

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
March 26, 2019

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Tuesday, March 26, 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: Kim Grant Brown (Chair); Dorothy Cleaves; Jonathan Rummel for Secretary of State Tre Hargett; Regina Hubbard; John Krenson; Kevin Bradley for Treasurer David Lillard; Samantha Wilson for Commissioner of Finance & Administration Stuart McWhorter; Erin Merrick; Lynn Tully; and Katie Armstrong for Comptroller Justin Wilson. Daisy Fields; Austin McMullen; John Snodderly and Pieter van Vuuren were absent.

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

Nancy Herndon	Single Family	10 years
Rhonda Ronnow	Single Family	15 years
Betesia Harris	Section 8 Rental Assistance	15 years
Debra Perkins	Section 8 Rental Assistance	25 years

Mr. Perrey announced the pending retirement of Bob Farrar, paralegal with the legal team, after eight years with THDA and over 40 years in practice as an attorney and paralegal.

Seeing a physical quorum present, Chair Brown called the meeting to order, and offered a time for public comment. With no one wishing to address the Board, Chair Brown called for consideration of the January 29, 2019, minutes. Upon motion by Ms. Merrick, second by Mr. Krenson, the minutes were approved.

Chair Brown recognized Mr. Perrey who presented the following Executive Directors Report:

- Loan production remains strong. The first quarter of 2019 appears to be the best first quarter in THDA history. The interest rate for the Great Choice Program was reduced to 4.5% and the interest rate for the Home Ownership for the Brave Program was reduced to 4.0%.
- Mr. Perrey recognized Jeremy Heidt, Director of Industry and Government Affairs, who reported that recent extensive flooding across Tennessee resulted in damage in 85 counties. As a result, 58 counties are covered under a new Presidential Disaster Declaration and a decision is pending regarding individual assistance. Several counties had significant damage, but do not qualify for federal assistance, so staff reached out to advise the mayors of Blount, Carter, Hamblin and Washington Counties regarding the possible availability of THDA's Rebuild and Recover Program.
- Mr. Perrey recognized Laura Swanson, Civil Rights Compliance and Housing Strategy Advisor, who provided the Strategic Plan First Quarter 2019 update.
- Mr. Perrey recognized Lindsay Hall, Chief Administration Officer, Single Family Programs, who provided an update on the Community Reinvestment Act ("CRA") initiative that involves banking partners funding certain THDA programs as a way to meet their CRA obligations. Staff has been part of bank examiner education panels with the FDIC, so that the bank examiners understand the programs that are offered through THDA that might meet CRA

requirements. Staff has been asked to be the guest at the CRA Association of Banks in Shelby County and staff has been talking to banks individually as well.

- THDA Budget Hearings are on April 2 with the House Finance Ways and Means Committee and on April 9 with the Senate State and Local Committee.

Chair Brown then called for the Bond Finance Committee report and recognized Bruce Balcom, Assistant Chief Legal Counsel. Mr. Balcom noted that the Committee approved the Plan of Financing for Issue 2019-2 and recommended approval of the Authorizing Resolution and the Reimbursement Resolution. Mr. Balcom noted Issue 2019-1 closed on March 21 with approximately \$69 million reimbursed to THDA. He indicated that, with strong mortgage loan production, staff expects to begin committing against Issue 2019-2 by late April or early May. Mr. Balcom referenced the following documents in the Board materials:

- a memorandum regarding Issue 2019-2 from Ms. Miller, dated March 19, 2019, that described the documents to be considered, explained how the authorization for Issue 2019-2 complied with THDA's Debt Management Policy, and included recommendations regarding bookrunning senior manager and rotating co-manager based on information provided by CSG Advisors Incorporated ("CSG"), financial advisor for THDA;
- a memorandum from CSG dated March 14, 2019, that recommended authorization of Issue 2019-2 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$200 million, including a new money component as well as a small refunding component, for Citigroup Global Markets, Inc. to serve as bookrunning senior manager, and for Wiley Brothers-Aintree Capital to serve as the rotating co-manager;
- the Plan of Financing for Issue 2019-2 in an aggregate principal amount not to exceed \$200 million that was approved by the Committee ("Plan of Financing");
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2019-2 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2019-2 bonds (the "Authorizing Resolution");
- the form of Series Resolution for Issue 2019-2; and
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2019-2 in an amount not to exceed \$60 million (the "Reimbursement Resolution").

Upon motion by Ms. Cleaves, second by Mr. Rummel, the Authorizing Resolution and the Reimburse Resolution were approved.

Chair Brown then called for the Grants Committee report and recognized Ms. Tully who chaired the meeting in the absence of Pieter van Vuuren. Ms. Tully noted the first item on the agenda was the 2019 Weatherization Assistance Program ("WAP") Model Plan. She referenced the memorandum dated March 18, 2019, from Don Watt, Director of Community Program, for details about the Program Year 2019 Weatherization Assistance Program. Ms. Tully explained the following proposed changes to the 2019 WAP Model Plan:

- 1) Increase the maximum cap per household from \$7,371 to \$7,541.
- 2) Allow sub-grantees to use in-house crews to implement improvements with THDA approval.
- 3) Add activities under the training & technical assistance component, including:
 - a) build an additional training house to train energy auditors around the state, and

- b) develop data to show actual energy savings and the health impact of weatherization activities.
- 4) Require all HVAC unit replacements to be Energy Star certified (or equivalent).

Upon motion by Ms. Tully, second by Ms. Hubbard, motion carried to approve the 2019 WAP Model Plan for submission, with authority for the Executive Director to make any additional changes as may be required or to not submit the 2019 WAP Model Plan if deemed appropriate.

Ms. Tully recused herself and Chair Brown presented the grant extension request from Kingsport Housing and Redevelopment Authority (“KHRA”) for a Tennessee Housing Trust Fund (“THTF”) 2016 Spring Round Competitive Grants award. Chair Brown referenced a memorandum dated March 18, 2019, from Mr. Watt and the attached request letter from KHRA. Chair Brown noted that THDA awarded \$500,000 to KHRA under the 2016 Spring Round of the Competitive Grants program to rehabilitate Charlemont Apartments in Kingsport, TN. She indicated that the Committee recommended approval of the KHRA request for a 6-month extension to December 31, 2019, based on the reasons contained in the referenced memo. Upon motion by Ms. Brown, second by Mr. Bradley, motion carried to approve the KHRA grant extension to December 31, 2019. Ms. Tully recused herself from the vote.

Ms. Tully presented several HOME Program grant extension requests. She referenced a memorandum dated March 18, 2019, from Mr. Watt and the attached request letters that described the issues encountered by the following 2015-2016 HOME grantees: the Town of Benton, Bledsoe County, the City of Bolivar, the City of Cleveland, and the City of Oak Ridge and a 2014 HOME grantee: Rutherford County Area Habitat for Humanity (“Habitat”). She noted that the Committee recommendation was to approve all extension requests. Upon motion by Ms. Tully, second by Mr. Krenson, motion carried to approve extensions to June 30, 2020, for the indicated 2015-2016 HOME grants and the 2014 Habitat HOME grant.

Ms. Tully next referenced a memorandum dated March 18, 2019, from Mr. Watt and the attached proposal regarding the 2019 Building Trades Demonstration Program. She noted that the Committee recommended approval of the demonstration program and funding in the amount of \$450,000 to support a building trades’ vocational training program in the Shelby County school system by providing one-time support for program start-up costs to the Tennessee Builders Education Foundation. Upon motion by Ms. Tully, second by Ms. Merrick, motion carried to authorize THDA to make a one-time grant in the amount of \$450,000 from the Rebuild and Recover fund to the Tennessee Builders Education Foundation to support the start-up of this program in the Shelby County school system. Chair Brown recused herself from the vote.

Chair Brown called for the Lending Committee report and recognized Ms. Cleaves who called on Mr. Balcom to present the Freddie Mac Authorizing Resolution. Mr. Balcom explained that part of the approval process for THDA to become a Freddie Mac Seller/Servicer is to provide funds transfer instructions to Freddie Mac and the resolution titled “Resolution of the Tennessee Housing Development Agency Authorizing Certain Staff To Provide Fund Transfer Instructions To Freddie Mac”, dated March 26, 2019, included with board materials, authorizes designated THDA staff to provide wire transfer or Automated Clearing House instructions to Freddie Mac. Upon motion by Ms. Cleaves, second by Ms. Wilson, motion carried to approve the resolution titled “Resolution of the Tennessee Housing Development Agency Authorizing Certain Staff To Provide Fund Transfer Instructions To Freddie Mac”.

Ms. Cleaves next called on Ms. Hall who referenced her memo dated March 18, 2019, that describes the New Start Program and recommends increasing the maximum sales price limit for the New Start Program to \$190,000 for Maury, Williamson, Davidson, Rutherford, Wilson, and Sumner Counties to allow the approved non-profit housing entities providing New Start Loans in those areas to maintain sales prices at the current market value without forfeiting equity and continue to meet the needs of low-income homebuyers in the middle Tennessee market. Upon motion by Ms. Cleaves, second by Mr. Krenson, motion carried to approve the referenced sales price limits increase.

Ms. Cleaves next called on Cynthia Peraza, THDA Director of Special Programs, who referenced her memo dated March 18, 2019, describing the Hardest Hit Fund Program (HHF) THDA has administered since 2010 and recommending the following changes to the HHF-DPA Program: (1) move \$5,000,000 of Blight Elimination Program funds to the HHF-DPA; (2) modify, if necessary, the ZIP Codes within which HHF-DPA may be offered, effective July 1, 2019; and (3) authorize staff to make changes as U.S. Treasury may require. She noted that the Lending Committee recommended these changes. Upon motion by Ms. Cleaves, second by Ms. Merrick, motion carried to approve the referenced changes, subject to U.S. Treasury approval.

Next, Chair Brown called for the Tax Credit Committee report and recognized Ms. Tully. Ms. Tully noted that in her Grants Committee report she overlooked mentioning that the Committee received a HOME Beneficiary report, a copy of which was included in the Board materials.

Ms. Tully began with a waiver request from Buffalo Trail (TN19-206) to increase the per development cap for noncompetitive Low-Income Housing Credits to \$1.5 million. She referenced a memo dated March 18, 2019, from Ed Yandell, Senior Housing Credit Advisor, that explains the rationale for the request. She indicated that the Committee recommends authorizing staff to allocate up to, but not more than, \$1.5 million of annual noncompetitive Low-Income Housing Credits to the proposed development, subject to the following conditions:

1. Applicant must confirm that the proposed development remains viable with regard to property control and ability to proceed. Confirmation must be acceptable to THDA, in its sole discretion; and,
2. Confirmation must be received no later than April 2, 2019.

Upon motion by Ms. Tully, second by Ms. Cleaves, motion carried to approve the waiver request, subject to the described conditions.

Ms. Tully recognized Mr. Perrey who explained all 2017 and 2018 housing credit developments approved for an exchange will have a December 31, 2020 placed in service date. Mr. Perrey also noted that Don Watt, Director of Community Programs, will be the Acting Director of the Multifamily Programs Division.

With no further business, and motion by Ms. Cleaves, second by Ms. Hubbard, meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R M Perrey', written over a horizontal line.

Ralph M. Perrey
Executive Director

Approved this 21st day of May, 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: March 19, 2019
TO: THDA Bond Finance Committee and Board
FROM: Lynn Miller 
Chief Legal Counsel
SUBJECT: Authorization of General Residential Finance Program Bonds, Issue 2019-2

DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

Attached please find the following documents in connection with the requested authorization of the next THDA bond issue, Issue 2019-2:

1. Memo from CSG Advisors Incorporated ("CSG") recommending authorization in the maximum principal amount of \$200 million for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013, including authorization of a new money component and a refinancing component (refunding of Issue 2010-A currently outstanding under the THDA 2009 General Resolution). Staff expects this bond issue to be priced in early June 2019, with closing in late June 2019, depending on THDA loan production. The final size and structure will be determined by the Bond Finance Committee closer to pricing.
2. THDA Plan of Financing for Issue 2019-2 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.
3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2019-2, which includes the form of Series Resolution for Issue 2019-2 and which authorizes the referenced bond issue and delegates authority to the Bond Finance Committee to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.
4. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2019-2 in an amount not to exceed \$60 million. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2019-2 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2019-2 complies with the Debt Management Policy as follows:

Part III - by allowing THDA "...to maintain a steadily available supply of funds to finance its mortgage loan programs at cost levels that provide competitive, fixed interest rate mortgage loans that benefit low and moderate income families, while maintaining or improving THDA's overall financial strength and flexibility..."

