

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
January 29, 2019

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the “Board”) met in regular session on Tuesday, January 29, 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: Dorothy Cleaves; Secretary of State Tre Hargett; John Krenson; Treasurer David Lillard; Samantha Wilson (for Commissioner of Finance & Administration Stuart McWhorter); Erin Merrick; Lynn Tully; and Katie Armstrong (for Comptroller Justin Wilson). Kim Grant Brown and John Snodderly participated via teleconference. Daisy Fields; Regina Hubbard; Austin McMullen; and Pieter van Vuuren were absent.

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

Cynthia Buntin	Accounting	5 years
Patricia Randolph	Operations	5 years

At the request of the Chair, Vice-Chair Dorothy Cleaves chaired the meeting.

Seeing a physical quorum present, Vice-Chair Cleaves called the meeting to order, and read the following statement: “Certain Board members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. A physical quorum is present at the location specified in the posted notice. It is, therefore, for the benefit of the public and the Board to allow participation in this manner. Board members participating by telephone were sent documents relevant to today’s meeting.”

Vice-Chair Cleaves acknowledged that Ms. Brown and Mr. Snodderly were participating by phone and noted that since Ms. Brown and Mr. Snodderly were participating via telephone, roll call votes will be taken for each action item. Upon motion by Ms. Tully, second by Mr. Krenson, and the following roll call vote, motion carried to conduct the meeting in this manner:

Cleaves	Yes
Brown	Yes
Hargett	Yes
Krenson	Yes
Lillard	Yes
McWhorter	Yes
Merrick	Yes
Snodderly	Yes
Tully	Yes
Wilson	Yes

Vice-Chair Cleaves then called for consideration of minutes from the November 13, 2018 meeting. Upon motion by Mr. Hargett, second by Mr. Lillard and with the following roll call vote, the minutes were approved.

Cleaves	Yes
Brown	Yes
Hargett	Yes
Krenson	Yes
Lillard	Yes
McWhorter	Yes
Merrick	Yes
Snodderly	Yes
Tully	Yes
Wilson	Yes

Vice-Chair Cleaves recognized Mr. Perrey who recognized Jim Schulman, Executive Director of the Tennessee Commission on Aging and Disability for a presentation about the Commission. Mr. Perrey then presented the following Executive Director's Report:

- State Form CT-0253 related to Issue 2018-4 bonds was presented.
- The Volume Cap Annual Update as detailed in a memo dated January 22, 2019, from Lynn Miller, Chief Legal Counsel, was presented.
- Production is off to an excellent start with \$35.8 million in loan applications as of January 28, 2019.
- The federal shutdown ended before it had a critical impact on THDA or the people we serve. We continue to monitor the situation with vouchers and are working closely with the major public housing authorities who also issue vouchers to insure consistent communication with voucher holders.
- The Federation of Appalachian Housing Enterprises ("FAHE") is expected to transfer the New Start Loans it has been servicing to Volunteer Mortgage Loan Servicing ("VMLS") by May 1, 2019.
- The West Tennessee Home Builders Foundation is working with Shelby County schools on a demonstration project to introduce building trade skills in the schools. Staff is considering funding assistance in support of this demonstration project and expects to have a recommendation in March.
- Morgan Mansa, Research Advisor, Research & Planning Division, was recognized for her selection by the Annie E. Casey Foundation as a member of the National Fellowship Program.

Vice-Chair Cleaves recognized Secretary of State Hargett for the Grants Committee report. Secretary of State Hargett began with the Committee recommended 2020 Capacity Building Grant Program as presented by Lorrie Shearon, THDA Chief Strategy Officer, in her memo dated January 22, 2019.

Upon motion by Secretary of State Hargett, second by Mr. Lillard and with the following roll call vote, motion carried to adopt the 2020 Capacity Building Grant Program as described in the referenced memo:

Cleaves	Yes
Brown	Yes
Hargett	Yes
Krenson	Yes
Lillard	Yes
McWhorter	Yes
Merrick	Yes
Snodderly	Yes
Tully	Yes
Wilson	Yes

Secretary of State Hargett next presented a grant extension request from Sevier County for the 2017 Rebuild and Recover Program. He referenced a memo from Don Watt, THDA Director of Community Programs, dated January 22, 2019, and noted that the Committee recommended an extension to May 31, 2019. Upon motion by Secretary of State Hargett, second by Mr. Krenson and with the following roll call vote, motion carried to approve an extension to May 31, 2019:

Cleaves	Yes
Brown	Yes
Hargett	Yes
Krenson	Yes
Lillard	Yes
McWhorter	Yes
Merrick	Yes
Snodderly	Yes
Tully	Yes
Wilson	Yes

Vice-Chair Cleaves gave the Lending Committee report. She recognized Lindsay Hall, THDA Chief Administrative Officer, Single Family Programs, to present the Committee recommended Housing Cost Index for 2019 as described in a memo from Dr. Hulya Arik, THDA Economist, dated January 22, 2019. Upon motion by Vice-Chair Cleaves, second by Ms. Armstrong, and with the following roll call vote, the Resolution of the Board of Directors Adopting the Housing Cost Index and Authorizing the Operation of Financial Assistance Programs dated January 29, 2019, was approved:

Cleaves	Yes
Brown	Yes
Hargett	Yes
Krenson	Yes
Lillard	Yes
McWhorter	Yes
Merrick	Yes
Snodderly	Yes
Tully	Yes
Wilson	Yes

Vice-Chair Cleaves then recognized Cynthia Peraza, THDA Director of Special Programs, to discuss the Committee recommended Hardest Hit Fund Program modifications as presented in her memo dated January 11, 2019. Upon motion by Mr. Krenson, second by Ms. Merrick and with the following roll call vote, motion carried to adopt the modifications described in the referenced memo:

Cleaves	Yes
Brown	Yes
Hargett	Yes
Krenson	Yes
Lillard	Yes
McWhorter	Yes
Merrick	Yes
Snodderly	Yes
Tully	Yes
Wilson	Yes

Vice-Chair Cleaves recognized Ms. Tully for the Tax Credit Committee report. Mr. Krenson announced he would abstain from discussion and voting on any matters related to the 2019-2020 QAP.

Ms. Tully recognized Mr. Perrey, who presented six amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the “2019-2020 QAP”) and to the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan (the “2018 QAP”), all as more fully described in a memo from Mr. Perrey dated January 29, 2019. Mr. Perrey noted that in addition to these six amendments, recommended by the Committee, staff recommends the following additional amendments:

- The required syndication date for 2018 allocation recipients who exchange should be September 16, 2019, rather than July 1, 2019, except that with respect to a second exchange, THDA staff may, in its discretion, require an earlier syndication date.
- For second exchange requests, no ability to receive additional 2019 low income housing credit in connection with an exchange, except for PHA related developments or Tennessee non-profit corporation developments using community investment tax credit.

Mr. Perrey also noted that authorization is also needed to allow staff to make conforming changes as necessary to fully implement the proposed amendments to the 2019-2020 QAP and to the 2018 QAP. Upon motion by Secretary of State Hargett, second by Treasurer Lillard, and with the following roll call vote, motion carried to adopt all proposed amendments and the requested staff authorization:

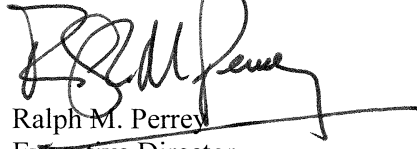
Cleaves	Yes
Brown	Yes
Hargett	Yes
Krenson	Abstain
Lillard	Yes
McWhorter	Yes
Merrick	Yes
Snodderly	Yes
Tully	Yes
Wilson	Yes

Ms. Tully presented the request from Country Village (TN17-031) to reallocate 2019 Low Income Housing Credit to replace 2017 Low Income Housing Credit that were returned. Ms. Tully referenced a memo from Ed Yandell, THDA Senior Housing Credit Advisor, dated January 28, 2019, and recognized Mr. Perrey who explained that this development, consisting of 140 units (acquisition/rehabilitation, USDA Rural Development), is located in Jefferson City and received \$999,999/year of 2017 Low Income Housing Credit, but failed to meet the federally required 10% test. He explained that staff and the Committee recommend approval of this request for the reasons stated in the referenced memo, subject, without limitation, to the terms and conditions outlined in the memo. Upon motion by Ms. Tully, second by Treasurer Lillard, and with the following roll call vote, motion carried to approve this request:

Cleaves	Yes
Brown	Yes
Hargett	Yes
Krenson	Abstain
Lillard	Yes
McWhorter	Yes
Merrick	Yes
Snodderly	Yes
Tully	Yes
Wilson	Yes

With no further business, and upon motion from Treasurer Lillard, second by Ms. Merrick, meeting was adjourned.

Respectfully submitted,


Ralph M. Perrey
Executive Director

Approved this 26th Day of March, 2019.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Lorrie Shearon, Chief Strategy Officer
DATE: January 22, 2019
RE: 2020 Capacity Building Grant Program

At the November board meeting, I presented the concept of THDA instituting a competitive grant program to offer funds to non-profit organizations to hire a consultant who would work with them to complete a strategic plan or succession plan. After considerable discussion, we feel such a program could significantly increase the capacity of the non-profits on whom we depend to help us administer a number of our housing programs. We anticipate setting aside \$200,000 initially for this program, which should be enough to help us fund up to 20 organizations at a maximum assistance amount of \$10,000 each. A summary of the proposed program can be found on the attachment.

Following an announcement of the program at the Housing Conference in March and its promotion during the spring, THDA anticipates releasing the program on July 1. Applications will be due on August 28, 2019, with funding determinations announced by November 1, 2019. Contracts will begin on January 1, 2020.

Staff recommends adoption of the proposed 2020 Capacity Building Grant Program, as outlined on the attached. Staff further recommends that the Executive Director or a designee be authorized to award funds to applicants for applications scored by staff based on the scoring elements described in the program description, subject to all the requirements and provisions contained therein. Staff will provide information to the Committee and Board regarding awards made under this program at the meeting that immediately follows the date of the awards.

