NHTF-assisted project.

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

11) LEASE-UP AND INITIAL OCCUPANCY

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.

- a. 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.

12) LEVERAGE

Leverage must be in the form of contributions to the project's hard development costs.

- a. 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.
- b. 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.

13) MARKET

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

14) MIXED INCOME TENANCY

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 as defined by HUD; very low income, low income, moderate income and/or above.

- a. NHTF funds may only be used for NHTF qualifying residential units.

15) MIXED USE PROJECTS

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:

- a. 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.
- b. Residential living space in the project must constitute at least fifty one percent (51%) of the total project space.
- c. Each building in the project must contain residential living space.

16) RENT LEVELS AND UTILITY ALLOWANCES

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. Available at <https://thda.org/business-partners/nhtf>.

- a. 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.
- b. 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.

- c. 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.
- d. 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
- e. 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.
- f. 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.

16) LONG TERM OCCUPANCY REQUIREMENTS

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.

17) INCOME LIMITS

NHTF funds must be used to benefit only Extremely Low-Income households.

- a. 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.
- b. 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.

- c. 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.
- d. Current limits are in available at <https://thda.org/business-partners/nhtf>.
 - 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.

18) HOUSING SET-ASIDES FOR INDIVIDUALS WITH DISABILITIES

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>.

- a. 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.
- b. 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.

19) PROPERTY AND DESIGN STANDARDS

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.

- a. 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.
- b. 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.
- c. 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
- d. 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.
- e. 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.
- f. 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.

20) UNIVERSAL DESIGN AND VISITABILITY

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.

a. 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>.

b. 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>.

21) ENVIRONMENTAL REVIEW

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.

- a. 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.

22) LEAD-BASED PAINT

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.

23) FLOOD PLAINS

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 if the flood plain is mitigated by construction design. In cases where construction in the flood plain are slowed the project must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

24) PROCUREMENT

It is important to keep the solicitation of bids for goods and services as well as professional services and construction contracts open and competitive.

- a. At a minimum all Recipients must comply with 24 CFR 200.318 - 326.
- b. All Recipients must have adopted procurement policies and procedures that meet state and federal requirements.
- c. 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.
 - i) There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

25) CONFLICT OF INTEREST

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.

- a. 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.

- b. 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.
- c. 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.

26) DEBARMENT AND SUSPENSION

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.

27) PROFORMA

- a. All Applicants shall complete 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.
- b. If the project can support debt, other financing is required and will be a threshold requirement.

28) PROJECT SOFT COSTS

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.

29) REPLACEMENT RESERVE ACCOUNTS

All projects shall maintain a replacement reserve account beginning at the time of completion for the term of the NHTF period of affordability.

- a. 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.
- b. 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.
- c. 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.
- d. 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.
- e. 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.
- f. 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.
- g. The replacement reserve account must be maintained in a separate account in a federally insured financial institution.
- h. Reserve accounts must also be separate from the project's ordinary operating account.

30) OPERATING RESERVE ACCOUNT

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.

- a. 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.
- b. The operating reserve account must be maintained in a separate account in a federally insured financial institution.
- c. 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.
- d. 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.
- e. 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.
- f. For purposes of this paragraph, eligible operating costs are limited to insurance, utilities, real property taxes, maintenance, and replacement reserve payments.

31) REPAYMENT

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.

- a. 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.
- b. 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.
- c. In the event of a foreclosure or transfer in lieu of foreclosure, the Recipient must repay the full NHTF investment in the project.

32) COMPLIANCE

NHTF assisted rental units are rent and income limited for the thirty (30) year Period of Affordability.

- a. Recipients/Owners of rental property shall maintain occupancy of NHTF assisted units by Extremely Low Income Persons for the Period of Affordability.
- b. 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.
- c. 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.
- d. 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.
- e. 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.
- f. At a minimum THDA will conduct desk compliance reviews annually.
- g. 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.
- h. 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.

33) MONITORING FEES

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 the current NHTF Operating Manual - Schedule of Monitoring Fees; but no less than \$600 per NHTF assisted unit.

- a. 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.

34) RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

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.

- a. 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:

- i) A description of the proposed assisted project;
 - (1) 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.
 - (2) A time schedule for the commencement and completion of the demolition or conversion.
 - (3) 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.
 - (4) The source of funding and a time schedule for the provision of the replacement housing.
 - (5) 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.
 - (6) 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.

35) NHTF RELOCATION REQUIREMENTS

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.

- a) 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.
- i) 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.)