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

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

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

Parts XV – authorization of a potential refunding component is expected to result in present value savings and will further THDA program objectives of providing competitive, fixed interest rate mortgage loans that benefit low and moderate income families.

Parts XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2019-2 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

BOOKRUNNING SENIOR MANAGER

In connection with the appointment of the underwriting team in January 2018, the Bond Finance Committee elected to move from a strict rotation to a "soft" rotation for the selection of the senior bookrunning manager. The Bond Finance Committee retained the option of changing the order based on an analysis of performance on the immediately preceding THDA bond issue.

The CSG memo referenced in #1 above includes an analysis of and recommendation for senior bookrunning manager. Based on the CSG recommendation, THDA staff recommends that Citigroup Global Markets Inc. ("Citigroup"), be appointed as the bookrunning senior manager for Issue 2019-2.

ROTATING CO-MANAGER

Based on the CSG recommendation, THDA staff recommends that selling group member Wiley Brothers-Aintree Capital, LLC be appointed to serve as rotating co-manager for Issue 2019-2 based on their performance, as described by CSG, on Issue 2019-1.

SELLING GROUP

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

LEM/ds

MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee

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

SUBJECT: Bond Issue Authorization Recommendation

RE: Residential Finance Program Bonds, Issue 2019-2

DATE: March 14, 2019

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a \$200 million Issue 2019-2 under the Residential Housing Finance Program Bond General Resolution, including approximately \$192.15 million of new money bonds to fund THDA's mortgage loan pipeline and \$7.85 million of bonds to refund Issue 2010-A. The exact issue size will be evaluated closer to the bond sale, based on THDA's pipeline and interest rates at the time.
- Staff projects making mortgage loan commitments against Issue 2019-2 beginning in May, with the plan to use available internal funds to warehouse loans before closing Issue 2019-2.
- Issue 2019-2 is expected to be sold in June for a closing in late June, providing funding for production into late summer 2019.
- Issue 2019-2 is expected to include bonds to refund THDA's outstanding Issue 2010-A bonds, modestly lowering the overall bond yield, maintaining current mortgage loan rates to THDA's borrowers, increasing THDA's earning spread, and potentially reducing the amount of zeros needed from THDA's stockpile of zeros. Alternative structures will be analyzed and presented closer to pricing.
- For Issue 2019-2, CSG recommends Citigroup as book-running senior manager and Wiley Brothers - Aintree as the selling group manager to be elevated to co-manager (see **Appendix A** for our Underwriter Recommendation Memo).

Current Market Conditions

Since THDA's Issue 2019-1 bond sale on February 12, 2019, when the 10-year US Treasury bond closed at 2.68% and the 30-year treasury yielded 3.02%, interest rates gradually increased by up to 0.10% but in the last two weeks returned to similar levels. At the close of business on Wednesday, March 13th, the 10- and 30-year treasuries stood at 2.63% and 3.04%, respectively. High-quality tax-exempt Municipal Market Data Index ("MMD") yields as of the close of business on Wednesday saw 10- and 30-year yields at 2.05% and 2.87%, 0.07% and 0.14% lower, respectively, than when Issue 2019-1 priced.

Given weakness in the global economy, particularly in China and Europe, domestic activity has been fair but somewhat tempered in recent months. The Federal Reserve's change in posture to more of a neutral stance on monetary policy – reflected in less likelihood of aggressive interest rate increases and a slower pace in unwinding its vast bond holdings – has depressed interest rates across the yield curve throughout 2019. As for municipal bonds, modest supply and greater demand from retail and institutional investors has helped attract year-to-date net investment into muni bond funds of \$13.0 billion (more than twice the pace of inflows as over the same period last year).

Background

On February 12, 2019, THDA priced its Residential Finance Program Bonds, Issue 2019-1 in the amount of \$175 million to be used to purchase new mortgage loans. As of the closing date for Issue 2019-1 on March 21, 2019, approximately \$60 million of loans were purchased with Issue 2019-1 proceeds.

When the Issue 2019-1 proceeds are exhausted (expected by mid-May), THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2019-2. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2019-2 in late-June, when additional bond funds likely will be needed.

THDA's outstanding Housing Finance Program Bonds, Issue 2010-A will become optionally redeemable at par on July 1, 2019 (with an expected outstanding amount of no more than \$7.85 million). These bonds may be refunded by Issue 2019-2 anytime up to 90 days prior to July 1, 2019 under a common plan of finance with the "new money" portion of the Issue 2019-2 transaction. As shown under the 'Refunding No PAC' Scenario of Exhibit A, a refunding of the Issue 2010-A bonds would result in estimated net present value savings after costs of issuance and negative reinvestment spreads as follows:

THDA's Economic Savings as a Result of Refunding:

<u>Loan Prepayment Speed</u>	<u>Estimated NPV Savings</u>
100% FHA*	\$0.31 million (3.9%)
200% PSA	\$0.25 million (3.2%)
300% PSA	\$0.18 million (2.3%)

- Percentages in parentheses are of refunding bonds issued.
 - Issue 2010-A was a frontloaded maturity structure with over-collateralization therefore no PAC refunding scenario was analyzed because No PAC and PAC refunding comparisons were substantially similar.
 - The Issue 2010-A loans experienced a weighted average prepayment speed over the last 8 months of 274% PSA.
 - As prepayment speeds increase, the economic savings to THDA decreases, since faster prepayments reduce the period of time during which THDA earns the interest spread between the mortgage rate on the loans and the average interest rate on the bonds.
- * 100% FHA is listed as it is most commonly the prepayment measure used in determining tax yield spread for tax-exempt bond-financed mortgage loans. 100% FHA is approximately equivalent to 115% PSA prepayments.

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

- 1) Although the estimated economic savings of a refunding reflects only a marginal improvement as shown above, this is in part due to the short duration of the remaining bonds outstanding, as well as significant overcollateralization (> \$13 million) built up within Issue 2010-A. With such a large amount of overcollateralization, the bonds payoff quite quickly if no action is taken, reducing the perceived economic savings of a refunding. Nevertheless, the overcollateralization coupled with the reduction in bond coupons as a result of a refunding allows THDA flexibility to maintain current mortgage loan interest rates or adjust mortgage loan interest rates lower than would otherwise be possible without contributions of additional zeros, accepting a lower spread, or some other form of subsidy;
- 2) The shorter average life of the transferred mortgage loan portfolio accelerates the repayment of the bonds and lowers bond interest costs on the new issue;
- 3) The refunding bonds remove the state moral obligation from the prior bonds.

Proposed Sizing and Structure for Issue 2019-2

Authorizing a bond issue of not to exceed \$200 million would allow THDA to refund up to \$7.85 million of Issue 2010-A bonds that are optionally redeemable, as well as to continue purchasing mortgage loans through the summer of 2019 with a determined cost of funds throughout that time. The ultimate size of the issue will depend on mortgage loan demand until pricing, interest rates, and also an assessment of the effect of a large issue on negative reinvestment costs. (The cost of investing bond proceeds at lower interest rates than the bond rate before such proceeds can be used to purchase mortgage loans.) This year's rise in short-term interest rates reinvestment costs have become much less expensive.

Based on current market conditions and investor appetite, structuring Issue 2019-2 to include planned amortization class bonds ("PACs") to be sold at a premium will significantly lower the issue's bond yield. PACs are often priced at a premium and most commonly designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with similar maturities.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed below 100% PSA, causing the PACs to remain outstanding longer than projected and potentially extending the

period during which THDA would pay the high coupon on these bonds. However, THDA's average historical prepayment speed is greater than 150% PSA. Also, if the actual sustained prepayment speed is less than 100% PSA, at its option THDA could choose to redeem the PACs up to the 100% PSA experience threshold with other available funds in order to maintain the short average life of the PACs.

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

- Scenario 1 shows a level-debt issue with no PAC bonds or refunding component. The spread for tax purposes is 1.18%. \$2.9 million in zeros would be created to reduce the issue to the 1.125% spread limitation. This is a viable structure but not as efficient as scenarios 2 & 3, below.
- Scenario 2 includes non-AMT PAC bonds. The lower yield on the PAC reduces the overall bond yield by 0.17% and would result in a spread for tax purposes of 1.349%. \$10.3 million in zeros would be created to bring the issue within the 1.125% spread limitation.
- Scenario 3 includes an estimated \$7.85 million of proceeds to refund Issue 2010-A, in addition to new proceeds of \$192.15 million. As with Scenario 2, the structure incorporates non-AMT PAC bonds. Since the refunding allows for additional bonds structured earlier in the maturity schedule higher yielding transferred collateral, as well as overcollateralization, the tax law yield spread rises to 1.454%, and the issue is projected to create \$14.9 million in zeros in order to achieve the full 1.125% spread.

It should be noted that THDA has accumulated approximately \$88 million in zeros that can be used to subsidize new bond issues such as Issue 2019-2. Each of the scenarios summarized above and listed in Exhibit B assume that THDA continues lending at interest rates of 4.875% and 4.375% for its Great Choice and Brave Choice loan programs, respectively. If THDA decided to modestly decrease its mortgages rates, less zeros would be expected to be created.

As the financing is developed, production needs are refined, and the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds to evaluate if further refinement of the structure could offer an improvement in the pricing of Issue 2019-2.

Issuing the 2019-2 bonds under the 2013 General Resolution will avoid a state moral obligation pledge on such bonds.

Method of Sale

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

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. Compared to offerings with little retail

participation, interest rate savings on bonds sold principally to retail investors often amount to 0.05%. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

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

Complexity and Credit – While investors are familiar with bonds issued by housing finance agencies, a negotiated sale provides greater opportunity to communicate with investors about the more complex structure, program experience, and the credit features of THDA's bonds.

Bond Structure – Though Issue 2019-2 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, include additional maturities or features, or use bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in THDA's offerings in the last year in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

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

Recommendations

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

- Authorize the issuance and sale of Residential Finance Program Bonds, Issue 2019-2 with a par amount not to exceed \$200 million;
- Delegate to the Bond Finance Committee the authority to:
 - Set the principal amount of Issue 2019-2, with the aggregate size of Issue 2019-2 not to exceed \$200 million;
 - Establish the structure, sub-series, terms, and pricing schedule of Issue 2019-2;
 - Approve long and shorter maturity bonds in any combination of fixed rate bonds not to exceed a maturity of 32 years; and
 - Refund any combination of bonds that are optionally callable on July 1, 2019, based upon projected economic benefits under market conditions at the time of sale.
- Based on current market conditions and for the reasons described above, authorize Issue 2018-4 via a negotiated sale.
- Underwriter recommendation (see **Appendix A** for our complete Underwriter Recommendation memo):
 - In view of the continuing value Citigroup has provided as a member of the syndicate, we recommend that Citigroup serve as book-running senior manager for Issue 2019-2.

Further analysis and recommendations about final size, structure, use of zero participations or collateral, and other factors should be made closer to the time of sale.