Capacity Building Grant Program – Summary Points

- This funding would be available to non-profit housing organizations that have a minimum of two years' affordable housing experience in Tennessee.
- Selected organizations will work with a consultant they select in order to develop a strategic plan or succession management plan. Although organizations choose their consultant, we are recommending that they choose a consultant who has been screened and recommended by one of four non-profit mentoring organizations located across Tennessee.
- The maximum grant award will be up to \$10,000 per organization and will require a match contribution, based on the size of the organization's total budget. THDA will require a 10% match contribution towards the total plan development budget for organizations with an annual budget of less than \$500,000; a 30% match contribution for organizations with a budget between \$500,000 and \$1,000,000; and a 50% match contribution for organizations with an annual budget in excess of \$1,000,000.
- THDA will make payment upon completion of various milestones toward plan completion: 25% will be disbursed upon THDA's approval of a timeline and plan for completion; 25% will be disbursed upon THDA's review and approval of a draft plan; 50% will be disbursed upon THDA's review and completion of the organization's final plan.
- Strategic plans and Succession plans must contain specific components, spelled out in detail in the program description. Also, funded organizations must submit an annual status report on their progress implementing the plan for three years following completion of the grant period.



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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 22, 2019
RE: Request for Approval of Grant Extension: 2017 Rebuild and Recover Program – Sevier County – RR-17-01

Recommendation

Staff recommends approval of the extension request for RR-17-01 to May 31, 2019 as further described below.

Background

THDA awarded Sevier County a grant of \$393,750 under the Rebuild and Recover Program. This grant provided grants to eligible low-income homeowners for the demolition and reconstruction of 25 owner-occupied units of housing in Sevier County, TN, damaged by fires in November 2016 under the federal disaster declaration. The original term of the grant was June 1, 2017 through February 28, 2019, in accordance with the original timeline for completion proposed by Sevier County in the application.

Sevier County has contracted program management with Appalachia Service Project (ASP), which has completed 15 homes to date, with five units under construction and pre-construction work underway for five additional units. ASP expects to conclude all construction activity by May 31, 2019, bringing all work to completion within a 24-month timeframe.

As a result, Sevier County is requesting consideration of a three-month extension on the current grant term to ensure sufficient time to complete the remaining ten units.

Telephone 865.453.6136
Fax 865.453.6830
E-mail: lwaters@seviercountyttn.org



125 Court Avenue
Suite 201E
Sevierville, TN 37862

Larry Waters *County Mayor*

January 11, 2019

On behalf of Appalachia Service Project (ASP), Sevier County formally requests an extension of the work agreement for disaster recovery work with THDA from February 28, 2019 to May 31, 2019.

We are happy to say that since construction began in April of 2017, ASP has completed a total of 15 new homes and has another 5 under construction. Additionally, pre-construction work is underway for the final 5 families in need of home replacements. This would complete ASP's goal of restoring homes for 25 families in need after the devastating fires of 2016.

We anticipate submitting a total of 14 homes for THDA funding, including two which have already been funded, and two that have been submitted. Outside of the commitment from THDA, ASP has secured the required supplemental funding to complete all projects, has a team on the ground coordinating construction activities and anticipates completion of the remaining 10 homes by May 31, 2019.

Therefore, we humbly request additional time to complete all construction activities.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Waters", written over a horizontal line.

Larry Waters
Sevier County Mayor



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 22, 2019
TO: THDA Board of Directors
FROM: Dr. Hulya Arik, Economist
SUBJECT: Housing Cost Index for 2019

Attached is the calculation of the Housing Cost Index (HCI) for 2019 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. The methodology is the same as was used last year.

Based on the above calculation, the housing cost index for 2019 is **29.52 percent**, slightly lower than last year's index of 29.70 percent. The increased median home purchase price and higher average interest rates did not allow increased median household income to improve the housing affordability for Tennesseans.

THDA staff recommends adoption of the housing cost index for 2019 via the attached Board Resolution.

/HA

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

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 2019 HCI, 2017 median home prices are adjusted using the third quarter of 2018 HPI from FHFA.
2. Annual average of monthly discount points from Freddie Mac, Primary Mortgage Market Survey.
3. The average of monthly interest rates (2018 year to date including November) for 30-year fixed mortgages from Federal Home Finance Board.
4. Median Purchase Price adjusted with discount points.
5. Average FHA mortgage amount for 2018. Assumes a 3.5 percent downpayment and includes an upfront mortgage insurance premium financed into the final mortgage (1.75 percent of the base loan amount).
6. Property tax rate data are from the Tennessee Office of the Comptroller, Division of Property Assessment.
7. Monthly property tax represents the weighted average statewide residential effective tax rates per \$100 of assessed value; 25 percent of assessed value.
8. Monthly homeowners' insurance payments, based on insurance rates of THDA borrowers.
9. Monthly principal and interest (P&I) payments, assuming 30-year fixed payments with the average interest rate.
10. Monthly fixed housing costs including principal, interest, property tax and insurance (PITI).
11. Median family gross income figures are based on the U.S. Census Bureau, American Community Survey (ACS) 1-year estimates of 2017 median household income (MHI) are used in estimating MHI for the current year. The percentage change in HUD median family income (MFI) from 2017 to 2018 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, 2019

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 2019 pursuant to Section 13-23-103(7) of the Act based on calculations as of January 22, 2019, 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 2019 which shows that primary housing costs equal approximately 29.52% 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, 2019.



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 11, 2019

TO: Board of Directors Lending Committee

FROM: Cynthia Peraza, Director of Special Programs

SUBJECT: Hardest Hit Fund Modifications

The staff recommendation is to (1) move \$4,000,000 of HHF funds to down payment assistance from other HHF programs; (2) modify, if necessary, the ZIP Codes within which HHF down payment assistance may be offered; (3) wind down the Principal Reduction with Recast Program and Reinstatement Only Program as described below; and (4) authorize staff to make changes as U.S. Treasury may require. All recommendations are subject to U.S. Treasury approval.

THDA has been administering the Hardest Hit Fund Program (HHF) since 2010. The HHF was developed by the U.S. Treasury to help prevent foreclosures and stabilize neighborhoods in states that were negatively impacted by the mortgage crisis. Each quarter, THDA monitors the performance of the HHF program allocations, disbursements, refunds and overall program volume.

As of January 2019, THDA disbursed approximated \$245 million of the \$266 million in available HHF program funds through the following types of programs:

- | | |
|---|---------------|
| • Mortgage Assistance Programs: | \$183,625,189 |
| • Number of homeowners saved from foreclosure | 7407 |
| • Down Payment Assistance: | \$ 60,450,000 |
| • Number of homeowners assisted | 4030 |
| • Blight Elimination: | \$ 634,592 |
| • Number of homes demolished | 37 |

As staff continues to evaluate the needs of the state, it is becoming more apparent that the need for mortgage assistance programs has decreased substantially. Therefore, staff recommends requesting authorization from the U.S. Treasury to reallocate \$4 million dollars from the Principal

Reduction with Recast Program and the Reinstatement Only Program to the HHF-Down payment Assistance Program that currently addresses the demands and needs in Tennessee. The Reinstatement Only Program will remain open until the remaining program funds are depleted. The Principal Reduction with Recast program will be closed on May 1, 2019.

Before funding is reallocated to the HHF-DPA, staff will reanalyze the current list of approved HHF-DPA ZIP Codes to ensure they continue to meet the distress indicators, as required for the HHF-DPA program.

Any change to the approved list of ZIP Codes will go into effect April 1, 2019, assuming approval by U.S. Treasury.



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: Ralph M. Perrey
Executive Director

SUBJECT: Recap of Agenda for January 29, 2019 Tax Credit Committee Meeting

DATE: January 29, 2019

As you know, the agenda for the January 29, 2019 Tax Credit Committee Meeting is lengthy. The following are the items for consideration/discussion:

1. Proposed amendment to the deadline in Section 4-C of the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "2019-2020 QAP") for 2019 competitive Low-Income Housing Credit ("LIHC") Initial Applications; and
2. Proposed amendment to the tie-breaker in Section 15-F of the 2019-2020 QAP [see 2019-2020 QAP Amendment 1]; and
3. Proposed amendment to the 2019-2020 QAP regarding relief for 2018 Low-Income Housing Credit allocation recipients [see 2019-2020 QAP Amendment 2]; and
4. Proposed amendment to the 2019-2020 QAP regarding relief for 2017 competitive Low-Income Housing Credit allocation recipients; and
5. Proposed amendment to the new construction regional pools in Section 3-C of the 2019-2020 QAP; and
6. Proposed amendment to the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan (the "2018 QAP") regarding income averaging [see 2018 QAP Amendment 1].

The proposed aggregate amount of additional 2019 LIHC available to qualified 2017 and 2018 exchange requests is based on each eligible request receiving **the lesser of** up to a 10% increase or up to a \$100,000 increase in annual LIHC. The exact amount of additional 2019 LIHC will be determined by THDA in its sole discretion.

Staff also requests authorization to make any other changes staff deems necessary to implement amendments approved by the Tax Credit Committee and the Board.

The following pages contain summary bullet points for each item above.

ITEM 1

"Proposed amendment to the deadline in Section 4-C of the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "2019-2020 QAP") for 2019 competitive Low-Income Housing Credit **Initial Applications**"

- a) Change deadline from March 5, 2019 to June 4, 2019 to permit staff to have time to review and process requests to exchange 2017 or 2018 LIHC for 2019 LIHC.

ITEM 2

"Proposed amendment to the tie-breaker in Section 15-F of the 2019-2020 QAP [see 2019-2020 QAP Amendment 1]"

- a) This item is already described in detail in 2019-2020 QAP Amendment 1 within the previously circulated TCC materials for January 29, but the proposed amendment is as follows:

F. Tie Breaker

1. In the event of a scoring tie between two or more Initial Applications in a regional pool at the cutoff for receipt of a Reservation Notice, the tie shall be broken as follows:
 - a) In the case of a tie between proposals in different counties, priority will be given to the development in the county within the region that has not had a Housing Credit allocation within the last five years.
 - b) If the tie is not broken by Section 15-F-1-a of this QAP, priority will be given to the development that is furthest away from the nearest active Housing Credit development, as measured by distance between the center of the proposed development and the street address of the nearest existing Housing Credit development as determined by THDA, in its sole discretion.
 - c) If the tie is not broken by Section 15-F-1-a or Section 15-F-1-b of this QAP, then priority will be given to the development in the Initial Application requesting the least amount of Housing Credits per low income unit.
2. In the event of a scoring tie between two or more Initial Applications proposing rehabilitation of existing multifamily housing, the tie shall be broken as follows:
 - a) Priority will be given to the proposed development requesting the least Housing Credit per Housing Credit unit.