- ii) 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:
 - (1) The owner requires the tenant to move permanently; or
 - (2) The owner fails to provide timely required notices to the tenant; or
 - (3) 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.
 - (4) 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.

36) SITE AND NEIGHBORHOOD STANDARDS

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.

- a) 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.

- b) 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.

37) EQUAL OPPORTUNITY AND FAIR HOUSING

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.

- a) 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 CRF 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.
- b) 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)
- c) 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.

38) AFFIRMATIVE MARKETING

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:

- a) Methods for informing the public, owners and potential tenants about fair housing laws and the Recipient's policies;
- b) A description of what the Recipient will do to affirmatively market housing assisted with NHTF funds;
- c) A description of what the Recipient will do to inform persons not likely to apply for housing without special outreach;
- d) Maintenance of records to document actions taken to affirmatively market NHTF-assisted units and to assess marketing effectiveness; and
- e) Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.
- f) All projects that receive NHTF grants must advertise all vacant units on the www.TNhousingsearch.org website.

39) APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes:

- a) Submission by an eligible applicant of a complete application, including any documentation required to be submitted through THDA's Participant Information Management System (PIMS).
- b) 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.
- c) Submission of a 30-Year Proforma demonstrating a need for the NHTF funds.
- d) 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>.

- e) Receipt of a score that equals at least 60% of the total points available.
- f) 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.
- g) THDA will first select the highest scoring application from each Grand Division of Tennessee.
- h) 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.
- i) 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.
- j) 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.

* 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.

40) NHTF RENTAL HOUSING SCORING MATRIX Up to 100 Points

PROJECT DESIGN - Up to 30 points

- a) 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.
- b) Firm financial commitments for non-NHTF resources have been secured, are current, and are demonstrated within the application.
- c) 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.
 - i) Projects with committed project based VASH vouchers, Continuum of Care rental assistance, or project-based Section 8 vouchers are preferred.
 - ii) Projects that preserve existing housing with project-based rental assistance also are encouraged.
- d) The project's proforma demonstrates sufficient cash flow to supports the project's operation without a contribution of NHTF funds by THDA to an operating reserve account for the project.
- e) The extent to which the proposed project fills the need demonstrated by the neighborhood market conditions.
- f) The extent to which the design of the proposed project is appropriate and meets the needs of the targeted population to be served.
- g) 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.
- h) The extent to which the proposed project provides easy access to community living, including retail, employment, transportation, medical, education, recreation, and government services.
- i) The extent to which the proposed project integrates the NHTF-assisted households with households of higher incomes within the project. These will be determined using the standard HUD definitions of extremely Low Income, very Low Income, Low Income, and incomes above 80% AML.
- j) The extent to which universal design and visitability features will be included in the design of the projects.
- k) The extent to which energy efficiency features exceed the requirements of THDA's Design Standards for New Construction or Rehabilitation, as applicable.

APPLICANT'S CAPACITY AND EXPERIENCE - Up to 25 points

- a) The applicant's experience with owning, developing and managing rental units of similar size and scope serving the intended population proposed.
- b) The capacity of the applicant and its development and management team to carry out the proposed project within the schedule proposed.
- c) 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.

- d) The past experience of the applicant and its development and management team to undertake THDA rental development projects in a timely manner.
- e) The past history of the applicant in serving the community in which the proposed project is to be located.
- f) The past history of the applicant and its development and management team to comply with THDA funding requirements and processes.
- g) The applicant's financial statements and audit indicate a healthy financial position and include diverse funding sources.

NEED - Up to 10 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 available at <https://thda.org/business-partners/nhtf>.

AREAS OF OPPORTUNITY SCORE - Up to 10 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 available at <https://thda.org/business-partners/nhtf>.

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.

RURAL DESIGNATION – Up to 10 points

THDA will award 7 points for applications with projects located in designated rural areas of Tennessee. For this program description, "rural" is defined as all Tennessee counties except the following: Anderson, Blount, Bradley, Carter, Coffee, Davidson, Dyer, Gibson, Hamilton, Hamblen, Haywood, Knox, Loudon, Madison, Maury, Montgomery, Putnam, Roane, Rutherford, Shelby, Sumner, Unicoi, Williamson and Wilson. All other counties are considered Rural.

THDA will award an additional 3 points if the applicant is a Tennessee Public Housing Authority in one of the above identified rural counties.

DESIGNATED DISTRESSED COUNTIES – 5 points

Tennessee Governor Bill Lee issued an executive order designating fifteen Tennessee Counties as distressed, including: Lake, Lauderdale, Hardeman, McNairy, Perry, Jackson, Clay, Grundy, Van Buren, Bledsoe, Fentress, Morgan, Scott, Hancock and Cocke. THDA will award up to 5 points for applications with projects in the designated distressed counties.