Exhibit A (Issue 2010-A)

Economic Refunding Analysis - With All Benefit Reflected in PV Savings Interest Rates as of March 12, 2019

	Issue 2010-A	
	2010-A "As Is"	Refunding No PAC
General Information		
Optional Redemption Date	7/1/2019	7/1/2019
Potential Bond Defeasance Date	6/30/2019	6/30/2019
Amount of Refunded Bonds Outstanding on May 1, 2019:		
AMT:	-	-
Non-AMT:	7,850,000	7,850,000
Total:	7,850,000	7,850,000
Weighted Average Coupon of Refunded Bonds	4.437%	4.437%
Weighted Average Coupon of Refunding Bonds	n/a	2.744%
Reduction in Bond Coupon	n/a	1.692%
Tax Law Yields of Bonds to be Refunded at Issuance		
Mortgage Yield	4.970%	4.970%
Bond Yield	3.846%	3.846%
Yield Spread	1.123%	1.123%
Tax Law Yields on 7/11/19		
Mortgage Yield	5.246%	5.246%
Yield of Bonds to be Refunded	4.146%	4.146%
Projected Spread: As Is	1.100%	1.100%
Refunding Bond Yield	n/a	1.883%
Projected Spread: If Refunded	N/A	3.362%
Benefit of Refunding (total)		
Gross Present Value Savings @ 100% FHA	-	385,683
Less: Optional Redemption Premium	-	-
Less: Negative Arbitrage	-	(967)
Less: Costs of Issuance	-	(78,500)
Net Present Value Savings @ 100% FHA	-	306,216
Net Present Value Savings as a Percent of Bonds	n/a	3.9%
Net Present Value Savings @ 200% PSA	-	251,387
Net Present Value Savings as a Percent of Bonds	0.0%	3.2%
Net Present Value Savings @ 300% PSA	-	183,046
Net Present Value Savings as a Percent of Bonds	0.0%	2.3%

Exhibit B

Preliminary Structuring Analysis Interest Rates as of March 12, 2019

Structuring Scenario			Scenario 1 All New Money / No PAC	Scenario 2 All New Money / With PAC	Scenario 3 New Money / Refunding / PAC
Including PAC Bonds			No	Yes	Yes
Including Refunding of 2010-A \$7,850,000			No	No	Yes
Issue Amounts					
New Money	Non-AMT		200,000,000	200,000,000	192,150,000
Refunding of 2010-A	Non-AMT		-	-	7,850,000
TOTAL			200,000,000	200,000,000	200,000,000
Bond Structure					
		Coupon / Yield			
Serials 2020-2032	Non-AMT	1.60 - 3.20 %	63,640,000	36,305,000	43,615,000
Term 2034	Non-AMT	3.350 %	12,160,000	7,485,000	8,475,000
Term 2039	Non-AMT	3.650 %	34,320,000	21,885,000	24,845,000
Term 2044	Non-AMT	3.850 %	40,835,000	27,510,000	27,220,000
Term 2049	Non-AMT	3.950 %	49,045,000	35,315,000	21,345,000
Term 2050 PAC	Non-AMT	4.25 / 2.45 %	-	71,500,000	74,500,000
			200,000,000	200,000,000	200,000,000
Yields					
Mortgage Yield (1)			4.680 %	4.680 %	4.688 %
Bond Yield			3.501 %	3.331 %	3.234 %
Yield Spread (assuming no zeros)			1.180	1.349	1.454
Zero Percent Loans (Needed) / Created			2,900,000	10,300,000	14,900,000
Yield Spread After Zero Participations			1.125 %	1.125 %	1.125 %

(1) Based on projected Transferred Loans, Great Choice Loans @ 4.875% & Brave Choice Loans @ 4.375% with 5.00% 2nd lien downpayment / closing cost assistance loans.

Exhibit B - Supplement

Preliminary Structuring Analysis

Interest Rates as of March 12, 2019

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

<u>Structuring Scenario</u>	<u>Scenario 1 All New Money / No PAC</u>	<u>Scenario 2 All New Money / With PAC</u>	<u>Scenario 3 New Money / Refunding / PAC</u>
Including PAC Bonds	No	Yes	Yes
Including Refunding of 2010-A \$7,850,000	No	No	Yes
Bond Yields	3.501 %	3.331 %	3.234 %
<u>Mortgage Rates and Zero Percent Loans Needed</u>			
A Mortgage Rate on New Money Mortgages	4.875 %	4.875 %	4.875 %
Mortgage Yield (1)(2)	4.680 %	4.680 %	4.688 %
Yield Spread	1.180	1.349	1.454
Zero Percent Loans (Needed) / Created for Full Spread	2,900,000	10,300,000	14,900,000
B Mortgage Rate on New Money Mortgages to Reduce Zeros by 50%	4.840 %	4.740 %	4.680 %
Mortgage Yield reflecting (Needed) / Created Zeros	4.626 %	4.456 %	4.359 %
Yield Spread	1.125	1.125	1.125
Zero Percent Loans (Needed) / Created for Full Spread	1,450,000	5,150,000	7,450,000
C Mortgage Rate on New Money Mortgages to Reduce Zeros by 100%	4.810 %	4.625 %	4.500 %
Mortgage Yield reflecting (Needed) / Created Zeros	4.626 %	4.456 %	4.359 %
Yield Spread	1.125	1.125	1.125
Zero Percent Loans (Needed) / Created for Full Spread	-	-	-

(1) Based on projected Transferred Loans, Great Choice Loans @ 4.875% & Brave Choice Loans @ 4.375% with 5.00% 2nd lien downpayment / closing cost assistance loans.

(2) Scenario 3 Mortgage Yield includes the projected transferred loans from 2010-A

THDA RFPB Issue 2019-2 Bond Issue Authorization Recommendation
CSG Advisors Incorporated
March 14, 2019

APPENDIX A:
ISSUE 2019-2 UNDERWRITER RECOMMENDATION MEMO

MEMORANDUM

TO: THDA Bond Finance Committee, Office of State and Local Finance, and THDA

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

SUBJECT: Underwriter Recommendation
Residential Finance Program Bonds, Issue 2019-2

DATE: March 14, 2019

Background

In January 2018, THDA's Bond Finance Committee selected a new underwriting team consisting of three (3) senior managers: Citigroup Global Markets, Inc., Raymond James, and RBC Capital Markets; three (3) co-managers: J.P. Morgan, Wells Fargo Securities, and a third rotating co-manager position to be held by a selling group member based on performance in the prior bond issue.

Elevated Selling Group Member

Excluding the standing THDA managers, the following table shows the retail performance of each selling group member for Issue 2019-1, for which Wiley Bros. – Aintree Capital acted as the third co-manager based on its performance on Issue 2018-4:

TABLE 1: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2019-1
(thousands)

Member	Retail Orders	Final Allotments
Wiley Bros.-Aintree	\$6,435	\$6,150
Hilliard Lyons	1,960	1,960
RW Baird	1,025	1,000
Duncan-Williams	300	0
FTN Financial	0	0
TOTAL	9,720	\$9,110

Whether based on final allotments or retail orders, Wiley Bros. - Aintree Capital qualified as the selling group member to be elevated to co-manager for THDA's Issue 2019-2.

Book-Running Senior Manager

Rather than select the book-running senior manager based on a simple rotation, according to the latest underwriter selection by the Bond Finance Committee, the book-running senior manager will be selected from among the two firms who did not serve as the senior book-running manager on the last issuance, based on criteria as determined by the Bond Finance Committee in consultation with the Comptroller's Office and CSG. As always, THDA reserves the right to adjust the rotation or the factors to be considered at any time and for any reason. Measures of a senior manager's performance include but are not limited to the following primarily qualitative characteristics:

- Bond distribution performance,
- Pricing aggressiveness,
- Ultimate execution of the sale,
- Flexibility,
- Ability to attract new investors,
- Secondary market support,
- Idea generation,
- Syndicate management, and
- Willingness to underwrite unsold bonds.

Citigroup continues to perform very well when selected as the book-running senior manager, evidenced by aggressive preliminary pricing of Issue 2018-3, the last issue Citigroup senior-managed for THDA. When senior managing prior issues, the firm has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. Citi has senior managed several issues for other HFAs in recent months (CT, OH, and ME the most recent) and continues to successfully manage and achieve good pricing results for other clients, even when investors for long-term housing bonds are less numerous than other times in the market.

Given their continued performance, we recommend that Citigroup serve as book-running senior manager for Issue 2019-2.

TABLE 2: BOOK-RUNNING SENIOR MANAGERS, RECENT BOND ISSUES

Amount of Par Bonds		
Bond Issue	Issued (\$ millions)	Book-Running Senior Manager
Issue 2018-1	\$ 99.9	Raymond James
Issue 2018-2	160.0	RBC Capital Markets
Issue 2018-3	149.9	Citigroup Global Markets
Issue 2018-4	225.0	Raymond James
Issue 2019-1	175.0	RBC Capital Markets

A summary of the orders and final allotments for each of the last three bond issues is provided as Exhibit 1.

**EXHIBIT 1: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,
LAST THREE (3) BOND ISSUES**

THDA UNDERWRITER PERFORMANCE SUMMARY -- 2018-3, 2018-4, and 2019-1

	2018-3 (Citi lead, Hilliard co) 149,900,000		2018-4 (RJ lead, Hilliard co) 225,000,000		2019-1 (RBC lead, Wiley co) 175,000,000		Combined 2018-3 & 4, 2019-1 549,900,000	
	Orders	Allotments	Orders	Allotments	Orders	Allotments	Orders	Allotments
Citigroup*								
Tennessee Retail	11,655	7,275	505	250	70	70	12,230	7,595
National Retail	14,300	4,100	4,290	2,020	1,220	895	19,810	7,015
Net Designated	342,535	107,600	2,815	700	0	0	345,350	108,300
Member	0	8,735	28,890	815	25,020	150	53,910	9,700
Total	368,490	127,710	36,500	3,785	26,310	1,115	431,300	132,610
Raymond James								
Tennessee Retail	8,575	6,580	44,990	35,385	6,025	5,875	59,590	47,840
National Retail	3,640	2,145	12,675	2,845	2,375	1,975	18,690	6,965
Net Designated	3,000	400	453,785	169,220	0	0	456,785	169,620
Member	20,000	0	350	350	22,140	850	42,490	1,200
Total	35,215	9,125	511,800	207,800	30,540	8,700	577,555	225,625
RBC Capital Markets								
Tennessee Retail	0	0	35	35	23,625	22,855	23,660	22,890
National Retail	2,200	845	1,545	995	39,465	10,720	43,210	12,560
Net Designated	0	0	0	0	288,590	104,540	288,590	104,540
Member	21,000	0	43,215	0	0	0	64,215	0
Total	23,200	845	44,795	1,030	351,680	138,115	419,675	139,990
J.P. Morgan								
Tennessee Retail	575	350	275	75	480	480	1,330	905
National Retail	3,125	1,690	2,480	475	1,020	920	6,625	3,085
Net Designated	0	0	0	0	1,000	1,000	1,000	1,000
Member	10,000	0	10,000	0	11,000	0	31,000	0
Total	13,700	2,040	12,755	550	13,500	2,400	39,955	4,990
Wells Fargo								
Tennessee Retail	1,225	950	0	0	400	400	1,625	1,350
National Retail	4,910	1,880	2,170	1,575	890	785	7,970	4,240
Member	30,000	0	113,885	750	51,345	0	195,230	750
Total	36,135	2,830	116,055	2,325	52,635	1,185	204,825	6,340
Duncan-Williams								
Tennessee Retail	200	200	1,540	1,540	0	0	1,740	1,740
National Retail	500	300	1,050	0	300	0	1,850	300
Member	500	0	700	250	700	0	1,900	250
Total	1,200	500	3,290	1,790	1,000	0	5,490	2,290
FTN Financial								
Tennessee Retail	1,120	795	1,045	760	0	0	2,165	1,555
Member	2,500	0	10,000	0	7,000	0	19,500	0
Total	3,620	795	11,045	760	7,000	0	21,665	1,555
J.J.B. Hilliard								
Tennessee Retail	3,710	2,925	3,290	2,815	1,960	1,960	8,960	7,700
Member	1,300	300	600	0	0	0	1,900	300
Total	5,010	3,225	3,890	2,815	1,960	1,960	10,860	8,000
Robert W. Baird & Co.								
Tennessee Retail	150	150	0	0	825	825	975	975
National Retail	255	255	295	195	200	175	750	625
Total	405	405	295	195	1,025	1,000	1,725	1,600
Wiley Bros-Aintree								
Tennessee Retail	3,290	2,425	5,440	3,950	6,435	6,150	15,165	12,525
Total	3,290	2,425	5,440	3,950	6,435	6,150	15,165	12,525
TOTAL								
Tennessee Retail	30,500	21,650	57,120	44,810	39,820	38,615	127,440	105,075
National Retail	28,930	11,215	24,505	8,105	45,470	15,470	98,905	34,790
Net Designated	345,535	108,000	456,600	169,920	289,590	105,540	1,091,725	383,460
Member	85,300	9,035	207,640	2,165	117,205	1,000	410,145	12,200
Total	490,265	149,900	745,865	225,000	492,085	160,625	1,728,215	535,525

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2019-2
March 25, 2019

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

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2019-2 (the “Bonds”), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”).