ITEM 3

“Proposed amendment to the 2019-2020 QAP regarding relief for 2018 Low-Income Housing Credit allocation recipients [see 2019-2020 QAP Amendment 2]”

- a) This item is already described in detail in 2019-2020 QAP Amendment 2 within the previously circulated TCC materials for January 29 with the language of the proposed amendment shown below.
- b) Staff proposes a \$3 million aggregate amount of additional 2019 LIHC in Section 22-A-1-b of the 2019-2020 QAP for all 2017 and 2018 eligible exchange requests, however, the amount of any specific increase will be determined by THDA, in its sole discretion.
- c) Staff proposes adding a condition to Section 22-A-3 of the 2019-2020 QAP prohibiting any increase in consultant fee or developer fee.
- d) Staff proposes adding a condition to the proposed amendment prohibiting any increase in LIHC amount for any development (with the exception of PHA-related developments) that has previously been allowed to exchange LIHC.
- e) Staff proposes allowing 2018 Low-Income Housing Credit allocation recipients that are requesting relief a window from February 15, 2019 to February 22, 2019 to make modifications within THOMAS.
- f) Staff proposes limiting any increase in the allocation amount to **the lesser of** up to a 10% increase or up to a \$100,000 increase in annual LIHC.

Section 22: Relief for 2018 Allocations

Notwithstanding any other provisions of this QAP, relief for certain developments is available as follows:

- A. 2018 Competitive Housing Credit allocation recipients and 2018 Noncompetitive Housing Credit Firm 42(m) Letter recipients may elect to return 2018 Housing Credits and receive, potentially, a larger Housing Credit allocation from 2019 (“2018 Housing Credit Exchange Allocations”), subject to each of the following:
 1. The maximum aggregate Housing Credit allocated to 2018 Housing Credit Exchange Allocations is limited to the sum of:
 - a) The amount of 2018 Housing Credit returned; plus
 - b) \$3 million (annual) of 2019 Housing Credit.
 2. The Housing Credit amount, if any, for each 2018 Housing Credit Exchange Allocation will be determined by THDA, in its sole discretion.
 3. Each 2018 Housing Credit Exchange Allocation will be subject to the following additional conditions:
 - a) Scoring selections and threshold requirements from the 2018 QAP will be enforced, otherwise the 2019-2020 QAP will apply.
 - b) Upon request, Income Averaging may be allowed, subject to THDA approval.
 - c) The ability to request the Qualified Contract Process for the particular development is permanently waived.
 - d) The Placed-In-Service deadline for 2018 Housing Credit Exchange Allocations will be December 31, 2020. Failure to meet this deadline will be considered a Major Significant Adverse Event under Section 6-A of this QAP.
 - e) The Syndication transaction for 2018 Housing Credit Exchange Allocations must close no later than July 1, 2019. Failure to meet this deadline will be considered a Major Significant Adverse Event under Section 6-A of this QAP.
 - f) An additional monitoring fee of \$1,200 per Housing Credit unit will be required for 2018 Housing Credit Exchange Allocations *that THDA approves for income averaging*.
 4. Other provisions applicable to 2018 Housing Credit Exchange Allocations:
 - a) Returned Housing Credit will not increase 2019-2020 set-asides or pools (except Non-Profit Set-Aside).
 - b) 2018 Housing Credit Exchange Allocations will not count against county, developer, regional pool, or other caps in the 2019-2020 QAP.
 - c) 2018 Housing Credit Exchange Allocations will not be counted as a Significant Adverse Event *provided that the development has not previously been approved for an exchange*.
 - d) With the exception of Rental Assistance Demonstration developments involving a Public Housing Authority, if the 2018 Housing Credit Exchange Allocation represents the second (or greater) exchange of Housing Credit for the

development, the 2018 Housing Credit Exchange Allocation will count as an event causing ineligibility under **Section 6-B** of this QAP.

- e) This Section 22 also applies to non-competitive Housing Credit requests associated with **THDA Multifamily Tax-Exempt Bond Authority** transactions that closed in 2018 prior to **December 31, 2018**.

ITEM 4

“Proposed amendment to the 2019-2020 QAP regarding relief for 2017 competitive Low-Income Housing Credit allocation recipients”

- a) This proposed amendment will be very similar to the proposed amendment in item 3.
- b) Staff proposes a \$3 million aggregate amount of additional 2019 LIHC in Section 22-A-1-b of the 2019-2020 QAP for all 2017 and 2018 eligible exchange requests, however, the amount of any increase will be determined by THDA, in its sole discretion
- c) Staff proposes adding a condition to the proposed amendment prohibiting any increase in consultant fee or developer fee
- d) Staff proposes adding a condition to the proposed amendment prohibiting any increase in LIHC amount for any development (with the exception of PHA-related developments) that has previously been allowed to exchange LIHC
- e) Staff proposes allowing 2017 Low-Income Housing Credit allocation recipients that are requesting relief a window from February 15, 2019 to February 22, 2019 to make modifications within HCMS.
- f) Staff proposes limiting any increase in the allocation amount to **the lesser of up to a 10% increase or up to a \$100,000 increase in annual LIHC.**

ITEM 5

"Proposed amendment to the new construction regional pools in Section 3-C of the 2019-2020 QAP"

- a) Staff proposes to limit the number of developments in the Middle Regional Pool to two (2).
- b) Staff proposes to limit the number of developments in the West, Cumberland, East, and Upper East Regional Pools to one (1) each.

ITEM 6

“Proposed amendment to the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan (the “2018 QAP”) regarding income averaging [see 2018 QAP Amendment 1]”

- a) This item is already described in detail in 2018 QAP Amendment 1 within the previously circulated TCC materials for January 29:

Part XVIII: Income Averaging

- A. 2018 Competitive Low-Income Housing Tax Credit allocation recipients and 2018 Noncompetitive Low-Income Housing Tax Credit Firm 42(m) Letter recipients **that do not request a 2018 Exchange Allocation pursuant to Section 22 of the 2019-2020 QAP** may request approval for income averaging (“2018 LIHTC Income Averaging Request”) subject to all of the following:
1. 2018 LIHTC Income Averaging Requests must be approved in writing by THDA. Such approval may be granted or withheld by THDA, in its sole discretion.
 2. If a 2018 LIHTC Income Averaging Request is approved, the ability to request consideration under the Qualified Contract Process for the particular development is permanently waived.
 3. An additional monitoring fee of \$1,200 per LIHTC unit will be required for approved 2018 LIHTC Income Averaging Requests.



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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: Requests for Relief from 2017 Low-Income Housing Credit Allocation Recipients

DATE: January 18, 2019

The following documents reflect requests for relief from multiple 2017 Low-Income Housing Credit allocation recipients (collectively, the “2017 Relief Requests”). Staff’s recommendations regarding the requests are contingent upon approval of the proposed “**Amendment 2**” to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the “2019-2020 QAP”) as described elsewhere in these materials for the January 29, 2019 Tax Credit Committee Meeting.

One of the 2017 Relief Requests (TN17-036) requests additional Low-Income Housing Credit (“Housing Credit”) but does not request an exchange of 2017 Housing Credit for 2019 Housing Credit. If this request for relief is approved, staff recommends that the 2017 Housing Credit be exchanged for 2019 Housing Credit to prevent a scenario where an allocation contains Housing Credit from multiple years. This scenario creates unnecessary administrative tangles all around.

Furthermore, if any action is taken by the Tax Credit Committee/Board of Directors that allows 2017 Housing Credit to be exchanged for 2019 Housing Credit, staff recommends that the provisions of Section 22-A-4-a and Section 22-A-4-b of the proposed “**Amendment 2**” to the 2019-2020 QAP be applicable.

Finally, staff is recommending accelerated Placed-In-Service deadlines for any approved 2017 Relief Requests to prevent a “logjam” of units from coming online in late 2021.



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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: **TN17-031** [Country Village] Request for Reallocation of Returned 2017 Low-Income Housing Credits

DATE: January 28, 2019

The development referenced above (the "Development") has requested a reallocation of 2019 competitive Low-Income Housing Credit ("Housing Credit") in an amount equal to returned 2017 Housing Credit.

The Development originally received an allocation of 2017 competitive Housing Credit and failed to meet the federally required 10% Test.

The Development consists of 140 units (acquisition/rehabilitation, USDA Rural Development ("RD")) located in Jefferson City (Jefferson County). The 2017 Housing Credit allocation is \$999,999/year.

As described in the attached letter submitted by the applicant, the government shutdown has rendered RD temporarily unable to issue the RD 538 loan note guaranty and finalize the RD 515 property transfer, both of which are required by the syndicator prior to closing the syndication transaction.

One of the **federally required** conditions of the 2017 Housing Credit allocation is that the Development meet the requirements of Section 42(h)(1)(E)(ii) (the "10% Test") by **December 28, 2018**. The 10% Test is met if the owner's basis in the Development (as of December 28, 2018) is at least 10% of the owner's reasonably expected basis will be as of Development completion (no later than December 31, 2019).

If the 10% Test is not met, Treasury Regulation 1.42-6(a)(2)(ii) states that "the carryover allocation must be returned to the Agency".

Staff Recommendation

Staff recommends approval of this reallocation request for the reasons stated in the following documentation and subject, without limitation, to the following terms and conditions:

1. THDA may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines. Failure to provide requested information and documentation or failure to meet established deadlines may have negative consequences for related applicants in subsequent years; and
2. The 2019 Housing Credit amount will not exceed \$999,999/year; and
3. Threshold requirements and scoring selections from the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan ("2017 QAP") will apply. Otherwise, the 2019-2020 QAP will apply; and
4. Applicant is prohibited from requesting approval for income averaging; and
5. Applicant is prohibited from requesting consideration under the Qualified Contract Process ("QCP") for the Development; and
6. Subsequent requests for (without limitation) exchange, extension, modification, relief, or waiver with regard to the Development may have adverse consequences in subsequent years; and
7. The Placed-In-Service deadline is December 31, 2020; and
8. The syndication transaction closing deadline is September 16, 2019; and
9. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange; and
10. Failure to satisfy the requirements of item 1, 2, 4, 5, 6, 7, 8, or 9 above may be treated as a Major Significant Adverse Event.