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

TO: Grants Committee and Board of Directors

FROM: Cynthia Peraza, Director of Community Programs
Don Watt, Chief Programs Officer

DATE: January 15, 2020

SUBJECT: Tennessee Renovation Loan Program Allocation Increase

Recommendation:

THDA staff is requesting authorization to increase the Tennessee Renovation Loan Program (TRLP) allocation by \$811,000. These funds originated from the Attorney General's Mortgage Service Settlement Funds and were earmarked as Match Funds for the ARC Grant funds administered through the Appalachian Renovation Loan Program (ARLP), which ended in July 2019.

Background:

The TRLP was created to help eligible, low-income homeowners access funding to repair and preserve their homes. The goal of the program is to achieve safe, healthy, livable, and sound housing for eligible homeowners within the state of Tennessee. The program offers up to \$25,000 at a 0% interest rate with a 5-year loan term, and is forgivable 20% per year. The TRLP loans are originated by approved nonprofit participants and serviced by THDA staff.

As of January 15, 2020, the TRLP has received a total of 113 loan applications from 21 counties across the state and disbursed a total of \$ 1,261,792.06. (See production on next page.) Through the increase in program allocations proposed, THDA will have the opportunity to assist a minimum of 30 low-income homeowners in preserving their homes.

<u>County</u>	<u>Count by County</u>	<u>Sum of Funds Expended</u>
Anderson	6	\$ 60,375.90
Blount	2	\$ 24,888.70
Campbell	3	\$ 34,792.34
Carroll	1	\$ 12,130.84
Carter	1	(In process)
Claiborne	2	\$ 12,234.00
Gibson	1	\$ 10,282.00
Grainger	4	\$ 27,236.27
Greene	5	\$ 85,785.42
Hamblen	1	\$ 20,389.00
Hamilton	22	\$ 324,309.40
Henry	1	\$ 12,132.00
Knox	11	\$ 102,187.63
Madison	6	\$ 27,500.00
Pickett	1	\$ 27,564.00
Rhea	1	\$ 24,833.00
Roane	1	(In process)
Scott	2	\$ 11,104.00
Sevier	1	\$ 27,562.00
Shelby	40	\$ 416,485.56
Sullivan	1	(In process)
Grand Total	113	\$ 1,261,792.06



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

TO: Grants Committee and Board of Directors

FROM: Cynthia Peraza, Director of Community Programs
Don Watt, Chief Programs Officer

DATE: January 17, 2020

SUBJECT: Appraisal Gap Pilot Program Allocation Increase

Recommendation:

THDA staff is requesting authorization to make the following changes to the Appraisal Gap Pilot Program (Gap Program):

- 1) Increase the allocation by \$500,000 in THDA funds, bringing the total Gap Program allocation to \$1 million dollars;
- 2) Expand Gap Program availability across the state; and
- 3) Extend Gap Program duration through December 31, 2020, or until the Gap Program funding is depleted, whichever occurs first.

By providing the Gap Program across the state for the extended duration, THDA will have the ability to help encourage additional non-profit housing agencies to build new housing or substantially renovate affordable homes for low-income families in approved neighborhoods where there is a gap between the achievable sales price and building or renovation expenses.

Background:

Since the mortgage crisis nearly a decade ago, there are certain neighborhoods within Tennessee where property values still have not recovered. Property values in these neighborhoods have not appreciated at a pace that matches the appraised value with the actual sales price of homes. With the rising costs of land development, building materials, and labor, non-profit affordable homebuilders who have been working to stabilize these neighborhoods can no longer renovate aged inventory for resale or construct new homes and cover their costs with a traditional sale to a new homeowner.

With mortgage financing requiring lenders use the lesser of the sales price or appraised value when calculating the maximum loan amount, non-profit affordable homebuilders are left with a shortfall between the achievable sales price and their building or renovation expenses.

After discussions with several non-profit housing agencies, and review of both appraisals and building costs, THDA staff established a shortfall of approximately \$15,000 to \$20,000 per house. With that vital discovery, THDA created the Appraisal Gap Pilot Program in September 2018 to provide grant funding to approved nonprofit housing agencies.

The maximum grant amount per housing unit is \$20,000, with the actual amount calculated on the difference between cost to build and the appraised value used for the borrower's financing.