The aggregate principal amount of the Bonds shall not exceed \$200,000,000. The actual aggregate principal amount shall be determined by the Bond Finance Committee of the THDA Board of Directors (the “Bond Finance Committee”) upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA’s Bond Counsel and may take into account the following limitations and other factors:

- (1) the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and
- (2) the amount of Bonds which may be issued to refund bonds or notes outstanding under the General Resolution, the General Homeownership Program Bond Resolution (the “1985 Resolution”); or under the General Housing Finance Resolution (the “2009 Resolution”) to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and
- (3) the amount of Bonds that may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans financed from available THDA funds prior to the availability of proceeds from the Bonds; and
- (4) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and
- (5) the availability of THDA’s funds, subject to the review of the Bond Finance Committee, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and
- (6) the amount of resources (loans and cash) available under the 1985 General Resolution to overcollateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

**APPLICATION
OF PROCEEDS:**

Proceeds of the Bonds will be applied to (i) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the 1985 Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof; and (iii) other uses as specified below in approximately the following amounts:

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

**DATE, METHOD AND
TERMS OF SALE:**

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than July 31, 2019. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.

MATURITIES:

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

BOND INTEREST RATES:

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

REDEMPTION TERMS:

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

**LOAN INTEREST RATES AND
COST OF ADMINISTRATION:**

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

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2019-2
March 26, 2019

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on March 25, 2019, approved a plan of financing for Residential Finance Program Bonds, Issue 2019-2 (the “Bonds”) in an aggregate par amount not to exceed \$200,000,000 (the “Plan of Financing”); and

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

WHEREAS, THDA on January 29, 2019, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 22, 2019, primary housing costs exceed 25% of an average Tennessee household’s gross monthly income; and

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

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

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

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

1. The issuance and sale of the Bonds, in an aggregate par amount not to exceed \$200,000,000, with the final terms, all as determined by the Committee, upon the recommendation of THDA’s Financial Advisor, the Executive Director and the Secretary of the Committee, with the approval of THDA’s Bond Counsel, is hereby authorized.

2. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, \$_____ Issue 2019-2A (AMT), and \$_____ Issue 2019-2B (Non-AMT)” (the “Supplemental Resolution”), in the form attached hereto, is adopted, subject to the provisions contained herein.

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

4. The Committee is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds; (f) approve a final principal amount or amounts, not to exceed a par amount of \$200,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Committee, upon the recommendation of the Executive Director or Secretary of the Committee, with the approval of Chief Legal Counsel of THDA and Bond Counsel, as the Committee shall determine to be necessary or appropriate to

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

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

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

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

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

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

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

11. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on March 26, 2019.

TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

\$_____ Issue 2019-2A (AMT)

\$_____ Issue 2019-2B (Non-AMT)

Adopted March 26, 2019
as amended and supplemented
by the Bond Finance Committee
of THDA on _____, 2019

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A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS
\$ _____ **ISSUE 2019-2A (AMT)**
\$ _____ **ISSUE 2019-2B (Non-AMT)**

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

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution may hereafter be cited by THDA as the Issue 2019-2 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

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

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

[“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2019-2 Bonds (including Program Securities and the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

“*Bond Purchase Agreement*” means the contract for the purchase of the Issue 2019-2 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

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

“*Co-Managers*” means [J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and _____].

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

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

“Excess 2019-2 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2019-2 Bonds (including Program Securities [and the Transferred Program Loans]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-2 Bonds.

“Issue 2019-2 Bonds” means, together, the Issue 2019-2A Bonds and the Issue 2019-2B Bonds.

“Issue 2019-2A Bonds” means the Issue 2019-2A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“Issue 2019-2B Bonds” means the Issue 2019-2B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“Issue Date” means the date on which the Issue 2019-2 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on _____, 2019.

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

“Official Statement” means the Official Statement dated _____, 2019 used in connection with the sale of the Issue 2019-2 Bonds.

[*“PAC Bonds”* means the Issue 2019-2A Bonds in the aggregate principal of \$_____ maturing _____.]

[*“PAC Bonds Planned Amortization Amount”* means the cumulative amount of PAC Bonds expected to be redeemed upon the receipt of Excess 2019-2 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

“Preliminary Official Statement” means the Preliminary Official Statement dated _____, 2019 used in connection with the offering of the Issue 2019-2 Bonds.

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

[*“Refunded Bonds”* means, the THDA bonds listed in Exhibit D hereto.]

“Resolution” means this Supplemental Resolution adopted by THDA on March 26, 2019, as amended and supplemented by the Bond Finance Committee on _____, 2019.

“Serial Bonds” means the Issue 2019-2 Bonds which are not Term Bonds.

“*Term Bonds*” means, collectively, the Issue 2019-2A Bonds maturing _____, and the Issue 2019-2B Bonds maturing _____.

[“*Transferred Investments*” means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2019-2 Bonds upon the refunding of the Refunded Bonds.]

[“*Transferred Proceeds*” means the sum of \$_____ on deposit in the Issue 2019-2 Bond Subaccount of the Loan Fund subsequent to the refunding of the Refunded Bonds.]

[“*Transferred Program Loans*” means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2019-2 Bonds upon the refunding of the Refunded Bonds.]

“*Underwriters*” means, collectively, [Citigroup Global Markets Inc., Raymond James & Associates, Inc., and RBC Capital Markets, LLC], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2019-2 Bonds.

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

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

(e) [Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans and Program Securities and the phrase “Program Loans allocable to the Issue 2019-2 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2019-2 Bonds.]

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

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2019-2A are hereby authorized to be issued in the aggregate principal amount of \$_____, and Residential Finance Program Bonds, Issue 2019-2B are hereby authorized to be issued in the aggregate principal amount of \$_____. In addition to the title “Residential

Finance Program Bond,” the Issue 2019-2 Bonds will bear the additional designations “Issue 2019-2A (AMT) and “Issue 2019-2B (Non-AMT),” as appropriate. The Issue 2019-2 Bonds shall be issued only in fully registered form. The Issue 2019-2A Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds. The Issue 2019-2B Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds.

Section 2.02. Purposes. [The Issue 2019-2A Bonds and [a portion of] the Issue 2019-2B Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans, [Transferred Proceeds] and the Transferred Investments will become allocated to the Issue 2019-2 Bonds.] [A portion of] the Issue 2019-2B Bonds are being issued (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2019-2 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2019-2 Bonds.

The proceeds of the Issue 2019-2 Bonds [and the [Transferred Proceeds and the] Transferred Investments] shall be applied in accordance with Article IV hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2019-2 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [January 1, 2020], at the rate set opposite such date in the following tables:

Issue 2019-2A Bonds

Serial Bonds

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

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	\$	%

Issue 2019-2B Bonds

Serial Bonds

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

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	\$	%

(b) Whenever the due date for payment of interest on or principal of the Issue 2019-2 Bonds or the date fixed for redemption of any Issue 2019-2 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2019-2 Bonds of each series maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2019-2 Bonds of each series maturing in such year. The Issue 2019-2 Bonds are to be lettered “RA,” or “RB,” as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2019-2 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2019-2 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2019-2 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2019-2 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2019-2 Bonds will not receive certificates representing their interest in the Issue 2019-2 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2019-2 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2019-2 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2019-2 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may

appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2019-2 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2019-2 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2019-2 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2019-2 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2019-2 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2019-2 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2019-2 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2019-2 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2019-2 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2019-2 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2019-2 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2019-2 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2019-2 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

Issue 2019-2A Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

Issue 2019-2B Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

(b) Upon the purchase or redemption of Issue 2019-2 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2019-2 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2019-2 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2019-2 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2019-2 Bonds maturing on and after [July 1, 2029] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their 8respective maturities, either as a whole or in part at any time, on or after [January 1, 2029] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

[[The PAC Bonds are subject to redemption at the option of THDA, either as a whole or in part at any time or on or after [January 1, 2029] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

<u>Period</u>	<u>PAC Bond Redemption Price</u>
[January 1, 2029] to [_____]	[_____]%
[_____] and thereafter	[_____]

Section 2.10. Special Optional Redemption. The Issue 2019-2 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2019-2 Bonds not expected to be

applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including Program Securities [and the Transferred Program Loans]) allocated to the Issue 2019-2 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2019-2 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-2 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2019-2 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2019-2 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-2 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

Section 2.11. Special Mandatory Redemptions.

(a) ***Unexpended Proceeds.*** The Issue 2019-2 Bonds are subject to mandatory redemption on _____ in the event and to the extent that there are unexpended proceeds of the Issue 2019-2 Bonds on deposit in the Issue 2019-2 Subaccount of the Loan Fund on _____; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2019-2 Bonds are subject to mandatory redemption on _____, _____, to the extent any amounts remain on deposit in the Issue 2019-2 Subaccount of the Loan Fund on _____, _____.

The redemption price of the Issue 2019-2 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2019-2 Bonds to be redeemed shall be selected by THDA in its sole discretion;

provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-2 Bonds then Outstanding.

(b) **[Excess 2019-2 Principal Payments (PAC Bonds)]**. The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2019-2 Principal Payments. Any Excess 2019-2 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [January 1, 2020]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2019-2 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2019-2 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2019-2 Principal Payments shall first be applied to redeem the PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2019-2 Bonds (including Program Securities [and the Transferred Program Loans]) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2019-2 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount (as set forth in "FIRST" above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2019-2 Principal Payments which is in excess of 400% PSA, and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds' proportionate amount of all Issue 2019-2 Bonds then Outstanding.

The PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2019-2 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

(c) Ten Year Rule.

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2019-2 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2019-2 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2019-2 Bonds (or the date of original issuance of the bonds refunded by the Issue 2019-2 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2019-2 Bonds on or before the next Interest Payment Date with respect to the Issue 2019-2 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2019-2 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2019-2 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the PAC Bonds Planned Amortization Amount only if there are no other Issue 2019-2 Bonds Outstanding.

Section 2.12. Selection by Lot. If less than all of the Issue 2019-2 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

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

ARTICLE III

SALE AND DELIVERY

Section 3.01. Sale.

(a) The Issue 2019-2 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chair, Secretary or Assistant Secretary of the Bond Finance Committee and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2019-2 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2019-2 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2019-2 Bonds to the public is hereby authorized and approved.

(c) The Issue 2019-2 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2019-2 Supplemental Resolution.

ARTICLE IV

DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2019-2 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2019-2 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-2 Bonds. Amounts on deposit in the Issue 2019-2 Bond Subaccount of the Loan Fund in excess of \$_____, [together with the Transferred Proceeds,] shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2019-2 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2019-2 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2019-2 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2019-2 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2019-2 Bonds shall not exceed 2% of the proceeds of the Issue 2019-2 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2019-2 Bond Subaccount of the Loan Fund which are to be used to finance Program Loans (including Program Securities) (or other available funds of THDA), shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until _____, 2020.

The Bond Reserve Fund Requirement with respect to the Issue 2019-2 Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2019-2 Bonds plus the amount on deposit in the Issue 2019-2 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

Section 4.02. Proceeds of Issue 2019-2A Bonds and Issue 2019-2B Bonds. Proceeds of the Issue 2019-2A Bonds and Issue 2019-2B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2019-2 Bond Subaccount of the Loan Fund. On the Issuance Date, \$_____ of the amount on deposit in the Issue 2019-2 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2019-2A Bonds and the [entire proceeds of the] Issue 2019-2B Bonds [in the aggregate amount of \$_____ [and available funds of THDA in the amount of \$_____]]) shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans [and the Transferred Proceeds] shall be credited to the Issue 2019-2 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]]

Section 4.03. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2019-2 Bonds [(including the Transferred Proceeds)] unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the fee simple or leasehold estate, of real property located in the State or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed or have a commitment for insurance or guaranty by (i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or
- (c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA), or the sale price of the property securing the Program Loan; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a

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

ARTICLE V

FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Section 5.01. Form of Bonds. Subject to the provisions of the General Resolution, the Issue 2019-2 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication. The Issue 2019-2 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2019-2A (AMT)] [Issue 2019-2B (Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

ARTICLE VI

MISCELLANEOUS

Section 6.01. No Recourse Against Members or Other Persons. No recourse may be had for the payment of principal of or premium or interest on the Issue 2019-2 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2019-2 Bonds and neither the members of THDA nor any person executing the Issue

2019-2 Bonds may be liable personally on the Issue 2019-2 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2019-2 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2019-2 Bonds. The Issue 2019-2 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2019-2 Bonds.

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

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

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

Section 6.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2019-2 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2019-2 Bonds from time to time.

Section 6.07. Continuing Disclosure Undertaking.