SP TN COUNTRY VILLAGE LLC

January 25, 2019

Ralph M. Perrey
Executive Director
Tennessee Housing Development Agency
Andrew Jackson Building
502 Deaderick St., Third Floor
Nashville, TN 37243

RE: SP TN Country Village LLC – TN17-031
Request for Reallocation of Credits

Dear Ralph,

Country Village is a 140-unit USDA Rural Development acquisition/rehabilitation project located in Jefferson City, TN. The proposed owner is SP TN Country Village LLC, which applied for 9% credits in the 2017 round and received a \$999,999 allocation. We respectfully request that THDA reallocate the credits as 2019 credits in the same amount since the federal government shutdown has impacted RD and rendered us unable to close the acquisition of the property by the 12/28/2018 carryover deadline. Upon the passing of such deadline without satisfaction, the credits are effectively returned to the state as of 1/1/2019, added to the 2019 state housing credit ceiling, and are available for reallocation (upon THDA Board approval) to the subject development. Such a reallocation request is net neutral to THDA in terms of its impact on total credits available in 2019.

By way of background, we began working with RD on the deal prior to submitting the 9% LIHTC application to THDA in May 2017. RD has been supportive of the plan as we have diligently worked towards closing. As it currently stands the RD property transfer / RD 515 debt assumption conditional consent has been issued, but RD has been unavailable to issue the RD 538 loan note guaranty and effectuate the RD 515 / property transfer until the federal government reopens from the shutdown and RD National can obligate the funds. The current status of the transaction hurdles is as follows:

- Jefferson City, TN Industrial Development Board Real Estate Tax PILOT approved 10/9/2018;
- Building Permit ready letter issued 11/29/2018;
- RD 515 / property transfer consent issued 12/13/2018;
- RD 538 funds pending final obligation at the RD National office since 12/17/2018;
- RD 515 & 538 loan documents have been prepared for execution at closing;
- LIHTC Investor Operating Agreement has been prepared for execution at closing.

We look forward to expediently closing upon the reopening of the federal government and THDA's reallocation of the credits. We would be happy to further discuss and/or provide additional information needed to help with the Board's evaluation of this request. Thank you for your time and consideration.

Sincerely,



PJ Hornik
Vice President



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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: **TN17-036** [Boscobel 1] Request for 2019 Low-Income Housing Credits to Supplement 2017 Low-Income Housing Credits

DATE: January 18, 2019

The development referenced above (the "Development") has requested an allocation of 2019 competitive Low-Income Housing Credit ("Housing Credit") to supplement an allocation of 2017 competitive Housing Credit. The allocation request amount is **an additional \$156,250 in 2019 annual Housing Credit**.

This is the first request for exchange or other modifications that require Board action regarding the Development.

The Development consists of 50 units (new construction, Rental Assistance Demonstration ("RAD")) located in Nashville (Davidson County). The 2017 Housing Credit allocation is \$1,100,000/year.

As described in the attached letter submitted by the applicant, the Development has encountered a number of difficulties including unexpected construction cost increases related to materials and labor, instability in the equity market related to tax reform, and delays in approval of permits and plans at the local level. The syndication transaction closed in August, 2018. The applicant proposes an updated Place-In-Service date in November, 2019.

Staff Recommendation

Assuming that the Tax Credit Committee and Board of Directors approve proposed amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan, ("2019-2020 QAP"), staff recommends approval of an exchange of 2017 Housing Credit for 2019 Housing Credit for the reasons stated in the attached documentation and subject, without limitation, to the following terms and conditions:

1. THDA may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines. Failure to provide requested information and documentation or failure to meet established deadlines may have negative consequences for related applicants in subsequent years; and
2. The Housing Credit amount will be determined by THDA, in its sole discretion; and
3. Threshold requirements and scoring selections from the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan ("2017 QAP") will apply. Otherwise, the 2019-2020 QAP will apply; and
4. Applicant is prohibited from requesting approval for income averaging; and
5. Applicant is prohibited from requesting consideration under the Qualified Contract Process ("QCP") for the Development; and
6. Subsequent requests for (without limitation) exchange, extension, modification, relief, or waiver with regard to the Development may have adverse consequences in subsequent years; and
7. The **Placed-In-Service deadline is November 30, 2019**; and
8. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange; and
9. Failure to satisfy the requirements of item 1, 3, 4, 5, 6, or 7 above may be treated as a Major Significant Adverse Event.

Metropolitan Development and Housing Agency

701 SOUTH SIXTH STREET * NASHVILLE, TENNESSEE * TELEPHONE (615) 252-8400

MAILING ADDRESS: P.O. BOX 846 NASHVILLE, TENNESSEE 37202

TELEPHONE DEVICE FOR THE DEAF (615) 252-8599

January 15, 2019

Mr. Ed Yandell
Acting Director, Multifamily Program Division
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Andrew Jackson Building
Nashville, TN 37243

RE: TN17-036, Boscobel I, request tax credit allocation increase

Dear Mr. Yandell:

MDHA appreciates the opportunity to request additional LIHTC's for our 2017 RAD development, Boscobel I.

We have attached information regarding the need for the additional tax credit request, although spiking construction and labor costs seem to be a well-recognized issue within the Middle Tennessee area. Our existing construction time line remains stable, with construction completion anticipated November 28, 2019.

MDHA closed Boscobel I's equity syndication and construction financing with Pinnacle Bank on August 15th, 2018.

If you need additional information from our team, please let us know. We will have a representative available at the THDA Tax Credit Committee and Board meetings on January 29th, to discuss further, as needed.

Sincerely,



James L. Thiltgen
Deputy Executive Director

Attachment



January 14, 2019

Michael Wegerson
Metropolitan Development and Housing Agency
701 South Sixth Street
Nashville, TN 37206

22 middleton street
nashville, tennessee 37210
tel: (615) 255-1854
fax: (615) 244-1123
email: mailbox@ksarchitects.com

American Institute of Architects
Tennessee Society of Architects
Construction Specifications Institute
American Correctional Association
National Council of Architectural
Registration Boards
United States Green Building Council

RE: BOSCOBEL I
PERMITTING / CONSTRUCTION SCHEDULE

Mr. Wegerson:

In regard to the current schedule on the above project, the project is behind schedule due to the following reasons:

1. The review process by Metro Codes and the Metro Planning Department took much longer than experienced in previous years. Following are pertinent dates:
 - Submitted site grading/utility package /SP to Metro Codes on December 27, 2017.
 - Submitted Construction Documents to Metro Codes on March 23, 2018.
 - Received mass Grading Permit from Metro Codes on July 10, 2018.
 - Received Building Permit from Metro Codes on August 7, 2018.

On past projects, after submitting the initial grading/utility package/SP submittal to Metro Codes we have received a building permit within four (4) months. On the above project, it required a total of eight (8) months.

2. The initial design and construction schedule allocated time to submit a separate foundation package for permitting. This would have allowed the project to start construction before final permits were received from Metro Codes. It was discovered during the Design Development Phase that the Lender would not allow the Owner to proceed with a separate foundation permit. We lost an estimated eight (8) weeks of construction time.

Should you have any questions or concerns, please give us a call.

Sincerely,
KLINE SWINNEY ASSOCIATES

Bart Kline, AIA

Boscobel I was awarded LIHTC's in September, 2017, under the RAD setaside. We began working with tax credit syndicators to purchase the tax credits, as well as banks, for CITC construction financing. Congress was working on passing a major tax reform bill, and we were obtaining credit pricing anywhere from .80 to .84 on a dollar of credits, with the market being completely unstable, due to the unknowns of tax reform. We were told that credit pricing would not stabilize until the results of Tax Reform were known, and Congress passing a bill, before investors would move forward with their interest in purchasing LIHTC's as a hedge against their income, based on the new corporate tax rate. The Tax Cuts and Jobs Act of 2017, signed into law on 12/22/17, amended the Internal Revenue Code of 1986, to reduce the corporate tax rates from 35% down to 21%. Syndicators moved forward working with their potential investors for tax credits to determine the demand, which would determine and stabilize credit pricing.

We received offers for the credits from several syndicators and worked through the offers to sign with Pinnacle Financial Partners, February 2, 2018, at 98 cents per dollar of credits. That was negotiated as we moved through the process, with higher construction costs, and higher loans from Pinnacle, and the final closing price of the credits at 96 cents per dollar of credits.

Kline Sweeney Associates, the local architectural firm working on Boscobel I, has included a letter indicating the delays in obtaining government approvals from Metro Nashville. During those delays, our construction costs were rising approximately 1% per month of delay. Our prior construction estimates, as they ticked up; 9.7.17 - \$16,320,000; 3.21.18 - \$18,711,936. When we closed in August, the contract amount was \$19,956,229. The total development cost is now over \$26,000,000. We have site work increases already, with two current change orders for over \$2,403,712 pending. The job was value engineered throughout the development period, to attempt retaining the same functionality, at the lowest cost possible; costing time, and saving money.

We closed the development with Pinnacle Financial Partners providing both the equity, as well as the construction and perm loans August 15, 2018. The funding gaps remaining were filled with MDHA loans to the partnership, MDHA Housing Trust Corporation Capital Contribution, an MDHA Agency Loan to borrower, as well as an MDHA Bridge Loan to Borrower.

Below are the sources from our closing statement to cover construction costs. MDHA would like to request an additional \$156,250 in annual credits from THDA for Boscobel I. Our construction is on track, and no exchange is needed.

Closing Date: August 15, 2018

Funding Date: August 16, 2018

Lender/Investor: Pinnacle Bank

Buyer/Borrower: Boscobel I, L.P.