In order to encourage and increase affordable housing inventory, all nonprofits must ensure the new construction development or the renovation exceeds the property acquisition limits. In addition, buyers may not exceed the maximum household income limits.

In September 2018, the Board approved the creation and launch of the Appraisal Gap Program with an allocation of \$500,000 in THDA funds to offer grants to eligible non-profit participants in Memphis, Chattanooga and Oak Ridge on a first-come-first-served basis through December 31, 2020.

Since the program's start, THDA has committed funds for 20 grants, (2 in Chattanooga and 18 in Memphis) and have funding to commit to 5 more. We anticipate scheduling the first disbursement for new construction in Memphis before the end of the month.

Tab # 6

Items:

Lending Committee Meeting Materials

**Tennessee Housing Development Agency
Lending Committee
January 29, 2020
10:15 a.m. Central Time**

AGENDA

1. Call to Order Cleaves
2. Approval of Minutes for November 19, 2019 Meeting Cleaves
3. Housing Cost Index Arik
4. 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
John Krenson
Stuart McWhorter
Erin Merrick
Chrissi Rhea

TENNESSEE HOUSING DEVELOPMENT AGENCY
LENDING COMMITTEE
November 19, 2019

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, November 19, 2019, at 9:30 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower, Nashville, Tennessee.

The following Committee members were present: Dorothy Cleaves (Chair), John Krenson, Chrissi Rhea, Colleen Daniels for Commissioner of Finance & Administration Stuart McWhorter, and Mike Hedges (Board Chair). Committee members Regina Hubbard and Erin Merrick were absent. The following board members were also present: John Snodderly, Katie Armstrong for Comptroller Justin Wilson, Rick Neal, and Kevin Bradley for Treasurer David Lillard.

Chair Cleaves called the meeting to order and called for consideration of the minutes from May 21, 2019. Upon motion by Mr. Krenson, and second by Ms. Daniels, the minutes were approved.

Chair Cleaves called on Lindsay Hall, Chief Operating Officer of Single Family Programs, who referenced a memo dated November 7, 2019 from herself and Cynthia Peraza, Director of Special Programs. Ms. Hall explained that THDA’s Blight Elimination Program (BEP) has been very successful in certain market places and has funded the purchase and demolition of blighted properties by non-profits. She explained that the intent of BEP was to encourage affordable housing on the cleared lots, but the non-profits have faced difficulties finding construction financing, so new construction has occurred only on a few properties. She noted that, following conversations with BEP participants, staff is considering a construction loan pilot program to assist with new construction in these communities by using up to \$2 million of THDA funds to create a revolving loan fund. She also noted that a new manufactured housing product line that Freddie Mac and Fannie Mae have endorsed called Choice Homes could be an alternate way of getting affordable housing on the lots in these communities.

There being no questions and no further business, Chair Cleaves adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 29th day of January, 2020.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: January 14, 2020
TO: THDA Board of Directors
FROM: Dr. Hulya Arik, Economist
SUBJECT: Housing Cost Index for 2020

Attached is the calculation of the Housing Cost Index (HCI) for 2020 prepared in accordance with the formula set out in THDA's enabling legislation. Under Tennessee Code Annotated Section 13-23-114, "The housing cost index shall serve to determine what percentage of the average Tennessee household's gross monthly income is required to pay for primary fixed housing costs under then existing market conditions...". If the housing cost index exceeds 25 percent, the legislature determined that "...a majority of Tennessee citizens are excluded from the normal housing market..." and there is a need for THDA financial assistance programs to aid in providing adequate housing for lower and moderate income persons and families.

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

In the calculation of the median priced home, the House Price Index (HPI) from the Federal Housing Finance Agency (FHFA), which offers state level data, is used. Federal Housing Finance Agency discontinued monthly interest rate surveys, which were used in the calculation of monthly mortgage payments. Therefore, we switched to Freddie Mac's Primary Mortgage Market Survey. Otherwise, the methodology is the same as was used last year.

Based on the above calculation, the housing cost index for 2020 is **28.67 percent**, slightly lower than last year's index of 29.52 percent. Lower average interest rates and increased median household income improved the housing affordability for Tennesseans even with increased median home purchase price.

THDA staff recommends adoption of the housing cost index for 2020 via the attached Board Resolution.