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

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

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

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

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

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

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

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2019-2 Bonds:

(i) principal and interest payment delinquencies;

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

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

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

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

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2019-2 Bonds, or other material events affecting the tax status of the Issue 2019-2 Bonds;

(vii) modifications to rights of the holders of the Issue 2019-2 Bonds, if material;

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

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2019-2 Bonds, if material;

(xi) rating changes;

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

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

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

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

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

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

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2019-2 Bonds or defeasance of any Issue 2019-2 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2019-2 Bonds pursuant to the Resolution.

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

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

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2019-2 Bonds whether or not the Rule applies to such Issue 2019-2 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2019-2 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2019-2 Bonds or (B) the holders of the Issue 2019-2 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2019-2 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2019-2 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2019-2 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

Section 6.08. Confirmation and Adjustment of Terms by Committee. The terms of the Issue 2019-2 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2019-2 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2019-2 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such

manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

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

EXHIBIT A

BOND PURCHASE AGREEMENT

EXHIBIT B

[PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS]

Date

PAC Bonds
Planned Amortization Amount

**[[400]% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2019-2 BONDS]**

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

EXHIBIT C

FORM OF BOND

REGISTERED

R[A][B][-1]

\$[_____]

**TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2019-2[A][B] [(AMT)][(Non-AMT)]**

Interest Rate	Dated Date	Maturity Date	Cusip
[____]%	[____], 2019	[_____]	880461[_____]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: [_____]

TENNESSEE HOUSING DEVELOPMENT AGENCY (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [January 1, 2020]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

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

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

This bond is one of a series of bonds additionally designated “Issue 2019-2[A][B]” (herein called the “Bonds”) issued in the aggregate principal amount of \$_____ under the General Resolution, a resolution of THDA adopted on March 26, 2019, as amended and supplemented by the Bond Finance Committee of THDA on _____, 2019 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

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

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

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

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

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

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

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

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

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

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

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

[Remainder of page intentionally left blank]

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

TENNESSEE HOUSING DEVELOPMENT
AGENCY

By _____
Kim Grant Brown
Chair
[SEAL]

Attest:

By _____
Ralph M. Perrey
Executive Director

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2019-2[A][B] [(AMT)][(Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Signatory

Dated: _____, 2019

ABBREVIATIONS

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

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

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

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

ASSIGNMENT

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

Dated: _____

Social Security Number or
Employer Identification
Number of Transferred: _____

Signature guaranteed: _____

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

EXHIBIT D
REFUNDED BONDS

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSEMENT OF THDA
FROM PROCEEDS OF ISSUE 2019-2
March 26, 2019

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

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2019-2, if and when issued and sold (the “Bonds”), through the direct purchase of eligible mortgage loans; and

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

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

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

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

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



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: March 18, 2019
RE: Program Year 2019 Weatherization Assistance Program

The U. S. Department of Energy (DOE) will be accepting applications from states for the Program Year 2019 Weatherization Assistant Program (WAP). Applications are due to the DOE no later than May 3, 2019. The Program Year 2019 allocation for Tennessee is \$5,045,797, with approximately \$504,580 available for administrative costs, \$832,216 available for training and technical assistance, and \$3,709,001 available for program costs.

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

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

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

The local agency will receive, if willing to participate, the allocation for the county or counties located in their service delivery area. THDA will retain funding for administrative expenses and program

related training and technical assistance expenses, as permitted under federal regulations. Staff will also conduct public meetings to explain the program and funding situation.

THDA proposes the following material policy changes for the 2019 program year:

1. Increase the average cost per unit amount from \$7,371 to \$7,541 in accordance with the increase to the limit set annually by DOE in order to accommodate cost increases to implement weatherization activities.
2. Allowing subgrantees to utilize in-house crews for weatherization work if desired and approved by THDA.
3. Utilize Training and Technical Assistance funds for additional activities, which may include building additional training houses as well as partnering with a third party for the development of data showing the actual energy savings and the health impacts of weatherization.
4. Added requirement for all HVAC replacements to be Energy Star rated or equivalent.

Staff is requesting Board and Committee approval of THDA submitting an application to DOE for the WAP Program Year 2019 funds by the federal deadline of May 3, 2019, with the Executive Director authorized to approve changes as may be necessary to meet any changes in program requirements from DOE prior to the submission date, including without limitation, the authority to determine that submission of an application is not in the best interest of THDA.

Staff anticipates DOE approval of Tennessee's 2019 WAP application before the September 2019 THDA Board meeting. At that time, Community Programs staff will provide the Board and Committee with an update on participating agencies, program updates, and any amendments to the approved plan.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: March 18, 2019
RE: Request for Approval of 2016 Spring THTF Competitive Grants Program Grant Extension for HTF-16S-02 – Kingsport Housing and Redevelopment Authority – Charlemont Apartments

Recommendation

Staff recommends approval of the extension request for HTF-16S-02 with the Kingsport Housing and Redevelopment Authority to December 31, 2019 as further described below.

Background

THDA awarded a \$500,000 grant (HTF-16S-02) to the Kingsport Housing and Redevelopment Authority (“KHRA”) under the 2016 Spring Round of the Tennessee Housing Trust Fund (“THTF”) Competitive Grants Program. KHRA is using the funds to rehabilitate Charlemont Apartments, a historic building originally constructed in 1935 as a hospital and later used as private market rental housing for many years. The building is located in the historic district of downtown Kingsport and, upon completion, will include 15 apartments for extremely low income households when complete.

To date, KHRA has expended 80% of its grant award, completing the relocation of tenants and the demolition of the units. KHRA is currently undertaking structural work and has secured the remaining project financing, including an award of 2016 National Housing Trust Fund monies on April 3, 2018, and 4% tax credits secured on December 28, 2018.

The existing grant is set to expire on June 30, 2019. KHRA has requested a 6-month extension to allow for the completion of the remaining construction activity.

February 27, 2019

Don Watt
Director of Community Programs
Tennessee Housing Development Agency
502 Deaderick Street, 3rd Floor
Nashville, TN 37243

Dear Mr. Watt,
Kingsport Housing & Redevelopment Authority (KHRA) requests an extension of its Spring 2016 Tennessee Housing Trust Fund grant, set to end June 30, 2019. This grant was approved for the construction of 15 new units at Charlemont Apartments, a historic building dating back to 1935 and located in the historic district of downtown Kingsport.

When KHRA was asked by city officials in 2015 to acquire the property, it was in an extreme dilapidated condition, with extremely low-income tenants who were living in unsanitary conditions. KHRA purchased the building and relocated all the residents to safe, decent and affordable housing. After we were approved for the Tennessee Housing Trust Fund grant, we hired a contractor, who completed the interior demolition. Today, the building is boarded up and has severe structural issues that must be addressed before construction can begin on the interior units. The structural work is now being conducted. Therefore, I am certain that the new units will not be completed by June 30, 2019.

Moreover, Charlemont is part of KHRA's overall redevelopment project, and we didn't get our 4% tax credit financing until December 28, 2018. Charlemont has also been awarded a \$749,935 National Housing Trust Fund grant, which will be combined with tax credit financing to complete the Charlemont project.

Our developer has a target completion date for these units of December 31, 2019. Please consider this request for an extension of the grant to that time. Thank you for your consideration. If there is anything else we need to do, please let us know.

Sincerely,



Terry W. Cunningham
Executive Director



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: March 18, 2019
RE: Request for Approval of HOME Grant Extensions: Town of Benton (HM-1516-01); Bledsoe County (HM-1516-02); City of Bolivar (HM-1516-03); City of Cleveland (HM-1516-05); City of Oak Ridge (HM-1516-28); Rutherford County Area Habitat for Humanity (HM-14-20)

Recommendation

Staff recommends approval of each of the referenced HOME Grant extension requests to June 30, 2020 as further described below.

Background

The Town of Benton has requested an extension of the 2015-2016 HOME grant to December 30, 2020. This grant is currently set to expire on June 30, 2019. To date, the Town has expended \$80,362 of \$500,000 awarded. Seventeen eligible homeowners have been identified. Two units have been completed to date, with two additional rehabilitations under way. Work write-ups also are being prepared for three homes, and the community plans to complete four additional units by the close of the grant. The Town has noted issues with obtaining contractor bids as well as staff turnover at their grant administrator, the Southeast Tennessee Development District, which have impeded program implementation during the allotted grant period.

Bledsoe County has requested an extension of the 2015-2016 HOME grant to December 30, 2020. This grant is currently set to expire on June 30, 2019. To date, the County has expended \$101,963.50 of \$500,000 awarded. Eleven eligible homeowners have been identified. Three units have been completed to date. Work write-ups also are being prepared for three homes, and the community plans to complete four additional units by the close of the grant. The County has noted issues with obtaining contractor bids as well as staff turnover at their grant administrator, the Southeast Tennessee Development District, which have impeded program implementation during the allotted period.

The City of Bolivar has requested an extension of the 2015-2016 HOME grant to March 31, 2021. This grant is currently set to expire on June 30, 2019. To date, the City has not expended any funds of the \$321,000 awarded. Twenty eligible homeowners have been identified. Work write-ups have been prepared for two homes. The community plans to complete a total of seven units by the close of the grant. The City has noted issues with staff turnover at their grant administrator, the Southwest Tennessee Development District, as well as issues to identify an experienced Rehabilitation Coordinator that have impeded program implementation during the allotted period.

The City of Cleveland has requested an extension of the 2015-2016 HOME grant to June 30, 2020. This grant is currently set to expire on June 30, 2019. To date, the City has expended \$82,446 of the \$375,000 awarded. The City has identified 22 eligible homeowners. The City's program has completed work on two units to date, with one additional rehabilitation under way. Work write-ups also are being prepared for three homes. The City has noted issues with obtaining contractor bids, with only one firm certified to undertake lead paint hazard activities. The City has contracted with the Southeast Tennessee Development District to administer the program on the City's behalf.

The City of Oak Ridge has requested an extension of the 2015-2016 HOME grant to June 30, 2020. This grant is currently set to expire on June 30, 2019. To date, the City has not expended any funds of the \$500,000 awarded. Over the last year, the City noted that 100% of its planning staff has turned over. THDA staff have met with the City on three separate occasions to provide technical assistance to improve its grant administration. The City has now reached agreement with the Oak Ridge Housing Development Corporation to assist in program administration. Community Programs staff will be providing additional technical assistance to the city and the Corporation on March 27, 2019.

The Rutherford County Area Habitat for Humanity has requested an extension of the 2014 HOME grant to June 30, 2020. The grantee has already received a one-year extension as part of the blanket extension provided to all 2014 grantees. The 2014 grant is now set to expire on June 30, 2019. To date, the Rutherford County Area Habitat chapter has expended slightly over 50% of its \$400,000 grant award, providing down payment assistance to fourteen home buyers to date. Two additional home buyers will close prior to June 30, 2019. The Grantee has been slowed by a number of factors, including:

- Delays in securing a vendor to complete the required environmental review resulted in the inability to assist eight home buyers that had been expected to be assisted by the grant.
- An 8-acre parcel originally expected to be purchased was not, eliminating efficiencies in unit development as scattered site parcels were secured instead.
- The inability to combine THDA's HOME funds with New Start funds resulted in seven home buyers not being served by the grant as originally anticipated.

The chapter is breaking ground on a new 18-acre parcel, where 77 units will be constructed in total. In combination with scattered site lot development, this new parcel will provide sufficient sites for use of all but \$64,206.53 of the remaining grant funds by June 30, 2020. Staff will de-obligate these remaining funds for award under the 2019 HOME Program Description.

Town of Benton

P. O. Drawer J
Main Street
Benton, Tennessee 37307

3/6/2019

(615) 338-5733

To: Don Watt, Director of Community Programs
502 Deaderick St, Second Floor
Nashville, TN 37243

RE: Benton HOME Grant 2015-2016/ HM-1516-01
Request for Grant Extension

Twenty-four Benton HOME Grant Pre-Applications have been processed, with a priority list of 17 eligible homeowners:

- 0 Flood Plain
- 17 Eligible Units
- 7 Denials (1 over income)

The status for current projects/units is shown below:

Completed Projects: \$80,362.00

2 House Rehabs

Projects Underway: \$85,814.00

2 House Rehabs

Other Progress: \$3,300.00

3 Work write-ups ordered

As shown above, two homes have been rehabbed or reconstructed through this grant to date and another five additional homes are currently underway, for a total of \$169,476.00. This leaves a remaining rehab grant balance of \$300,524.00 and an admin balance of \$30,000.