Seller/Subordinate Lender: Metropolitan Development and Housing Agency ("MDHA")

MDHA Housing Trust Corporation Capital Contribution: \$738,182.00

MDHA Construction Loan to Borrower: \$7,000,000.00

Pinnacle CITC/Bridge Loan to MDHA relayed to Borrower: \$1,684,554.00

Pinnacle Bridge Loan to MDHA relayed to Borrower: \$8,557,622.00

MDHA Agency Loan to Borrower: \$6,581,900.00

Investor Capital Contribution paid at closing: \$316,768.00

Deferred Developer Fee \$905,531.00

\$26,126,168

Boscobel I Project New Propose Schedule Milestones:

Completion Date:	Milestone Description:
9/27/2018	Building Pad Prep
3/31/2019	Utilities
9/13/2019	Hardscape/Landscape
	Building 3
1/11/2019	Slab on Grade
2/24/2019	Framing
4/14/2019	Dry-in, brick, siding, and paint
5/18/2019	MEP rough-in, insulation, drywall
8/23/2019	Finishes
9/4/2019	Punchlist
9/25/2019	Certificate of Use & Occupancy for Building 3
	Building 2
1/14/2019	Slab on Grade
4/14/2019	Framing
6/2/2019	Dry-in, brick, siding, and paint
6/6/2019	MEP rough-in, insulation, drywall
9/27/2019	Finishes
10/9/2019	Punchlist
10/30/2019	Certificate of Use & Occupancy for Building 2
	Building 1
2/21/2019	Slab on Grade
5/12/2019	Framing
6/31/2019	Dry-in, brick, siding, and paint
7/4/2019	MEP rough-in, insulation, drywall
10/25/2019	Finishes
11/7/2019	Punchlist
10/30/2019	Temporary U&O for first unit
11/28/2019	Certificate of Use & Occupancy for Building 1
10/31/2019	Final Inspections
11/28/2019	Certificate of Use & Occupancy – Turnover



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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: **TN17-046** [Hickory Ridge Phase 2] Request for Allocation Exchange of 2017 Low-Income Housing Credits for 2019 Low-Income Housing Credits

DATE: January 18, 2019

The development referenced above (the "Development") has requested an exchange of 2017 competitive Low-Income Housing Credit ("Housing Credit") for 2019 Housing Credit in an amount equal to the returned 2017 Housing Credit **plus an additional \$148,000 in annual 2019 Housing Credit**.

This is the first request for exchange or other modifications that require Board action regarding the Development.

The Development consists of 60 units (new construction) located in Nashville (Davidson County). The 2017 Housing Credit allocation is \$777,249/year.

As described in the attached letter submitted by the applicant, the Development has encountered a number of difficulties including unexpected construction cost increases related to materials and labor, instability in the equity market related to tax reform, and delays in approval of permits and plans at the local level. The syndication transaction has not closed. The applicant proposes an updated Place-In-Service date in January, 2021.

Staff Recommendation

Assuming that the Tax Credit Committee and Board of Directors approve proposed amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan, ("2019-2020 QAP"), staff recommends approval of this exchange request for the reasons stated in the attached documentation and subject, without limitation, to the following terms and conditions:

1. THDA may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines. Failure to provide requested information and documentation or failure to meet established deadlines may have negative consequences for related applicants in subsequent years; and
2. The Housing Credit amount will be determined by THDA, in its sole discretion; and
3. Threshold requirements and scoring selections from the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan ("2017 QAP") will apply. Otherwise, the 2019-2020 QAP will apply; and
4. Applicant is prohibited from requesting approval for income averaging; and
5. Applicant is prohibited from requesting consideration under the Qualified Contract Process ("QCP") for the Development; and
6. Subsequent requests for (without limitation) exchange, extension, modification, relief, or waiver with regard to the Development may have adverse consequences in subsequent years; and
7. The **Placed-In-Service deadline is December 31, 2020**; and
8. The **syndication transaction closing deadline is July 1, 2019**; and
9. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange; and
10. Failure to satisfy the requirements of item 1, 3, 4, 5, 6, 7, or 8 above may be treated as a Major Significant Adverse Event.

January 14, 2019

Mr. Ed Yandell
Acting Director, Multifamily Program Division
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Andrew Jackson Building, Nashville, TN 37243

RE: TN17-046, Hickory Ridge, Phase II
Allocation exchange & additional credits request

Dear Mr. Yandell,

Please find attached the information as requested for TN-046, Hickory Ridge, Phase II, expanding on the difficulties we have encountered in bringing this development to closing. We have asked for THDA help in prior years when the market conditions are beyond our control to provide the final product to house Tennesseans. 2018 has been a challenging year in many respects, with tax reform, construction costs increase, labor cost increases, and 2018 having the highest rainfall in the Tennessee Valley, any year since TVA record keeping began.

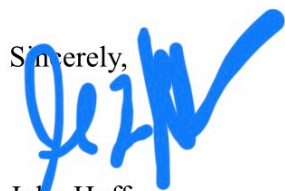
We would appreciate the opportunity for the current board to hear our issues, and hopefully make the same decisions to provide appropriate help, as did the THDA 2008 and 2011 Boards, by committing additional resources to aid when market conditions required consideration. I realize it isn't easy for staff to make the changes needed, but in the past, staff and board worked together to ensure developments sufficient resources to produce housing, regardless of the fluctuations.

Market rate developments are able to raise their projected rents, to obtain higher permanent mortgage loans to cover market increases. LIHTC developments have rents that are capped, and when we have insufficient resources due to market conditions, we have nowhere to turn but back to the state agency to provide the additional resources, in additional tax credits.

We weren't irresponsible in the application we submitted to you for Hickory Ridge, by trying to submit a request for a low amount of credits. We did build in anticipated pricing increases for construction. But no one could have anticipated the rapidly rising construction costs, labor costs, and even rainfall that would hit Tennessee in 2018.

We ask for your help, in providing affordable housing to Tennesseans.

Sincerely,



John Huff
Hickory Ridge Apartments, Phase II, L.P.

TN17-046 Hickory Ridge, Phase II

Hickory Ridge, Phase II was awarded LIHTC's in September, 2017. Congress was working to pass a major tax reform bill by year end, credit pricing was at 2008 lows of .80 to .84 on a dollar of credits. We were told that credit pricing would not stabilize until the results of Tax Reform were known. The Tax Cuts and Jobs Act of 2017, signed into law on 12/22/17, amended the Internal Revenue Code of 1986, and reduced corporate tax rates from 35% down to 21%. Syndicators moved forward working with potential investors for tax credits to determine the demand, which would determine and stabilize credit pricing. That took us until August, to find and negotiate pricing and terms with both a credit syndicator, CREA, and financing, Franklin Synergy Bank.

The owner and contractor have identities of interest in this development, and we were well-aware of rapidly rising construction and labor costs in Tennessee. We worked with sub-contractors to lock in prices for Hickory Ridge. As demand rose for the subcontractors and their materials increased, they were keeping the general contractor well informed of the increases in their prices.

THDA sent a survey to all participants of the program in late 2018, to ask about construction increases. We build into our initial applications we submit to THDA in any given year, the typically annual increase of approximately 5% for construction and labor increases from the prior year's prices. The construction increases from local sub-contractors has been between 12 and 15% in most trades, but we have seen increases in sitework go as high as 50% above typical anticipated increases. The survey didn't indicate if labor increases were to be included in the lines listed, or just raw materials, and no results of that survey were ever shared, for further information, or discussion.

Metro Nashville, where this development is located, has been overwhelmed and is behind in approving building permits. We submitted our plans in June, 2018, for approvals, and we received approvals from Metro Nashville in late November, 2018 for clearing permits. By the time we received the Metro approvals, CREA, our credit syndicator said we did not have enough time to complete the development, nor enough credit equity to close the deal with the rising construction costs, and they pulled out.

We were working with Franklin Synergy Bank for construction and perm financing, with special low rate & terms for Hickory Phase, II, to satisfy their CRA needs for 2018. We do not know if those same terms will apply when closing 2019. If so, our perm loan rate may increase, and our loan will then decrease, leaving us with additional unfilled gap.

Our credit pricing is .92 per dollar of credits, which is a respectable price in this market environment, and we hope that will hold into a 2019 closing as well.

Our annual allocation of credits is \$777,249. We would like to request additional annual credits of \$148,000 for Hickory Ridge, Phase II, as well as a return of the 2017 allocation to a 2019 allocation for more closing and construction time since we were unable to close our equity or financing at the end of 2018, as planned.

CONSTRUCTION SCHEDULE

[illegible]



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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: **TN17-049** [Chickasaw Senior Community] Request for Allocation Exchange of 2017 Low-Income Housing Credits for 2019 Low-Income Housing Credits

DATE: January 18, 2019

The development referenced above (the "Development") has requested an exchange of 2017 competitive Low-Income Housing Credit ("Housing Credit") for 2019 Housing Credit in an amount equal to the returned 2017 Housing Credit **plus an additional \$160,000 in annual 2019 Housing Credit**.

This is the first request for exchange or other modifications that require Board action regarding the Development.

The Development consists of 48 units (new construction, senior, Rental Assistance Demonstration ("RAD")) located in Franklin (Williamson County). The 2017 Housing Credit allocation is \$1,017,900/year.

As described in the attached letter submitted by the applicant, the Development has encountered a number of difficulties including unexpected construction cost increases related to materials and labor, instability in the equity market related to tax reform, delays in approval of permits and plans at the local level, and the local jurisdiction reversing a decision to waive certain fees. The syndication transaction closed in October, 2018. The applicant proposes an updated Place-In-Service date in February, 2020.

Staff Recommendation

Assuming that the Tax Credit Committee and Board of Directors approve proposed amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan, ("2019-2020 QAP"), staff recommends approval of this exchange request for the reasons stated in the attached documentation and subject, without limitation, to the following terms and conditions:

1. THDA may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines. Failure to provide requested information and documentation or failure to meet established deadlines may have negative consequences for related applicants in subsequent years; and
2. The Housing Credit amount will be determined by THDA, in its sole discretion; and
3. Threshold requirements and scoring selections from the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan ("2017 QAP") will apply. Otherwise, the 2019-2020 QAP will apply; and
4. Applicant is prohibited from requesting approval for income averaging; and
5. Applicant is prohibited from requesting consideration under the Qualified Contract Process ("QCP") for the Development; and
6. Subsequent requests for (without limitation) exchange, extension, modification, relief, or waiver with regard to the Development may have adverse consequences in subsequent years; and
7. The **Placed-In-Service deadline is February 28, 2020**; and
8. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange; and
9. Failure to satisfy the requirements of item 1, 3, 4, 5, 6, or 7 above may be treated as a Major Significant Adverse Event.



FRANKLIN HOUSING AUTHORITY

FRANKLIN, TENNESSEE

Lighting your path to affordable housing

January 14, 2019

Mr. Ed Yandell
Acting Director, Multifamily Program Division
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Andrew Jackson Building, Nashville, TN 37243

RE: TN17-049, Chickasaw Senior Community

Dear Mr. Yandell,

Thank you for the opportunity to send information to THDA's board of directors to expand on our need for additional time, as well as additional credits, for Chickasaw Senior Community. The tax credit market was volatile until the Federal Tax Cuts and Jobs Act of 2017 passed and was signed into law late December, 2017, and once stabilized in 2018, the construction costs in Middle Tennessee surprised everyone by increasing rapidly.