/HA

ESTIMATED TENNESSEE HOUSING COST INDEX, 2020										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
(1) Median Purchase Price	\$147,795	\$152,582	\$153,596	\$169,669	\$173,448	\$174,864	\$186,358	\$201,021	\$211,257	\$223,125
(2) Discount Points	0.72	0.88	1.13	1.21	0.61	0.61	0.54	0.50	0.50	0.52
(3) Market Rate	4.84%	4.66%	3.95%	3.99%	4.41%	4.06%	3.92%	4.17%	4.63%	4.01%
(4) Adj. Sales Price	\$148,859	\$153,925	\$155,332	\$171,722	\$174,503	\$175,938	\$187,359	\$202,026	\$212,313	\$224,278
(5) FHA Mort. Amount	\$145,086	\$150,023	\$151,394	\$167,369	\$171,342	\$172,752	\$183,965	\$198,367	\$208,468	\$220,216
(6) Property Tax Rate	2.99	3.08	3.17	3.21	3.23	3.23	3.20	3.19	3.10	3.03
(7) Property Tax/Month	\$91.94	\$98.02	\$101.31	\$113.50	\$116.81	\$117.58	\$124.30	\$133.39	\$136.26	\$140.64
(8) Homeowners Insurance	\$84.66	\$90.32	\$92.94	\$107.07	\$115.20	\$116.12	\$116.47	\$127.45	\$133.73	\$131.61
(9) P&I/Month	\$764.73	\$774.47	\$718.42	\$798.08	\$859.03	\$830.98	\$869.73	\$966.29	\$1,072.34	\$1,052.82
(10) Monthly PITI	\$941.32	\$962.82	\$912.67	\$1,018.65	\$1,091.03	\$1,064.68	\$1,110.50	\$1,227.13	\$1,342.33	\$1,325.08
(11) Gross Income	\$44,915	\$42,066	\$42,907	\$42,451	\$44,379	\$45,747	\$47,275	\$49,585	\$54,566	\$55,471
Housing Cost Index (% of Gross Income)	25.15%	27.47%	25.53%	28.79%	29.50%	27.93%	28.19%	29.70%	29.52%	28.67%

Sources and Methodology:

1. Median home purchase prices calculated from all home sales reported by county property assessors to Tennessee Office of the Comptroller adjusted using the Federal Housing Finance Agency (FHFA) quarterly House Price Index (HPI) for the third quarter of the year prior to index year. For 2020 HCI, 2018 median home prices are adjusted using the third quarter of 2019 HPI from FHFA.
2. Annual average of monthly discount points from Freddie Mac, Primary Mortgage Market Survey.
3. The average of monthly interest rates (2019 year to date including November) Freddie Mac, Conventional, Conforming 30-Year Fixed-Rate Mortgage Series. Previously, this data were from Federal Home Finance Board, but FHFA is no longer conducting this survey.
4. Median Purchase Price adjusted with discount points.
5. Average FHA mortgage amount for 2019. Assumes a 3.5 percent downpayment and includes an upfront mortgage insurance premium financed into the final mortgage (1.75 percent of the base loan amount).
6. Property tax rate data are from the Tennessee Office of the Comptroller, Division of Property Assessment.
7. Monthly property tax represents the weighted average statewide residential effective tax rates per \$100 of assessed value; 25 percent of assessed value.
8. Monthly homeowners' insurance payments, based on insurance rates of THDA borrowers.
9. Monthly principal and interest (P&I) payments, assuming 30-year fixed payments with the average interest rate.
10. Monthly fixed housing costs including principal, interest, property tax and insurance (PITI).
11. Median family gross income (MFI) and median household income (MHI) figures are used. The U.S. Census Bureau, American Community Survey (ACS) 1-year estimate of 2018 MHI is used in estimating MHI for the current year. The percentage change in HUD median family income (MFI) from 2018 to 2019 is applied to calculate the annual change in MHI.

RESOLUTION OF THE BOARD OF DIRECTORS
ADOPTING THE HOUSING COST INDEX AND
AUTHORIZING THE OPERATION OF FINANCIAL ASSISTANCE PROGRAMS
JANUARY 29, 2020

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

WHEREAS, THDA has established a housing cost index for 2020 pursuant to Section 13-23-103(7) of the Act based on calculations as of January 14, 2020, a copy of which is attached hereto and incorporated herein by this reference (the "Housing Cost Index"); and

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

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

1. The Housing Cost Index for 2020 which shows that primary housing costs equal approximately 28.67% of an average Tennessee household's gross monthly income is hereby adopted.
2. The continued operation of THDA's financial assistance programs including, but not limited to, THDA loan programs, is hereby authorized.
3. This resolution shall take effect immediately.

This resolution was adopted by the affirmative vote of no fewer than eight (8) members of the Board of Directors of THDA at its meeting on January 29, 2020.