Two additional homes have recently started construction and three other homes are undergoing inspection and lead-testing (if applicable). Once testing is complete, these three homes will go through the bid process and utilize a total of \$120,000 in construction costs. About \$180,000 of additional funds will be left in the grant to cover 4 more homes on the priority list. There are more homeowners on the priority list that cannot be covered in this grant, so it is in our best interest to assist as many as we possibly can.

Due to a low amount of bidding contractors and only one of those being lead certified, it has taken us more time than normal to get projects to the construction phase. We have been able to move more quickly by accepting a bid from only one contractor who is within or close to the 10% estimate. In the last year, the HOME projects have been under the direction of three different administrators, stalling the grant's progress. Therefore, we would like to request an extension of up to 18 months, bringing the completion date to 12/30/2020. This timeframe ensures that we can serve the maximum number of homeowners in the time allotted. Please contact me if you need any additional information.

Sincerely,



Jerry Stephens

Mayor, Town of Benton

(423) 338-5733

bentonrecorder@hotmail.com



Bledsoe County Courthouse
P.O. Box 149
Pikeville, TN 37367

Bledsoe County, Tennessee
Gregg Ridley, County Mayor

Phone: 423/447-6855
Fax: 423/447-7265
E-mail: bledsoemayor@bledsoe.net

3/6/2019

To: Don Watt, Director of Community Programs
502 Deaderick St, Second Floor
Nashville, TN 37243

RE: Bledsoe HOME Grant 2015-2016/ HM-1516-02
Request for Grant Extension

Twenty-seven Bledsoe HOME Grant Pre-Applications have been processed, with a priority list of 11 eligible homeowners:

- 0 Flood Plain
- 11 Eligible Units (1 serviced through ERP)
- 16 Denials (1 over income)

The status for current projects/units is shown below:

Completed Projects: \$101,953.50

3 House Rehabs

Other Progress: \$3,300.00

3 Work write-ups ordered

As shown above, three homes have been rehabbed or reconstructed through this grant to date and another three additional homes are in the work write-up phase, for a total of \$105,253.50. **This leaves a remaining rehab grant balance of \$364,746.50 and an admin balance of \$30,000.**

Once a work write-up is issued and lead-testing (if applicable) is complete, these three homes will go through the bid process and utilize a total of \$120,000 in construction costs. About \$244,746.50 of additional funds will be left in the grant to cover 4 more homes on the priority list. These remaining funds will assist all the eligible homeowners who applied for assistance, so it is in our best interest to assist as many as we possibly can.

Due to a low amount of bidding contractors and only one of those being lead certified, it has taken us more time than normal to get projects to the construction phase. We have been able to move more quickly by accepting a bid from only one contractor who is within or close to the 10% estimate. In the last year, the HOME projects have been under the direction of three different administrators, stalling the grant's progress. Therefore, we would like to request an extension of up to 18 months, bringing the completion date to 12/30/2020. This timeframe ensures that we can serve the maximum number of homeowners in the time allotted. Please contact me if you need any additional information.

Sincerely,

Gregg Ridley
Bledsoe County Mayor
(423) 447-6855
bledsoemayor@bledsoe.net

Julian A. McTizic, Sr.
MAYOR

Shelia Dellinger
CITY ADMINISTRATOR



City of Bolivar
211 North Washington
Bolivar, TN 38008

Council Members:

Tracy Byrum
Melvin Golden
Jonathan Joy
Todd Lowe
Larry McKinnie
Suzanne Rhea
Page Walley
Tommie Woods

March 7, 2019

Don Watts, Director of Community Programs
Tennessee Housing Development Agency
Andrew Jackson Building Thlrd Floor
502 Deaderick Street
Nashville, TN 37243

Subject: City of Bolivar 2016 HOME Grant – Request for Grant Period Extension

Dear Mr. Watts,

I am submitting this letter to request an extension for the City of Bolivar's HOME Grant end date. The City's 2016, grant expires June 30, 2019. Due to turnover in the staff at Southwest Tennessee Development District, which is working as the grant writer/administrator and the attempt to proceed with the grant without an experience Rehab Coordinator, the City's grant has only completed preliminary steps in the process and has yet to draw any funds.

- 31 applications were received in response to public meetings and notices
- 20 applicants were deemed eligible with thorough walk-throughs completed in all homes to complete the suggested THDA rating system
- 12 applicants' homes have been cleared through the environmental review process
- 4 homes have completed a second inspection/walk-through to prepare the HO-6A Work Write-Up
- 2 homes have completed HO-6A Work Write-Ups with one home requiring a lead based paint assessment (a quote has been received for LBP services)

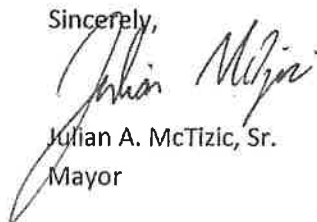
Because of the continued delays in grant administration and preparing work write-ups SWTDD has proposed to the City to procure services of a THDA approved Rehab Coordinator to review work

completed to date and to move forward with the bidding of the first four homes. It is the sincerest intention of the City and SWTDD to provide this much needed work to the homeowners who are waiting for assistance and who are in great need. If the Grants Committee and Board of Directors will approve our request for more time additional homes will be evaluated in the work write-up process to insure all grant funds are exhausted. Pending approval of the grant extension the following schedule for completion of the grant is being proposed:

March 2019	Procure Rehab Coordinator services through intergovernmental process
April 2019	Finalize work write-ups for first two homes and complete LBP assessment
June 2019	Conduct bidding for two homes pending approval from THDA; finalize work write-ups of 3 rd & 4 th homes pending Rehab Coordinator's schedule
July-August 2019	Award bids followed by contracts and start of construction
July-October 2019	Complete process for THDA approval and bidding of 3 rd & 4 th homes
November 2019	Completion of first two homes and all required inspections
December 2019	Bidding of 3 rd & 4 th homes
January-June 2020	Completion of 3 rd & 4 th homes from bid award through final inspections
April-June 2020	Complete work write-ups for 5 th , 6 th , & 7 th homes
July 2020-February 2021	Completion of 5 th , 6 th , & 7 th homes
March 2021	Final pay requests and grant closeout documentation

Thank you for your consideration and please let me know if you have any questions.

Sincerely,



Julian A. McTizic, Sr.
Mayor

cc: Bill Lords
CSmith, SWTDD

City of Cleveland

CLEVELAND, TENNESSEE

Office of the Mayor

Received

MAR 18 2019

Community Programs

Kevin Brooks
Mayor



Cleveland Municipal Building
190 Church Street, N.E.
P.O. Box 1519
(423) 476-8931
(423) 559-3364 Fax

March 15, 2019

Mr. Don Watt
Director of Community Programs
502 Deaderick Street, Second Floor
Nashville, TN 37243

RE: Cleveland HOME Grant 2015-2016/ HM-1516-05, Request for Grant Contract Extension

Dear Mr. Watt,

The City of Cleveland respectfully requests a 12-month extension on the above referenced project. The current contract expires 6/30/2019. Due to a low amount of bidding contractors, and only one of those being lead certified, it has taken more time than normal to advance projects to the construction phase. Extending the grant contract completion date to 6/30/2020 will allow the City of Cleveland the time needed to spend the funds and assist more citizens. Thirty Cleveland HOME Grant Pre-Applications have been processed, with a priority list of 22 eligible homeowners. Two houses have been completed and one house is under construction.

Completed Projects: \$82,402.00

2 House Rehabs

Projects Underway: \$44,422.00

1 House Rehab

The City of Cleveland has 3 houses in work write-up stage and has completed work totaling \$130,124. The remaining balance of the grant is \$222,376.

Thank you in advance for your patience and assistance. You may contact our administrator, Ms. Emmalyn Bradford, Housing Coordinator at Southeast Tennessee Development District at 423-355-8181 or em Bradford@sedev.org. You may also contact Ms. Cathy Andrews, Redevelopment Coordinator, City of Cleveland, for additional information. Ms. Andrews may be reached at 423.457.9562.

Sincerely,

Kevin Brooks
Mayor

CITY OF OAK RIDGE



Office of the Mayor
Telephone (865) 425-3432

POST OFFICE BOX 1 • OAK RIDGE, TENNESSEE 37831-0001

March 1, 2019

Mr. Don Watt
Director of Community Programs
Tennessee Housing Development Agency
502 Deaderick Street
Andrew Jackson Building; Second Floor
Nashville, TN 37243

RE: HOME Grant extension – City of Oak Ridge (#HM-1516-28)

Dear Mr. Watt:

The City of Oak Ridge is requesting a one year extension for our current HOME Grant (#HM-1516-28; Tracking #31620-00330) in order to complete work benefiting eligible Oak Ridge citizens.

During the last year, our department has had 100% turnover in planning staff, replacement of primary administrative support person assisting with grant administration, and extended medical leave for both of our two administrative positions. In light of this turnover, our staff has been unable to complete all necessary work to utilize the HOME grant funds.

We have recently reached agreement with the Oak Ridge Housing Development Corporation, to assist us in administration of the HOME grant funds, and are developing a work program to complete the eligible activities under the grant. Unfortunately, this promising agreement has come too late for the work to be completed by the existing June 30, 2019 deadline. If approved, the Development Corporation and Community Development staffs will receive THDA administrator training and begin work under the grant agreement.

As such, in light of staff stabilization and the agreement for administrative services via the Development Corporation, the City of Oak Ridge is requesting an extension of time on HOME grant (#HM-1516-28), until June 30, 2020, so that the work can be completed.

If you need additional information, please contact Wayne Blasius, Oak Ridge Community Development Director at 865-425-3531 or wblasius@oakridgetn.gov.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. L. Gooch", is written over the typed name of the Mayor.

Warren L. Gooch
Mayor



March 13, 2019

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

Re: Rutherford County Area Habitat for Humanity
Home Grant – Contract Number HM-14

Dear Don,

Please accept this request to extend our HOME Grant HM-14 from June 30, 2019 to June 30, 2020. Our request is not due to a lack of capacity as we have built 29 homes since our grant award, but we have experienced challenges at the start of our program that have prevented us from submitting those units. The challenges and impact on our grant are as follows:

- 1) We were delayed in obtaining our Environmental Review, due to lack of experience and trouble finding a willing vendor to assist us. This delay resulted in 8 units that were eligible, but that were not included in the grant. We were able to work with our local community development department to obtain the review in July of 2016.
- 2) We did not purchase the eight-acre property as planned. This forced us to continue to use scattered/single sites without the efficiency of building multiple homes at one time.
- 3) We have had homebuyers who were ineligible for the HOME program due to the use of other THDA programs. At the time of application, we expected to be able to use the New Start Program, but later learned that the combination of those funds was no longer allowed. We have 7 houses that were built that were ineligible due to this exclusion.

Despite these challenges, we have completed 14 units and sold them to qualified homebuyers (see attached). We have two additional houses being rehabbed to be sold to qualified homebuyers through 6/30/2019.

Moving forward, we have identified a new 18 acre-property, purchased it in July of 2018 and had it annexed into the City of Murfreesboro. Current site plans indicate that this property will allow us to build 77 new homes. We are prepared to break ground in the

Don Watt
March 13, 2019
Page Two

Spring of 2019 and to complete the infrastructure for Phase One by the end of the calendar year. Our plan is to build and sell the first five homes in the Spring of 2020.

Additional information regarding the projected homes to be built are also on the attached document.

We open our application process for homeownership in April of 2019. At that time, we will identify future homeowners that may be eligible to participate in the HOME grant. Eligible applicants would be submitted for the five homes to be built in the Spring of 2020.

If approved, we would continue to use the HOME program to provide much needed down payment assistance for our future homeowners. We would be able to use \$335,793.47 and would surrender \$64,206.53 of the original award to be disbursed to other projects during the currently application round.

Thank you for the opportunity to submit this request and for your consideration.