We have attached information regarding explanations and dates causing the need for the exchange and additional tax credits, as well as a new proposed time line.

Franklin Housing Authority closed Chickasaw Senior Community's equity syndication with Boston Financial, and construction loan with Franklin Synergy Bank, on October 30, 2018.

Please let us know if you need additional information from us, and we plan to be available during the tax credit committee and THDA Board meetings on January 29th.

Sincerely,

Derwin Jackson



FRANKLIN HOUSING AUTHORITY

FRANKLIN, TENNESSEE

Lighting your path to affordable housing

TN17-049 Chickasaw Senior Community

Chickasaw Senior Community was awarded LIHTC's in September, 2017, under the RAD setaside. We began working with tax credit syndicators to purchase the tax credits, as well as banks, for CITC construction financing. Congress was working on passing a major tax reform bill, and we were obtaining credit pricing anywhere from .80 to .84 on a dollar of credits, with the market being completely unstable, due to the unknowns of tax reform. We were told that credit pricing would not stabilize until the results of Tax Reform were known, and Congress passing a bill, before investors would move forward with their interest in purchasing LIHTC's as a hedge against their income, and their need moving forward with the new corporate tax rate. The Tax Cuts and Jobs Act of 2017, signed into law on 12/22/17, amended the Internal Revenue Code of 1986, to reduce the corporate tax rates from 35% down to 21%. Syndicators moved forward working with their potential investors for tax credits to determine the demand, which would determine and stabilize credit pricing.

We received offers for the credits from several syndicators and worked through the offers to sign with Boston Financial, on March 8, 2018, at 91 cents per dollar of credits. The original construction estimate, from a qualified construction consultant, as well as our own in-house architect was \$6,865,000.

The construction contract was bid in early April, 2018, receiving only 1 bidder, and not a contractor with experience in either apartment construction or LIHTC apartment construction. That bid was \$10,815,045, 37% higher than our prior estimates. We re-bid the construction contract again in May, 2018, and received two experienced apartment and LIHTC bidders. The original low bid on the 2nd round of bidding was \$9,624,154. Still 29% above our prior estimate.

We value engineered the job, which took several weeks, and eventually signed a construction contract for \$8,395,063. \$1,530,063 over, and a 20% increase over our original construction estimate.

We had not planned on having a perm loan on the property. We had to go back to the syndicator, Boston Financial, and back to the bank committed to the CITC construction loan, Franklin Synergy Bank, to request a \$1,200,000 perm loan on the property. After much discussion, and negotiation with both, we were allowed the perm loan, and moved forward to closing.

We closed the development with Boston Financial and Franklin Synergy Bank on October 30, 2018 and filled the funding gaps with Franklin Housing Authority funds. Our sources and uses at closing required an injection of \$656,364 from Franklin Housing, and deferred fees of \$332,924. We now have an additional challenge, which is the City of Franklin not waving their fees as discussed prior. Those fees are now \$569,681. We have no funds to cover the additional fees, except by deferring more developer fee. **We are asking THDA for an additional \$160,000 in annual credits.**

We are a small housing authority, and we need the developer fees to use as contingency for any additional increases, or issues that may arise during construction. Remaining developer fees at the end of development will be injected back into future low income developments to continue Franklin Housing Authority's mission of providing affordable housing to the citizens of Franklin.

200 Spring Street, Franklin, TN 37064
615-794-1247

Chickasaw Senior Community New Proposed Timeline

<u>% Complete</u>	<u>Month</u>	<u>Work Item</u>
6	Jan-19	Site and building pad
12	Feb-19	Site utilities
18	Mar-19	Underground plumbing
25	Apr-19	Slab on grade and start of framing
35	May-19	First floor framing
45	Jun-19	Second floor framing
55	Jul-19	Third floor framing
60	Aug-19	Roof
65	Sep-19	Rough in electrical
70	Oct-19	Rough in plumbing and fire protection
75	Nov-19	Drywall
80	Dec-19	Start finishes
90	Jan-20	Trim out
100	Feb-20	Landscaping, clean-up, final punch and certificates of occupancy



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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: **TN17-052** [Bradley Way] Request for Allocation Exchange of 2017 Low-Income Housing Credits for 2019 Low-Income Housing Credits

DATE: January 18, 2019

The development referenced above (the "Development") has requested an exchange of 2017 competitive Low-Income Housing Credit ("Housing Credit") for 2019 Housing Credit in an amount equal to the returned 2017 Housing Credit **plus an additional \$250,000 in annual 2019 Housing Credit**.

This is the first request for exchange or other modifications that require Board action regarding the Development.

The Development consists of 132 units (new construction) located in Murfreesboro (Rutherford County). The 2017 Housing Credit allocation is \$1,083,125/year.

As described in the attached letter submitted by the applicant, the Development has encountered a number of difficulties including unexpected construction cost increases related to materials and labor, instability in the equity market related to tax reform, and delays in approval of permits and plans. The syndication transaction has not closed. The applicant proposes an updated Place-In-Service date in June, 2021.

Staff Recommendation

Assuming that the Tax Credit Committee and Board of Directors approve proposed amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan, ("2019-2020 QAP"), staff recommends approval of this exchange request for the reasons stated in the attached documentation and subject, without limitation, to the following terms and conditions:

1. THDA may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines. Failure to provide requested information and documentation or failure to meet established deadlines may have negative consequences for related applicants in subsequent years; and
2. The Housing Credit amount will be determined by THDA, in its sole discretion; and
3. Threshold requirements and scoring selections from the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan ("2017 QAP") will apply. Otherwise, the 2019-2020 QAP will apply; and
4. Applicant is prohibited from requesting approval for income averaging; and
5. Applicant is prohibited from requesting consideration under the Qualified Contract Process ("QCP") for the Development; and
6. Subsequent requests for (without limitation) exchange, extension, modification, relief, or waiver with regard to the Development may have adverse consequences in subsequent years; and
7. The **Placed-In-Service deadline is December 31, 2020**; and
8. The **syndication transaction closing deadline is July 1, 2019**; and
9. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange; and
10. Failure to satisfy the requirements of item 1, 3, 4, 5, 6, 7, or 8 above may be treated as a Major Significant Adverse Event.

**NANCY KING
EXECUTIVE
DIRECTOR**

NONPROFIT HOUSING CORPORATION INC.

CONTACT

4219 Hillsboro Road,
Ste. 220
Nashville, TN 37215
615.516.0862
nonprofithousing@
bellsouth.net

MULTIFAMILY PROGRAM DIVISION

**TENNESSEE HOUSING DEVELOPMENT AGENCY • 502 DEADERICK THIRD FLOOR
• NASHVILLE, TN 37243**

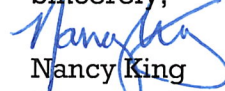
RE: TN17-052, Bradley Way Apartments

Dear THDA Multifamily Program Division,

I am writing to request additional credits as well as an exchange of credits for Bradley Way Apartments in Rutherford County. Thank you for the opportunity to send additional information to THDA's board of directors explaining the need for both an exchange and more credits. When I replaced my late father, Campbell Brown, as Executive Director of NHC, the tax credit market was in a rocky place due to the uncertainty of tax reform. Once tax reform was passed, we were hit with another hurdle of rising construction costs in Middle TN.

I have attached information regarding explanations and dates causing the need for the exchange and additional tax credits, as well as a new proposed time line. Bradley Way Apartments equity syndication or construction loan has yet to close. Please let me know if you need additional information. I plan to attend THDA's board meeting on January 29th, to answer any questions you may have. Thank you so much for your consideration.

Sincerely,



Nancy King
Executive Director

TN17-052 Bradley Way Apartments

Bradley Way Apartments was awarded LIHTC's in September, 2017. Congress was working to pass a major tax reform bill by year end, credit pricing was at 2008 lows of .80 to .84 on a dollar of credits. We were told that credit pricing would not stabilize until the results of Tax Reform were known. The Tax Cuts and Jobs Act of 2017, signed into law on 12/22/17, amended the Internal Revenue Code of 1986, and reduced corporate tax rates from 35% down to 21%. Syndicators moved forward working with potential investors for tax credits to determine the demand, which would determine and stabilize credit pricing. That took us until August, to find and negotiate pricing and terms with both a credit syndicator, CREA, and financing, Bank of Tennessee.

Bradley Way will be an elderly building, to be in Smyrna. Smaller cities, such as Smyrna, send their plans to be reviewed and approved by the State Fire Marshall's office. The architect submitted at the end of October 2018 to the State Fire Marshall's office, and we are awaiting approval. The city has approved the clearing permit, and has scheduled our pre-construction conference for this month.

Nonprofit Housing uses a contractor to build our developments, and our contractor has kept us informed of the high costs of construction, and the increasing construction prices. Especially since we are a not for profit, we depend on the availability of our developer fee to be in place, as syndicators and banks rely on that as an additional reserve to handle any unanticipated increases. When that dwindles with cost increases of any type, we are unable to close. Our construction increases have left the development with no developer fee, and we were unable to close at the end of 2018.

We originally submitted construction costs of \$10,000,000. Our construction costs have now risen to \$12,480,000. A 20% increase in pricing. Without THDA's assistance, we can't increase our rents to cover a \$2.5 shortfall.

We were working with Bank of Tennessee on CITC construction and perm financing, and have found that some banks we could count on in the past for CITC perm financing, no longer are interested, due to rising interest rates. That narrows their spread, long term. We will have to renegotiate the rate and terms for the construction and perm financing for Bradley Way, which may take 60 days after THDA gives written approval of the rate swap and additional credits. I would anticipate closing in late May, early June, 2019. We have not closed either our construction financing, or our equity.

Our annual allocation of 2017 credit is \$1,083,125. We are requesting additional annual credits of \$250,000 for Bradley Way Apartments as well as a return of the 2017 allocation to a 2019 allocation for more closing and construction time since we were unable to close our equity or financing at the end of 2018, as planned.