Tab # 7

Items:

Tax Credit Committee Meeting Materials

**Tennessee Housing Development Agency
Tax Credit Committee**

**January 29, 2020
10:20 a.m. Central Time**

AGENDA

1. Call to Order Tully
2. Approval of Minutes from November 19, 2019 Meeting Tully
3. 2019-2020 QAP Modification (Distressed and At Risk Communities)King
4. Modification to the Regional Pools King
5. Noncompetitive Low-Income Housing Tax Credit per Development
Cap Amendments..... King
6. Energy Star/Enterprise Green Community Amendment to the 2016, 2017 and 2018
Low-Income Housing Tax Credit Qualified Allocation PlansKing
7. Adjourn Tully

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

Lynn Tully, Chair
David Lillard
Stuart McWhorter
Erin Merrick
John Snodderly

TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT COMMITTEE
November 19, 2019

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, November 19, 2019, at 10:44 a.m. Central Time at the William R. Snodgrass Tennessee Tower, Third Floor, Nashville Room, Nashville, Tennessee.

The following Committee members were present: John Snodderly, Kevin Bradley (for Treasurer David Lillard), Colleen Daniels (for Commissioner of Finance & Administration, Stuart McWhorter), and Mike Hedges. Committee member Erin Merrick participated by phone. Committee member Lynn Tully was absent. Mr. Snodderly acted as Committee Chair in the absence of Ms. Tully. Other Board members in attendance were Dorothy Cleaves, Katie Armstrong (for Comptroller Wilson), John Krenson, Rick Neal and Chrissi Rhea.

Seeing a quorum present, Chair Snodderly called the meeting to order and called for consideration of the September 24, 2019, minutes. Upon motion by Mr. Bradley, seconded by Mr. Hedges, the minutes were approved.

Chair Snodderly recognized Don Watt, Acting Director of Multifamily Programs, to review the proposed 2020 Multifamily Tax-Exempt Bond Authority ("MTBA") Program Description ("2020 MTBA PD"). Mr. Watt summarized the proposed changes, more fully described in his memorandum dated November 18, 2019, as follows:

- The amount of 2020 MTBA to be made available is fifty percent (50%) of the initial amount of private activity bond volume cap allocated to THDA in early 2020.
- Several proposed changes to bring the 2020 MTBA PD into conformity with changes to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan approved by the THDA Board of Directors in September 2019.
- Change to the maximum amount of 2020 MTBA that may be allocated to a single proposed development to the lesser of (a) the limits reflected in the 2019 MTBA PD or (b) 60% of the proposed development's aggregate basis (including land).
- Delete language regarding special requests.
- Change the Firm Commitment Letter language to address timing issues with applications submitted late in the year so that all MTBA allocations close by December 23, 2020.

A motion by Ms. Merrick, second by Ms. Daniels, was made to recommend approval of all proposed changes, except that special requests will not be deleted and the minimum number of units for a special request will be reduced from 500 to 400. Mr. Hedges moved to amend the amount of 2020 MTBA to be made available to \$200 million; however, the motion died for lack of a second. The original motion carried.

Chair Snodderly recognized Mr. Watt for a description of proposed amendments to the Low-Income Housing Tax Credit Qualified Allocation Plans for 2016, 2017 and 2018 regarding energy efficiency requirements. Mr. Watt referenced his memo dated November 7, 2019, and noted that staff recommends amending the 2016 QAP, the 2017 QAP and the 2018 QAP to permit

selection of "Energy Star" requirements as an alternative to the existing "Enterprise Green Community Certification" requirements. Upon motion by Mr. Bradley, second by Ms. Daniels, the Committee recommended the changes described in the referenced memo to the Board. Mr. Hedges recused himself from discussion and vote.

Chair Snodderly recognized Mr. Perry to present the MTBA per developer limit waiver request for Moss Grove (TN19-240). Mr. Perrey referenced a letter dated November 15, 2019, from the Moss Grove developers explaining the waiver request and noted that staff had no recommendation. Upon motion by Mr. Hedges, second by Ms. Daniels, the Committee recommended that the Board grant the waiver request.

Chair Snodderly recognized Mr. Watt who referenced a memo dated November 18, 2019 and noted that at the September Tax Credit Committee meeting, the Board Chair requested that staff consider options available to support new construction of multifamily rental housing in Tennessee's at-risk and distressed counties. He explained that staff is working to identify options to assist in increasing the financial feasibility of proposed low income housing credit developments in these counties and plans to bring a proposal for consideration in January.