Sincerely,

Terri Shultz

Terri Shultz, Executive Director

HomeOwner**DownPayment Assistance Amount**

Hendricks	\$14,419.12
Reese	\$14,622.57
Martin, D	\$11,719.68
Richardson	\$14,999.00
Hazelwood	\$12,549.50
Russell, C	\$14,550.00
Benyamin	\$14,550.00
Martin, E	\$14,200.00
Hinton	\$14,550.00
Espy	\$14,200.00
Russell, D	\$14,994.76
Batey	\$14,200.00
Mayfield	\$14,200.00
Pettus	\$14,900.00
Custer	\$14,900.00
Harrell	\$14,200.00
Admin	<u>\$14,948.84</u>
Total at 6/30/2019	<u>\$242,703.47</u>

Balance at 6/30/2019**\$157,296.53**

Fall 2019	\$14,500.00
Spring 2020	\$14,500.00
Spring 2021	\$14,500.00
Spring 2022	\$14,500.00
Spring 2023	\$14,500.00
Spring 2024	\$14,500.00
Admin	<u>\$6,090.00</u>
Total at 6/30/2020	<u>\$93,090.00</u>

Balance at 6/30/2020**\$ 64,206.53**



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Ralph M. Perrey, Executive Director and
Don Watt, Director, Community Programs Division

DATE: March 18, 2019

RE: 2019 Building Trades Demonstration Program

Recommendation:

Staff recommends the allocation of up to \$450,000 from the Tennessee Housing Trust Fund to provide support for a demonstration project supporting vocational training in the building trades in Shelby County. Funding would come from the Tennessee Housing Trust Fund, drawing on funding allocated to, but unused by, the Rebuild and Recover Program. THDA support for the demonstration project would be in the form of a one-time grant to The Tennessee Builders Education Foundation.

THDA's interest in supporting this initiative stems from its statutory charge to support the homebuilding industry in Tennessee. While it is beyond THDA's mission to provide on-going operational support for such a program and beyond THDA's financial capability to support such projects statewide, staff sees value in assisting with the start-up costs of a demonstration project which, if successful, may be the model for a broader vocational training program funded by the state through its education budget.

Background:

The April 2018 report of the Go Build Tennessee program notes that all across the state, the construction industry is struggling to meet demand. As the skilled construction labor force ages, with fewer younger workers entering into these trades, the national labor shortage within the construction industry as reported in the *Wall Street Journal* is in excess of one million.

The Go Build Tennessee program noted in its April 2018 report that:

Interest in the pursuit of these occupations has been on a steady decline due to continued misperceptions about the wages, opportunities and career pathways – and further compounded by the elimination of construction-related vocational programs with the push of four-year degrees and worsened by the exodus of workers and economic impact of the Great Recession of the late 2000's and recent natural disasters across the country. As a result, young people seldom even consider these occupations and parents and counselors have become equally reluctant to discuss these career paths as well.

These findings are supported by THDA's own program partners involved in homeowner rehabilitation, repair, and weatherization programs. These partners regularly struggle to find qualified and experienced contractors to perform the work required to provide the improvements necessary to assist low and moderate income families with essential home improvements to enhance the household's housing stability.

Demonstration Program Structure:

The demonstration project, developed by the Tennessee Builders Education Foundation in partnership with The Homebuilders Institute, a 501 [c] [3] entity founded by the National Association of Home Builders, proposes to offer vocational training in the building trades in Shelby County Schools. The project has been endorsed by the Shelby County Schools system and the program curriculum has been approved by the state Department of Education's Curriculum Review panel. A full description of the program's objectives, organization, and budget are attached.

Funding:

THDA Staff is proposing to reallocate funding for this demonstration program from the existing \$1,045,583 in Tennessee Housing Trust Funds monies currently available from unobligated past allocations made to the Rebuild and Recover Program.

A Proposal to the Tennessee Housing Development Agency

Prepared by

The Tennessee Builders Education Foundation

Overview:

The Tennessee Builders Education Foundation (TBEF) is an IRS registered 501 [c] [3] Foundation originally created by the Memphis Area Home Builders Association in 2008, then re-registered by West Tennessee Home Builders Association in June of 2017. The leadership of the Foundation is comprised of nine Past Presidents of the West Tennessee Home Builders Association and eight Shelby County community leaders all of whom share the view that many of the County's ails can be solved by providing skills training leading to good paying jobs.

The Home Builders Institute (HBI) headquartered in Washington D.C., also a 501 [c] [3] organization, founded by the National Association of Home Builders (NAHB) more than 50 years ago. HBI licenses the Pre-Apprenticeship Certificate Training (PACT) curriculum which was originally developed by subject matter experts and professional tradespeople. Today it is now widely used throughout the country – currently there are approximately 275 programs that provide instruction for over 13,000 students in 46 states. The curriculum is being used by schools in 17 states.

Though the curriculum is not currently used in schools in Tennessee, it is used by a number of nonprofits in the state to provide trades instruction.

HBI is the largest trades training provider in the U.S. Dept. of Labor's Job Corps program, and are the recipient of a \$50 million grant from the Home Depot Foundation to train transitioning military on bases across the country including Fort Campbell in Tennessee.

The following is a proposal to address the critical shortage of skilled craftsmen in the building industry by introducing residential Construction Career Technical Education (CTE) curriculum into the high schools across Tennessee.

Objective:

The TBEF proposes a three-year project to demonstrate the viability of using the Pre-Apprenticeship Certificate Training (PACT) curriculum developed by HBI to prepare students throughout Tennessee for careers in the building industry. The demonstration project will be conducted in the Shelby County area high schools, with the intent to take the program state wide in year 3.

Additionally the Foundation will work with a variety of community groups to train underserved youth aged 18 to 25 in Shelby County.

The Need:

Unfilled construction jobs across the U.S. are at an all-time high. Table 1 shows that there were 317,000 construction job openings across the U.S. at the end of December 2018. Estimates for the State of Tennessee are that nearly 9,500 construction jobs are unfilled, with 1,900 of those attributable to Shelby County.

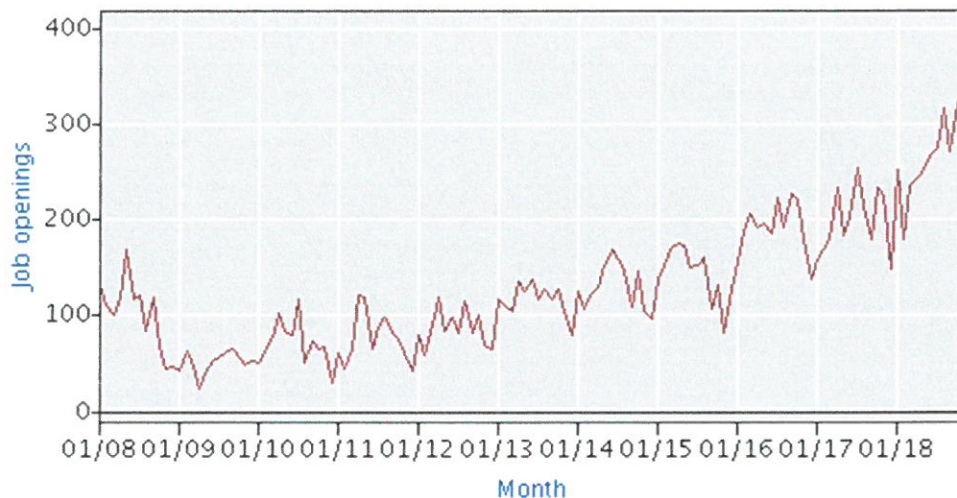


Table 1 – Unfilled Construction Jobs (Courtesy of Department of Labor, BLS)

At the same time, the recovering and growing economy has greatly increased the need for skilled workers across the employment spectrum. The shortage is especially acute in the home building industry. The growing demand for housing combined with the shortage of a skilled labor force are resulting in a significant increase in the price of new homes which in turn negatively impacts affordability.

Unless we act now, the situation is only going to get worse. HBI research shows that the average plumber working today is 58 years old. Similar statistics apply to most trades, especially HVAC technicians, carpenters and electricians. As these artisan contractors approach retirement there will not be sufficient numbers of well trained workers to make up the shortfall. Pressure on housing affordability will only mount.

The Stakeholders:

The stakeholders involved in such an undertaking are many and varied. Figure 1 provides an overview. At its center are the students. Surrounding the students are those who will be directly in contact with the students: their families; their schools; and the TBEF.

The next ring includes those groups which will directly affect the students and the project: potential funders; future employers; government and regulatory agencies; and the larger academic community. The principal components of these groups are shown in the outer ring. Potential funders fall into four different groups from the Federal government to private individuals. Sustainability Section describes a variety of potential funding organizations and the means by which they can contribute.

Future employers include thousands of firms within the home building industry, including but not limited to concrete, framing, masonry, lumber, plumbing, electrical , HVAC, sheetrock, painting , roofing and cable and telephone companies, etc.

The government and regulatory area includes the Federal government, state governments, and county and municipal governments. Academia includes state education departments, school districts, individual schools, and their teachers, counselors and administrators.

Figure 1 – Stakeholders

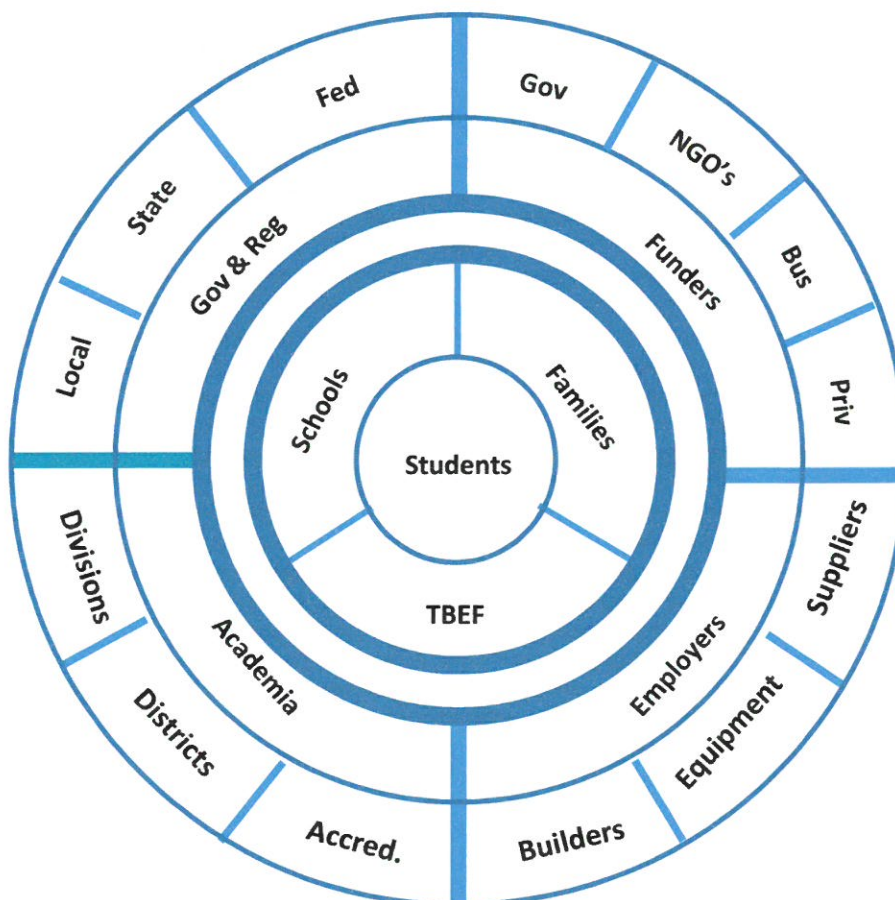


Table 2 Budgets

	year 1	year 2	year 3
Fixed Administration Costs			
Program Administion Salaries	\$156,000.00	\$160,000	\$200,000
Program Administion Benefits	\$18,720.00	\$19,200	\$24,000
Total Program Administrator Compensation	\$174,720.00	\$179,200	\$224,000
Program Administration travel	\$10,000.00	\$10,000	\$10,000
Insurance and legal	\$100,000.00	\$75,000	\$75,000
Start-up consulting fees	\$25,000.00		
IT costs - All in	\$15,000.00	\$15,000	\$15,000
Office occupancy & furniture	\$20,000.00	\$20,000	\$20,000
Meeting expenses	\$3,000.00	\$3,000.00	\$3,000.00
Total Fixed Admin Costs	\$347,720	\$302,200	\$347,000
Flexible Costs			
Number of schools	4	6	20
Number of instructors	4	6	20
Number of students	60	90	300
Instructor Contribution	\$40,000	\$60,000	\$200,000
Student and Councillor Marketing	\$15,000	\$17,500	\$25,000
Technical Assistance	\$12,500	\$10,000	\$15,000
Outfitting & Preparation	\$40,000	\$40,000	\$560,000
Ongoing Supplies/Materials	\$20,000	\$20,000	\$100,000
Student Workbooks	\$1,000	\$1,000	\$5,000
Licensing	\$19,000	\$23,000	\$117,000
Certifications	\$4,500	\$6,750	\$18,500
OSHA Certifications	\$3,500	\$5,000	\$20,000
Graduation Kits			\$20,000
Graduation Ceremony			\$25,000
Industry Engagement/Placement	\$7,500	\$7,500	\$12,500
Community Outreach / Marketing	\$100,000	\$100,000	\$100,000
Total Annual Delivery Costs	\$263,000	\$290,750	\$1,218,000
Total Fixed Admin Costs (from above)	\$347,720	\$302,200	\$347,000
Total Fixed & Flexible Costs	\$610,720	\$592,950	\$1,565,000

The costs for the 3-year demonstration program and the initial implementation year are shown in Table 2. Total project cost will depend on the number of classrooms that can be established. The initial goal is for at least 20 classrooms by the start of year 3. Costs are shown in four general areas: (1) instructor-related costs such as teacher training; (2) student-related costs such as textbooks, certificates, etc.; (3) construction materials and supplies; and (4) program administration, including the cost of curriculum licensing, legal and insurance, marketing and promotion.