CONSTRUCTION SCHEDULE

Bradley Way- Symma TN

START MONTH	START YEAR	MONTHS	COLO R	DESCRIPTION	START	END	2019												2020												2021																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
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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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: **TN17-902** [West Way] Request for Allocation Exchange of 2017 Low-Income Housing Credits for 2019 Low-Income Housing Credits

DATE: January 18, 2019

The development referenced above (the "Development") has requested an exchange of 2017 competitive Low-Income Housing Credit ("Housing Credit") for 2019 Housing Credit in an amount equal to the returned 2017 Housing Credit **plus an additional \$250,000 in annual 2019 Housing Credit**.

This is the **second request** for exchange or other modifications that require Board action regarding the Development. The Development previously exchanged from 2015 Housing Credit to 2017 Housing Credit.

Assuming that the Tax Credit Committee and Board of Directors approve proposed amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan, ("2019-2020 QAP"), staff recommends approval of this exchange request for the reasons stated in the attached documentation and subject, without limitation, to the following terms and conditions:

The Development consists of 112 units (new construction) located in Fairview (Williamson County). The 2017 Housing Credit allocation is \$1,053,227/year.

As described in the attached letter submitted by the applicant, the Development has encountered a number of difficulties including unexpected construction cost increases related to materials and labor, instability in the equity market related to tax reform, and delays in approval of permits and plans. The syndication transaction has not closed. The applicant proposes an updated Place-In-Service date in May, 2021.

Staff Recommendation

Assuming that the Tax Credit Committee and Board of Directors approve proposed amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan, ("2019-2020 QAP"), staff recommends approval of this exchange request for the reasons stated in the attached documentation and subject, without limitation, to the following terms and conditions:

1. THDA may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines. Failure to provide requested information and documentation or failure to meet established deadlines may have negative consequences for related applicants in subsequent years; and
2. The Housing Credit amount will be determined by THDA, in its sole discretion; and
3. Threshold requirements and scoring selections from the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan ("2017 QAP") will apply. Otherwise, the 2019-2020 QAP will apply; and
4. Applicant is prohibited from requesting approval for income averaging; and
5. Applicant is prohibited from requesting consideration under the Qualified Contract Process ("QCP") for the Development; and
6. Subsequent requests for (without limitation) exchange, extension, modification, relief, or waiver with regard to the Development may have adverse consequences in subsequent years; and
7. This exchange, if approved, **will be treated as a Major Significant Adverse Event under Section 6-A of the 2019-2020 QAP.**
8. The **Placed-In-Service deadline is December 31, 2020**; and
9. The **syndication transaction closing deadline is July 1, 2019**; and
10. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange; and
11. Failure to satisfy the requirements of item 1, 3, 4, 5, 6, 8, or 9 above may be treated as a Major Significant Adverse Event.

**NANCY KING
EXECUTIVE
DIRECTOR**

NONPROFIT HOUSING CORPORATION INC.

CONTACT

4219 Hillsboro Road,
Ste. 220
Nashville, TN 37215
615.516.0862
nonprofithousing@
bellsouth.net

MULTIFAMILY PROGRAM DIVISION

**TENNESSEE HOUSING DEVELOPMENT AGENCY • 502 DEADERICK THIRD FLOOR
• NASHVILLE, TN 37243**

RE: TN17-902, West Way Apartments

Dear THDA Multifamily Program Division,

I am writing to request additional credits as well as an exchange of credits for West Way Apartments in Williamson County. Thank you for the opportunity to send additional information to THDA's board of directors explaining the need for both an exchange and more credits. When I replaced my late father, Campbell Brown, as Executive Director of NHC, the tax credit market was in a rocky place due to the uncertainty of tax reform. Once tax reform was passed, we were hit with another hurdle of rising construction costs in Middle TN.

I have attached information regarding explanations and dates causing the need for the exchange and additional tax credits, as well as a new proposed time line. West Way Apartments equity syndication or construction loan has yet to close. Please let me know if you need additional information. I plan to attend THDA's board meeting on January 29th, to answer any questions you may have. Thank you so much for your consideration.

Sincerely,


Nancy King
Executive Director

TN17-902 West Way Apartments

West Way Apartments was awarded a Carryover Allocation Agreement for LIHTC's in September, 2017. Congress was working to pass a major tax reform bill by year end, credit pricing was at 2008 lows of .80 to .84 on a dollar of credits. The Tax Cuts and Jobs Act of 2017, signed into law on 12/22/17 and reduced corporate tax rates from 35% down to 21%. It took us until June, to work through potential financing, and negotiate pricing and terms with both a credit syndicator, CREA, and financing, Bank of Tennessee.

West Way Apartments is to be located in Fairview. Smaller cities, such as Fairview, send their plans to be reviewed and approved by the State Fire Marshall's office. The architect submitted to the State Fire Marshall's office in May, 2018, and the city approved plans for the clearing permit, and has scheduled our pre-construction conference for this month. We did not get approval from the city to move forward until January 2019.

Nonprofit Housing uses a contractor to build our developments, and our contractor has kept us informed of the high costs of construction, and the increasing construction prices. Especially since we are a not for profit, we depend on the availability of our developer fee to be in place, as syndicators and banks rely on that as an additional reserve to handle any unanticipated increases. When that dwindles with cost increases of any type, we are unable to close. Our construction increases have left the development with negative developer fee, and we were unable to close at the end of 2018 with CREA and Bank of Tennessee.

My contractor has indicated the site work has increased by approximately 35%, with the high demand in Middle Tennessee. Other trades are up anywhere from 10 to 12%, with some being higher. Labor seems to be a big issue, adding to the materials increases. We have no other sources of funding to cover the increases than THDA.

We will have to renegotiate the rate and terms for the construction and perm financing for Bradley Way, which may take 60 days after THDA gives written approval of the rate swap and additional credits. I would anticipate closing in late April, early May, 2019. We have not closed either our construction financing, or our equity.

Our annual allocation of 2017 credit is \$1,053,227. We are requesting additional annual credits of \$250,000 for West Way Apartments as well as a return of the 2017 allocation to a 2019 allocation for more closing and construction time since we were unable to close our equity or financing at the end of 2018, as planned.

West Way, Fairview, TN

[illegible]



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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: **TN17-906** [Boscobel 2] Request for Allocation Exchange of 2017 Low-Income Housing Credits for 2019 Low-Income Housing Credits

DATE: January 18, 2019

The development referenced above (the "Development") has requested an exchange of 2017 competitive Low-Income Housing Credit ("Housing Credit") for 2019 Housing Credit in an amount equal to the returned 2017 Housing Credit **plus an additional \$156,250 in 2019 annual Housing Credit**.

This is the **second request** for exchange or other modifications that require Board action regarding the Development. The Development previously exchanged from 2016 Housing Credit to 2017 Housing Credit.

The Development consists of 100 units (new construction, Rental Assistance Demonstration ("RAD")) located in Nashville (Davidson County). The 2017 Housing Credit allocation is \$1,100,000/year.

As described in the attached letter submitted by the applicant, the Development has encountered a number of difficulties including unexpected construction cost increases related to materials and labor, instability in the equity market related to tax reform, and delays in approval of permits and plans. The syndication transaction closed in December, 2018. The applicant proposes an updated Place-In-Service date in March, 2020.

Staff Recommendation

Assuming that the Tax Credit Committee and Board of Directors approve proposed amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan, ("2019-2020 QAP"), staff recommends approval of this exchange request for the reasons stated in the attached documentation and subject, without limitation, to the following terms and conditions:

1. THDA may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines. Failure to provide requested information and documentation or failure to meet established deadlines may have negative consequences for related applicants in subsequent years; and
2. The Housing Credit amount will be determined by THDA, in its sole discretion; and
3. Threshold requirements and scoring selections from the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan ("2017 QAP") will apply. Otherwise, the 2019-2020 QAP will apply; and
4. Applicant is prohibited from requesting approval for income averaging; and
5. Applicant is prohibited from requesting consideration under the Qualified Contract Process ("QCP") for the Development; and
6. Subsequent requests for (without limitation) exchange, extension, modification, relief, or waiver with regard to the Development may have adverse consequences in subsequent years; and
7. This exchange, if approved, **will be treated as a Major Significant Adverse Event under Section 6-A of the 2019-2020 QAP.**
8. The **Placed-In-Service deadline is March 31, 2020**; and
9. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange; and
10. Failure to satisfy the requirements of item 1, 3, 4, 5, 6, or 8 above may be treated as a Major Significant Adverse Event.

Metropolitan Development and Housing Agency

701 SOUTH SIXTH STREET * NASHVILLE, TENNESSEE * TELEPHONE (615) 252-8400

MAILING ADDRESS: P.O. BOX 846 NASHVILLE, TENNESSEE 37202

TELEPHONE DEVICE FOR THE DEAF (615) 252-8599

January 15, 2019

Mr. Ed Yandell
Acting Director, Multifamily Program Division
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Andrew Jackson Building, Nashville, TN 37243

RE: TN17-906, Boscobel I, request tax credit allocation increase and exchange

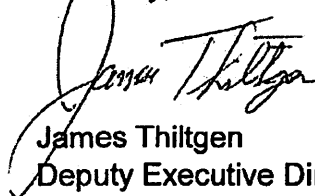
Dear Mr. Yandell:

We appreciate the opportunity to request additional LIHTC's and a request for an exchange of credits for Boscobel II. We hope to provide information to THDA's board of directors showing our current issues. The tax credit market was volatile until the Federal Tax Cuts and Jobs Act of 2017 passed and was signed into law late December 2017, and once stabilized in 2018, the construction costs in Middle Tennessee surprised everyone by increasing rapidly.

We have attached information regarding explanations and dates causing the need for the additional tax credit request and an exchange of credits. Our existing construction time line is attached as well, with construction finalizing March 31, 2020. MDHA closed Boscobel II's equity syndication and construction financing with Pinnacle Bank, on December 13th, 2018.

If you need additional information from our team, please let us know. We will have a representative in attendance at the THDA Tax Credit Committee and Board meetings on January 29th.

Sincerely,

A handwritten signature in black ink, appearing to read "James Thiltgen", is written over a printed name and title.