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

Respectfully submitted,

Ralph M. Perrey
Executive Directors

Approved this 29th day of January, 2020



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 Board of Directors

FROM: Edwin King
Director of Multifamily Programs

SUBJECT: January 29, 2020 Meeting

DATE: January 15, 2020

The January agenda is relatively light. Staff is recommending and requesting approval of two amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan ("2019-2020 QAP"). Staff is also requesting and recommending an amendment to the 2017 and 2018 Low-Income Housing Tax Credit Qualified Allocation Plans ("2017 QAP" and "2018 QAP", respectively) and the 2018 Multifamily Tax-Exempt Bond Authority Program Description ("2018 PD").

The first amendment to the 2019-2020 QAP deals with Chairman Hedges' initiative for improving the financial feasibility of new construction developments in Tennessee's at-risk and distressed (as designated by the Tennessee Department of Economic and Community Development ("ECD") for FY 2020) rural counties.

The second amendment to the 2019-2020 QAP addresses the New Construction Regional Pools in light of the first amendment.

The amendment to the 2017 QAP, the 2018 QAP, and the 2018 PD increases the maximum amount of noncompetitive Low-Income Housing Credit per development to \$3 million.



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 Board of Directors

FROM: Edwin King
Director of Multifamily Programs

SUBJECT: Rural New Construction Amendment to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan

DATE: January 15, 2020

Staff recommends and requests approval of an amendment to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "2019-2020 QAP") to provide Special At-Risk/Distressed Counties Assistance.

Specifics of the proposed amendment are as follows:

- 1) To be eligible, a proposed development must satisfy all of the following:
 - a) New construction; and
 - b) No more than 64 units; and
 - c) Located wholly within one of the following counties: Benton, Bledsoe, Campbell, Carroll, Carter, Claiborne, Clay, Cocke, Decatur, Fentress, Grainger, Grundy, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Houston, Jackson, Johnson, Lake, Lauderdale, Lewis, McNairy, Meigs, Monroe, Morgan, Obion, Overton, Perry, Rhea, Scott, Unicoi, Union, Van Buren, Warren, Wayne, or Weakley.
- 2) Eligible proposed developments would receive the following special considerations:
 - a) Per development annual LIHC limit of \$1.3 million; and
 - b) Basis boost of up to 130%, as determined by THDA; and
 - c) New construction in a HUD-designated Qualified Census Tract ("QCT") permissible; and
 - d) Applicable total development cost limits increased by 10.0 percent; and
 - e) Solely for purposes of the Special At-Risk/Distressed Counties Assistance, none of the counties above will be considered "non-viable" with regard to the County Need Score.

As usual, staff also requests authority to make non-substantive conforming changes as necessary.



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 Board of Directors

FROM: Edwin King
Director of Multifamily Programs

SUBJECT: New Construction Regional Pool Amendment to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan

DATE: January 15, 2020

Staff recommends and requests approval of an amendment to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "2019-2020 QAP") to operationalize the following:

1. The number of developments that may be selected from each of the 5 New Construction Regional Pools set at 2; and
2. Within each New Construction Regional Pool, there would be up to 1 allocation to a proposed development eligible for the Special At-Risk/Distressed Counties Assistance and up to one allocation to a proposed development not eligible for the Special At-Risk/Distressed Counties Assistance; and
3. The allocations will be in ranking order, taking into account all limits and tie-breakers, without preference for proposed developments eligible for the Special At-Risk/Distressed Counties Assistance or proposed developments not eligible for the Special At-Risk/Distressed Counties Assistance.

As usual, staff also requests authority to make non-substantive conforming changes as necessary.



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 Board of Directors

FROM: Edwin King
Director of Multifamily Programs

SUBJECT: Amendment to the 2017 Low-Income Housing Tax Credit Qualified Allocation Plan, the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan, and the 2018 Multifamily Tax-Exempt Bond Authority Program Description

DATE: January 15, 2020

Part IV-C of the 2017 Low-Income Housing Tax Credit Qualified Allocation Plan ("2017 QAP"), Part IV-B of the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan ("2018 QAP"), and Part XI of the 2018 Multifamily Tax-Exempt Bond Authority Program Description ("2018 PD") limit the amount of *Noncompetitive* Low-Income Housing Credit that may be allocated to a single development to \$1.1 million per year. *Noncompetitive* Low-Income Housing Credit ("NLIHC") is separate from, and does not reduce, the annual amount of *Competitive* Low-Income Housing Credit ("CLIHC") available for allocation in Tennessee.