Sustainability:

Given the variety of potential funding sources shown in Table 1, there are a number of different ways in which the program can be funded on a long-term/permanent basis. Among them are:

1. Shelby County could emulate those in the El Paso County, CO area and impose a small surcharge on all permits issued in the county. For example, the County added a surcharge \$15 to the cost for a new home building permit;
2. Several similar programs have used the proceeds from the sale of homes constructed by their students to fund their program. TBEF members experience with the Habitat for Humanity Project demonstrate the viability of this approach.
3. Other programs have reached out to local organizations like the Community Foundation of Greater Memphis. The Foundation is a family of smaller organizations located in each local jurisdiction in the metropolitan area. Their focus areas are economic development, affordable housing and education. A group such as the Collierville Community Foundation is an example of a group that could fund a teacher stipend in their local high school;
4. There are also a number of federal organizations developed to helping fund this kind of program. The largest of these is the Perkins Collaborative Resource Network which is a US Department of Labor program funded by Congressional appropriations. HUD and the Department of Commerce have similar programs;
5. Obviously, the schools involved with the program would be expected to help support the program. Historically, the school systems funded the total cost of the CTE courses in their curricula. Once the effectiveness of the PACT has been demonstrated, school districts can be expected to include , at least, part of the costs of the program in their annual budgets;
6. Given their need for skilled workers, it is not unreasonable to assume that many firms associated with the building industry would be willing to support a program which insures a steady supply of skilled workers; and

7. Finally, since the TBEF is a registered IRS Code 501 [c] [3] non-profit, private individuals can be expected to participate. Individuals could also contribute through programs like the one conducted by the Kroger Company. Kroger allows their customers to designate non-profit organizations which would then be eligible to receive funds from Kroger based on the amounts of their customers' purchases.

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING CERTAIN STAFF TO PROVIDE
FUND TRANSFER INSTRUCTIONS TO FREDDIE MAC
March 26, 2019

WHEREAS, the Tennessee Housing Development Agency (“THDA”) Board of Directors (“Board”) previously approved an application to the Federal Home Loan Mortgage Corporation (“Freddie Mac”) for THDA to become a Freddie Mac Seller/Servicer; and

WHEREAS, in connection with Freddie Mac’s approval of THDA as a Freddie Mac Seller/Servicer, Freddie Mac requires certain authorizations for THDA staff to provide funds transfer instructions in connection with the sale of certain mortgage loans to Freddie Mac; and

WHEREAS, the Board is adopting the following resolution (“Resolution”) to delegate authority to certain THDA employees who have the titles specified in this Resolution to provide wire transfer or Automated Clearing House (ACH) instructions (or modifications to previously provided instructions) to Freddie Mac to transfer funds (cash or securities) in connection with the sale of certain mortgage loans to Freddie Mac by THDA.

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

1. The individuals who occupy the following positions and bear the titles set forth below (“Authorized Employees”), are duly authorized and empowered by the Board to individually and singularly provide Freddie Mac with wire transfer or ACH instructions to transfer funds (cash or securities) by wire transfer, ACH or other funds transfer system expressly approved and designated by Freddie Mac in connection with the sale of certain mortgage loans to Freddie Mac by THDA.

Authorized Employees:

Executive Director
Chief Financial Officer
Controller/Director of Accounting
Chief Operating Officer of Single Family Programs
Director of Single Family Loan Operations
Director of Mortgage Administration

2. The Authorized Employees are duly authorized individually and singularly to: (a) execute any and all paper Records and/or Electronic Records required by Freddie Mac to effectuate the authority set forth in this Resolution by: (i) affixing their original written signatures to paper Records, (ii) attaching their Electronic Signatures to Electronic Records, or (iii) associating their Electronic Signatures with Electronic Records, which contain or communicate wire transfer or ACH instructions (or modify previously provided instructions) to transfer funds (cash and/or securities) by wire transfer, ACH or other funds transfer system expressly approved by and designated by Freddie Mac, and (b) deliver any and all executed paper Records and/or Electronic Records to Freddie Mac as required.
3. The Authorized Employees are duly authorized and empowered to singularly and individually engage in and conduct Electronic Transactions with Freddie Mac and use electronic means, electronic systems, Electronic Records and Electronic Signatures on behalf of THDA to effectuate the authority set forth in this Resolution. Any such actions set forth above heretofore taken by any of the Authorized Employees on behalf of THDA are hereby ratified, approved, and confirmed.
4. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Freddie Mac Seller/Servicer Guide, as the context indicates.
5. This Resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the Board at its meeting on March 26, 2019.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

DATE: March 18, 2019

TO: Board of Directors Lending Committee

FROM: Lindsay Hall, Chief Operating Officer of Single Family Programs

SUBJECT: Proposed Change to New Start Mortgage Loan Program in Middle TN Markets

The staff recommendation is to allow the sales price limits for New Start Mortgage Loans to be adjusted to \$190,000, with a maximum New Start Mortgage Loan amount of \$123,750 in the middle Tennessee counties of Maury, Williamson, Davidson, Rutherford Wilson and Sumner. This change addresses the significant home price increases in the greater Nashville region while limiting THDA's exposure in New Start loans in that region

The New Start Loan Program funds the purchase of first mortgage loans from participating non-profit housing agencies serving low-income households. The New Start Mortgage Loan is an uninsured 30 year, 0% fixed rate loan for the purchase of a newly constructed home. The New Start Mortgage Loan is the first lien with a maximum loan to value of 75% of the purchase price. The participating non-profit agency secures funding for any subordinate financing to meet the borrower's needs and complete the purchase.

This change in purchase price limit allows the participating non-profit agency to maintain sales prices at the current market value of these homes; therefore not forgoing any equity to be earned on the sale of the property. In addition, based on the maximum loan limit of \$123,750, the increase in sales price limits should decrease the loan to value below 75%, thus further limiting the financial risk to THDA.

The New Start Loan Program has been a viable program that assists low-income families obtain affordable homes. With the increase in building and development costs, this change will allow non-profit housing agencies to continue to cover their costs while meeting the needs of low-income homebuyers in the challenging middle Tennessee market.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

DATE: March 18, 2019

TO: Board of Directors Lending Committee

FROM: Cynthia Peraza, Director of Special Programs

SUBJECT: Hardest Hit Fund Modifications

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. Based on the last analysis performed, staff is recommending to allocate \$5,000,000 of the Blight Elimination Program (BEP) funds to the HHF Down Payment Assistance Program (HHF-DPA).

As of March 15, 2019, THDA disbursed approximated \$67.3 million in HHF-DPA loans which provided almost 4,500 homeowners with HHF-DPA and generated over \$500 million dollars in first mortgage loan production. The proposed reallocation will help further stabilize distressed neighborhoods across the state. As THDA continues to administer the HHF-DPA, it is expected that less and less ZIP Codes will meet the distress levels of the program, which is the goal of the HHF-DPA. In the last year, 13 ZIP Codes were deemed ineligible for the HHF-DPA because of the level of improvement those neighborhoods experienced. THDA is expecting more ZIP Codes to show signs of improvement this quarter.

The staff recommendation is to (1) move \$5,000,000 of BEP funds to the HHF-DPA; (2) modify, if necessary, the ZIP Codes within which HHF down payment assistance may be offered; and (3) authorize staff to make changes as U.S. Treasury may require. All recommendations are subject to U.S. Treasury approval. Any change to the approved list of ZIP Codes will go into effect July 1, 2019.



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: TN19-206 Buffalo Trail
Request for Waiver of Per Development Cap for Noncompetitive Low-Income Housing Credits

DATE: March 18, 2019

Developments applying for Multifamily Tax-Exempt Bond Authority ("MTBA") under the MTBA Program Description for 2019 may be eligible for an allocation of Noncompetitive Low-Income Housing Credits ("NLIHC"). THDA's 2019-2020 Low-Income Housing Tax Credit Qualified Allocation Plan ("2019-2020 QAP") limits the amount of annual NLIHC allocated to an eligible development to \$1.3 million. NLIHC does not count against THDA's annual allocation of Competitive Low-Income Housing Credits ("CLIHC"). THDA routinely entertains requests for approval of waivers to the per development NLIHC caps based on development specific circumstances.

Chris Dischinger, of Buffalo Trail, LP is requesting a waiver to increase the annual amount of NLIHC for TN19-206 Buffalo Trail to \$1.5 million. Buffalo Trail is a new construction development providing 240 low-income units in Davidson County. The request for an increase in NLIHC is primarily due to increases in construction costs and is further explained in the attached letter.

Staff recommends that the Tax Credit Committee and the Board of Directors authorize staff to allocate up to, but not more than, \$1.5 million of annual NLIHC to the proposed development, subject to the following conditions:

- 1. Applicant must confirm that the proposed development remains viable with regard to property control and ability to proceed. Confirmation must be acceptable to THDA, in its sole discretion; and**
- 2. Confirmation must be received no later than April 2, 2019.**

Chris Dischinger
Buffalo Trail, LP
LDG Development, LLC
1469 S 4th Street
Louisville, KY 40208



January 18th, 2019

Mr. Ed Yandell
Senior Housing Credit Advisor &
Board of Directors
Tennessee Housing Development Agency
502 Deadrick St, 3rd Floor
Nashville, TN 37243

Re: BUFFALO TRAIL TAX CREDIT CAP WAIVER REQUEST

Dear Mr. Yandell & Board of Directors:

We are respectfully requesting a waiver of the cap on the number of LIHTCs allocated to the project. The 2019 THDA QAP and Multifamily Tax-Exempt Bond Authority Program Description provides that the maximum amount of LIHTC allocated to a development shall not exceed \$1,300,000. In underwriting our proposed 240-unit new construction development, the eligible basis allows for annual tax credits up to \$1,500,000. The financial feasibility of the 240 units requires an amount of tax credits that exceed the QAP/Bond Program Description maximum.

We originally applied for 4% LIHTCs and Tax-Exempt Bonds in March 2018. The development was in a position to close in 2018, but 2018 Tax Exempt Bonds were no longer available. Since our March 2018 application, our construction costs have risen significantly to require additional LIHTCs above the QAP/TEBPD limit. The rise in construction costs, seen across our portfolio of new construction affordable developments in other states as well, necessitates the request for waiver on the cap of LIHTCs. We are not able to address the situation any other way, such as by reducing the number of units because such reduction would result in lower permanent financing – only worsening the problem. Likewise, we are not able to borrow more money to mitigate the gap that would be caused by limiting the LIHTCs to the amount provided in the QAP.

We also are respectfully requesting the waiver on the cap of LIHTCs to be included on the agenda for THDA Tax Credit Committee/Board approval in January 2019. With the delay in closing on the development in order to receive 2019 Tax Exempt Bonds, we are operating under a very short time frame to close on the land and financing. Our contract to purchase the land expires on March 31st, 2019. Getting approval for the waiver at the March Board Meeting would not allow sufficient time to close on the land and financing prior to March 31st.

If you have any questions or need any additional information, please let me know. Thank you in advance for your continued assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read 'CD', with a large circular flourish at the end.

Chris Dischinger
Managing Member
Buffalo Trail, LP
LDG Development, LLC

CC: Dwayne Barrett – Reno & Cavanaugh PLLC