James Thiltgen
Deputy Executive Director

Attachments



January 14, 2019

Michael Wegerson
Metropolitan Development and Housing Agency
701 South Sixth Street
Nashville, TN 37206

22 middleton street
nashville, tennessee 37210
tel: (615) 255-1854
fax: (615) 244-1123
email: mailbox@ksarchitects.com

American Institute of Architects
Tennessee Society of Architects
Construction Specifications Institute
American Correctional Association
National Council of Architectural
Registration Boards
United States Green Building Council

RE: BOSCOBEL II
PERMITTING / CONSTRUCTION SCHEDULE

Mr. Wegerson:

In regard to the current schedule on the above project, the project is behind schedule due to the following reasons:

1. Significant revisions to the design of the building and site took place during the Design Development Phase of the project to reduce construction cost.
2. Metro Stormwater held up review of Civil engineering drawings due to infrastructure study for Envision Cayce.
3. The review process by Metro Codes and the Metro Planning Department took much longer than experienced in previous years. Following are pertinent dates:
 - Submitted site grading/utility package /SP to Metro Codes on May 2, 2018.
 - Submitted Construction Documents to Metro Codes on June 8, 2018.
 - Received mass Grading Permit from Metro Codes on August 29, 2018.
 - Received Foundation Permit from Metro Codes on October 19, 2018.
 - Received Utility Permit from Metro Codes on November 19, 2018.
 - Received Stormwater Permit from Metro Codes on November 14, 2018.
 - Received Building Permit from Metro Codes on December 7, 2018.

On past projects, after submitting the initial grading/utility package/SP submittal to Metro Codes we have received a building permit within four (4) months. On the above project, it required a total of seven (7) months.

Should you have any questions or concerns, please give us a call.

Sincerely,
KLINE SWINNEY ASSOCIATES

Bart Kline, AIA

Boscobel II was awarded 2017 LIHTC's by THDA's board on May 10, 2017, Carryover Allocation on December, 2017, under the RAD set-aside. We began working with tax credit syndicators to purchase the tax credits, as well as banks, for CITC construction financing. Congress was working on passing a major tax reform bill, and we were obtaining credit pricing anywhere from .80 to .84 on a dollar of credits, with the market being completely unstable, due to the unknowns of tax reform. We were told that credit pricing would not stabilize until the results of Tax Reform were known, and Congress passing a bill, before investors would move forward with their interest in purchasing LIHTC's as a hedge against their income, based on the new corporate tax rate. The Tax Cuts and Jobs Act of 2017, signed into law on 12/22/17, amended the Internal Revenue Code of 1986, to reduce the corporate tax rates from 35% down to 21%. Syndicators moved forward working with their potential investors for tax credits to determine the demand, which would determine and stabilize credit pricing.

We received offers for the credits from several syndicators and worked through the offers to sign with Pinnacle Financial Partners, February 2, 2018, at 98 cents per dollar of credits. That was negotiated as we moved through the process, with higher construction costs, and higher loans from Pinnacle, and the final closing price of the credits at 96 cents per dollar of credits.

The construction contract was bid in June, 2018, with final bid of \$27,692,783, and contract fully executed on 12.11.18. Our construction estimates throughout the development process continued to increase. 8/2/17 -\$20,606,871; 3/20/18 - \$22,873,580; 9/24/18 - \$27,197,435, to the final contract number on 12/11/18 of \$27,692,783. The job was value engineered during development, to try to keep costs contained.

Metro Nashville's unprecedented growth has outpaced Metro government's ability to respond in a timely manner. We have included a letter from local architectural firm Kline Swinney Associates, indicating the delays caused by Metro Stormwater, Metro Codes and Metro Planning Department which delayed construction start.

We closed the development with Pinnacle Financial Partners providing both the equity, as well as the construction and perm loans December 13, 2018. The funding gaps remaining were filled with MDHA loans to the partnership, MDHA Home loan, and an MDHA Agency Loan to borrower.

Below are the sources from our closing statement to cover construction costs. MDHA would like to request an additional \$156,250 in annual credits from THDA for Boscobel I, as well as an exchange from 2017 tax credit allocation to a 2019 allocation, to allow time to obtain the final Certificates of Occupancy from Metro Nashville.

LOAN AND EQUITY CLOSING STATEMENT

Closing Date:	December 13, 2018
Borrower:	CP II, L.P.
Lender/Investor:	Pinnacle Bank
MDHA/Agency:	Metropolitan Development & Housing Agency
CITC Loan:	\$ 7,859,589.00
Market Rate Bridge Loan:	\$ 9,782,587.00
Investor Capital Contributions:	\$ 10,558,944.00
Agency Loan to borrower:	\$ 9,000,000.00
MDHA HOME Loan:	\$ 500,000.00
General Partner Capital Contribution:	<u>\$ 6,769,862.00</u>
	\$34,688,395.00

Boscobel II Project New Propose Schedule Milestones:

Completion Date:	Milestone Description:
3/3/2019	Building Pad Prep
3/25/2019	Utilities
1/30/2020	Hardscape/Landscape
	Building D
4/25/2019	Slab on Grade
7/25/2019	Framing
10/3/2019	Dry-in, brick, siding, and paint
9/20/2019	MEP rough-in, insulation, drywall
1/6/2020	Finishes
3/10/2020	Punchlist
12/6/2019	Temporary U&O for first unit
	Building C
6/5/2019	Slab on Grade
8/7/2019	Framing
10/16/2019	Dry-in, brick, siding, and paint
10/3/2019	MEP rough-in, insulation, drywall
1/24/2020	Finishes
3/30/2020	Punchlist
12/18/2019	Temporary U&O for first unit
	Townhomes
3/18/2019	Foundations
4/22/2019	Framing
6/6/2019	Dry-in, brick, siding, and paint
6/25/2019	MEP rough-in, insulation, drywall
9/10/2019	Finishes
10/7/2019	Punchlist
10/8/2019	Temporary U&O for townhomes
2/24/2020	Final Inspections
3/31/2020	Certificate of Use & Occupancy – Turnover



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: Ed Yandell
Senior Housing Credit Advisor

SUBJECT: **TN17-031** [Country Village] Request for Reallocation of Returned 2017 Low-Income Housing Credits

DATE: January 28, 2019

The development referenced above (the "Development") has requested a reallocation of 2019 competitive Low-Income Housing Credit ("Housing Credit") in an amount equal to returned 2017 Housing Credit.

The Development originally received an allocation of 2017 competitive Housing Credit and failed to meet the federally required 10% Test.

The Development consists of 140 units (acquisition/rehabilitation, USDA Rural Development ("RD")) located in Jefferson City (Jefferson County). The 2017 Housing Credit allocation is \$999,999/year.

As described in the attached letter submitted by the applicant, the government shutdown has rendered RD temporarily unable to issue the RD 538 loan note guaranty and finalize the RD 515 property transfer, both of which are required by the syndicator prior to closing the syndication transaction.

One of the **federally required** conditions of the 2017 Housing Credit allocation is that the Development meet the requirements of Section 42(h)(1)(E)(ii) (the "10% Test") by **December 28, 2018**. The 10% Test is met if the owner's basis in the Development (as of December 28, 2018) is at least 10% of the owner's reasonably expected basis will be as of Development completion (no later than December 31, 2019).

If the 10% Test is not met, Treasury Regulation 1.42-6(a)(2)(ii) states that "the carryover allocation must be returned to the Agency".

Staff Recommendation

Staff recommends approval of this reallocation request for the reasons stated in the following documentation and subject, without limitation, to the following terms and conditions:

1. THDA may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines. Failure to provide requested information and documentation or failure to meet established deadlines may have negative consequences for related applicants in subsequent years; and
2. The 2019 Housing Credit amount will not exceed \$999,999/year; and
3. Threshold requirements and scoring selections from the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan ("2017 QAP") will apply. Otherwise, the 2019-2020 QAP will apply; and
4. Applicant is prohibited from requesting approval for income averaging; and
5. Applicant is prohibited from requesting consideration under the Qualified Contract Process ("QCP") for the Development; and
6. Subsequent requests for (without limitation) exchange, extension, modification, relief, or waiver with regard to the Development may have adverse consequences in subsequent years; and
7. The Placed-In-Service deadline is December 31, 2020; and
8. The syndication transaction closing deadline is September 16, 2019; and
9. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange; and
10. Failure to satisfy the requirements of item 1, 2, 4, 5, 6, 7, 8, or 9 above may be treated as a Major Significant Adverse Event.

SP TN COUNTRY VILLAGE LLC

January 25, 2019

Ralph M. Perrey
Executive Director
Tennessee Housing Development Agency
Andrew Jackson Building
502 Deaderick St., Third Floor
Nashville, TN 37243

RE: SP TN Country Village LLC – TN17-031
Request for Reallocation of Credits

Dear Ralph,

Country Village is a 140-unit USDA Rural Development acquisition/rehabilitation project located in Jefferson City, TN. The proposed owner is SP TN Country Village LLC, which applied for 9% credits in the 2017 round and received a \$999,999 allocation. We respectfully request that THDA reallocate the credits as 2019 credits in the same amount since the federal government shutdown has impacted RD and rendered us unable to close the acquisition of the property by the 12/28/2018 carryover deadline. Upon the passing of such deadline without satisfaction, the credits are effectively returned to the state as of 1/1/2019, added to the 2019 state housing credit ceiling, and are available for reallocation (upon THDA Board approval) to the subject development. Such a reallocation request is net neutral to THDA in terms of its impact on total credits available in 2019.

By way of background, we began working with RD on the deal prior to submitting the 9% LIHTC application to THDA in May 2017. RD has been supportive of the plan as we have diligently worked towards closing. As it currently stands the RD property transfer / RD 515 debt assumption conditional consent has been issued, but RD has been unavailable to issue the RD 538 loan note guaranty and effectuate the RD 515 / property transfer until the federal government reopens from the shutdown and RD National can obligate the funds. The current status of the transaction hurdles is as follows:

- Jefferson City, TN Industrial Development Board Real Estate Tax PILOT approved 10/9/2018;
- Building Permit ready letter issued 11/29/2018;
- RD 515 / property transfer consent issued 12/13/2018;
- RD 538 funds pending final obligation at the RD National office since 12/17/2018;
- RD 515 & 538 loan documents have been prepared for execution at closing;
- LIHTC Investor Operating Agreement has been prepared for execution at closing.

We look forward to expediently closing upon the reopening of the federal government and THDA's reallocation of the credits. We would be happy to further discuss and/or provide additional information needed to help with the Board's evaluation of this request. Thank you for your time and consideration.

Sincerely,



PJ Hornik
Vice President