Staff have received feedback from developers that an increase to the NLIHC per development limit would allow developments from 2017 and 2018 that are or soon will be placed in service to have greater ability to provide much needed affordable housing.

As you may recall, in May 2019, the THDA Board of Directors increased the NLIHC per development limit for developments subject to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan and the Multifamily Tax-Exempt Bond Authority Program Description for 2019 to \$3 million per year.

Unlike CLIHC allocations, THDA allows NLIHC allocations to increase at the time the development is placed in service.

Staff Recommends and Requests:

1. Increase the NLIHC per development limit from \$1.1 million to \$3.0 million. This increase would be reflected in amended language (i.e. replacing "\$1,100,000" with "\$3,000,000") in Part IV-C of the 2017 QAP, Part IV-B of the 2018 QAP and Part XI of the 2018 PD.

As usual, staff also requests authority to make non-substantive conforming changes as necessary.



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 Board of Directors

FROM: Edwin King
Director of Multifamily Programs

SUBJECT: Clarification to Requirements for HVAC Systems and Windows

DATE: January 21, 2020

The attached memo, dated November 7, 2019, describes an amendment to each of the 2016, 2017, and 2018 Low-Income Housing Tax Credit Qualified Allocation Plans approved by the THDA Board of Directors in November 2019. As a result of ongoing communication with parties affected by the amendment, staff recommends and requests approval of the following clarification.

Staff Recommendations:

1. Staff recommends and requests that with regard to developments that meet all the following conditions, the 2015 Enterprise Green Community specifications for HVAC systems and windows be applicable.
 - a. The development originally received an allocation of housing credit pursuant to the 2016, 2017, or 2018 Low-Income Housing Tax Credit Qualified Allocation Plan; and
 - b. IRS Form(s) 8609 for the most recent allocation of housing credit have not been issued; and
 - c. The development has elected to substitute "ENERGY STAR" requirements for the "Enterprise Green Community Certification" requirements; and
 - d. The development architect provides written certification in a form and with substance acceptable to THDA, in its sole discretion, that the HVAC system(s) and windows are compliant with the 2015 Enterprise Green Community specifications.
2. Due to the technical nature of these issues, staff also recommends and requests that the Executive Director be authorized to exercise discretion in resolving any other unforeseen issues rising from the amendment described in the memo dated November 7, 2019 or the clarification to that amendment described herein.



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 Board of Directors

FROM: Don Watt
Director of Community Programs
Acting Director of Multifamily Programs

SUBJECT: Energy Efficiency Requirements Amendment to Low-Income Housing Tax Credit Qualified Allocation Plans for 2016, 2017, and 2018

DATE: November 7, 2019

Part VII-B-2-d of the Low-Income Housing Tax Credit 2016 Qualified Allocation Plan (the "2016 QAP"), Part VII-B-2-d of the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan (the "2017 QAP") and Part VII-B-2-d of the Low-Income Housing Tax Credit 2018 Qualified Allocation Plan (the "2018 QAP") each describe a scoring criterion for "Enterprise Green Community Certification". The following language is used in the 2016 QAP, the 2017 QAP, and the 2018 QAP:

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

Section 14-A-9 (for new construction) and Section 14-B-9 (for existing multifamily housing) of the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "2019-2020 QAP") also offer points for Enterprise Green Community certification. However, an equally weighted (with regard to points) option is included and described as "ENERGY STAR". The "ENERGY STAR" requirements are as follows:

At placed in service, all of the following Energy Star requirements will be met:

ENERGY STAR rated HVAC systems in all units, 15 SEER minimum; and ENERGY STAR refrigerator with ice maker, 19 cubic foot minimum; and overhead light fixture connected to a wall switch in the living room and all overhead light fixtures in other rooms connected to a wall switch in the same room; and all light fixtures fitted with ENERGY STAR light bulbs; and ENERGY STAR rated windows in all units; and all toilets high efficiency or dual flush.

Staff Recommendation:

1. Staff recommends and requests approval of an amendment to the 2016 QAP, the 2017 QAP, and the 2018 QAP to add the “ENERGY STAR” requirements as an equally weighted alternative to the “Enterprise Green Community Certification” requirements.
2. Staff recommends and requests approval to require a written request and a modification fee from any 2016, 2017, or 2018 applicant that wishes to substitute the “ENERGY STAR” requirements for the “Enterprise Green Community Certification” requirements. The applicable modification fee is described in Part XV-D of the 2016 QAP, Part XV-D of the 2017 QAP, and Part XV-F of the 2018 QAP.

Tab # 8

Items:

Blank – no materials