



**Tennessee Housing Development
Agency - Board of Directors
Meeting Materials
May 22, 2018**



Tab 1 – Agenda

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

**Tab 3 – Meeting Minutes from
March 27, 2018**

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

**Tab 5 – Grants Committee
Meeting Materials**

**Tab 6 – Lending Committee
Meeting Materials**

**Tab 7 – Rental Assistance
Committee Meeting
Materials**

**Tab 8 – Tax Credit Committee
Committee Meeting
Materials**

Tab # 1

Items:

Agenda

All meetings will be held in The Nashville Room

AGENDA (Tab #1)

Public Comment to the Board

Brown, Perrey, Board Members

- A. Opening Comments and Introductions Brown**
- B. Staff Recognition (Directors) (Tab #2) Perrey**
- C. Approval of Minutes from March 27, 2018, Meeting (Tab #3)) Brown**
- D. Executive Director's Report (Tab #2) Perrey**
- E. Committee Reports and Committee Matters**
 - 1. Bond Finance Committee (Monday, May 21—2:00 p.m. State Capitol Room G-3) (Tab # 4)..... Brown**
 - * a. Issue 2018-3 Authorization Miller
 - * b. Issue 2018-3 Reimbursement Resolution Miller
 - * c. Issue 2018-1 State Form CT-0253 Miller
 - * d. Fiscal Year 2018-2019 Schedule of Financing..... Miller
 - 2. Grants Committee (Tuesday, May 22—10:00 am CT) (Tab #5) van Vuuren**
 - * a. 2019 Emergency Repair Program Description Watt
 - * b. 2018 HOME CHDO Mini-Round Program Description Watt
 - * c. 2016 and 2017 HOME Program Description Modifications Watt
 - d. Update on 2018 HOME Program Awards Watt
 - 3. Lending Committee (Tuesday, May 22—10:15 am CT) (Tab #6) Cleaves**
 - * a. Freddie / Fannie Applications Hall
 - 4. Rental Assistance Committee (Tuesday, May 22—10:30 am CT) (Tab #7) Snodderly**
 - * a. Mainstream Vouchers Ridley
 - b. Administrative Plan (verbal update) Ridley
 - 5. Tax Credit Committee (Tuesday, May 22—10:45 am CT) (Tab #8) Tully**
 - * a. Request for Relief for 2018 Competitive Low-Income Housing Credit Applicants Duarte
 - b. Changes from the Consolidated Appropriations Act of 2018 Duarte
 - c. Update on 2018 Multifamily Tax-Exempt Bond Authority Duarte
 - d. Update on 2019-2020 Qualified Allocation Plan Program Duarte

* Indicates Board Action Required

? Indicates Discussion Which Might Result In Board Action

Tab # 2

Items:

Memo from Ralph M. Perrey, Executive Director
Service Award Recipients
Quarterly Board Report – 1st Quarter



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors
FROM: Ralph M. Perrey, Executive Director
DATE: May 10, 2018
SUBJ: THDA Board of Directors Meeting

THDA Board Members –

We look forward to seeing you in Nashville for our next meeting on May 22. We will be providing further updates on the strong start to THDA's business year, as well as updates on Volunteer Mortgage Loan Servicing. We will also brief you on the second module of our PIMS system (Program Information Management System), which simplifies the application process for non-profits participating in THDA programs while also making it easier for our staff to monitor performance across several divisions. We will also give you a behind-the-scenes look at the work of THDA's often unsung Operations Division.

Several items of note await your review and action.

- We will ask your authorization for Issue 2018-3 and the accompanying Reimbursement Resolution, both of which are detailed behind the Bond Finance Committee tab. We also offer you the proposed Schedule of Financing for 2018-19. Please note that Bond Finance will meet Monday afternoon, May 21, at 2pm.
- Tax Credit Committee will hear any appeals from applicants for the 2018 Round of Low Income Housing Tax Credits, followed by committee discussion on final decision items for the 2019 Qualified Allocation Plan (QAP). Materials for both may be found behind the Tax Credit Committee tab.
- We will ask your approval for our formal application to become seller/servicers for Freddie Mac and Fannie Mae. These will enable THDA to be able to offer conventional loans through our lenders, sell those loans into the secondary market, and earn income from servicing them. Details are behind the Lending Committee tab.

THDA Board of Directors

May 10, 2018

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- Grants Committee will be asked to review and approve revisions to the Emergency Repair Program, which we believe will make it easier for us to put those funds to work in rural areas where incomes tend to be lower. We also offer some proposed changes to the HOME Program Award Rounds. More detail on these may be found behind the Grants Committee tab.

Please let me know if you have questions about any of the material in your board packet, and let Cindy Ripley know if you need assistance with your travel logistics.

Sincerely,

A handwritten signature in blue ink, appearing to be "R. M. P.", with a long horizontal line extending from the end of the signature.

Celebrating Years of Service

5 Years

Milton D. Hicks

*Sr. Housing Program Coordinator-
Construction*

Community Programs

THDA Hire Date: January 1, 2016

State Hire: December 29, 2003

10 Years

LeAnn Blankman

Accounting Manager

Accounting

THDA Hire Date: June 16, 2008

15 Years

Foinette Shaw

Housing Programs Manager

Community Programs

THDA Hire Date: June 30, 2005

State Hire: July 1, 1990

25 Years

Judy Davis

Rental Assistance Manager

Section 8 Rental Assistance

THDA Hire Date: May 3, 1993

THDA QUARTERLY BOARD REPORT

January I, 2018 – March 31, 2018

Summary of Quarterly Activities

Finances and Resources

Available Volume Cap (March 31, 2018)		\$1,400,000,000
Bonds Outstanding (March 31, 2018)		\$1,985,465,000
	<i>2017</i>	<i>2016</i>
Operating Income (6 Months ended December 31, 2017)	\$12,639,000	\$9,101,000
Net Assets (6 Months ended December 31, 2017)	\$519,564,000	\$514,763,000

Homeownership Activities

	<i>Number</i>	<i>Value</i>
Loans Committed During Quarter	793	\$104,791,360
Loans Funded During Quarter	745	\$95,367,722
	<i>Q1, 2018</i>	<i>Q1, 2017</i>
Loans Active	23,670	23,037
Value of Loans (in millions)	\$2,020	\$1,893
Loans Paid Off during Quarter	334	487
Loans 60-days Delinquent	1.59%	1.42%
Loans 90-days Delinquent	5.80%	6.20%
Loans in Foreclosure	0.37%	0.89%
	<i>Q1, 2018</i>	<i>Total Served</i>
Foreclosure Counseling (AG)	173	17,823

Section 8 Housing Choice Voucher Program

Rental Vouchers	5,978
Homeownership Vouchers	44
Total HAP Payments	\$8,764,785.92

Project Based Section 8

Properties	380
Units	28,679
Total HAP Payments	\$45,562,734.69

Multifamily Tax Exempt Bond Authority

2018 Applications		
Bond Authority:	\$346,000,000	
	Applications	Bond Authority
Firm Bond Authority Requested	23	\$233,500,000
Conditional Authority Requested	6	\$91,789,000
Committed	0	\$0
Closed	1	\$5,300,000

Low Income Housing Tax Credit Program

2018 Applications		
<i>Noncompetitive (4%)</i>		
	Applications	Credits (\$)
Received/Requested	29	\$20,862,690
Allocated	1	\$229,683
<i>Competitive (9%)</i>		
	Applications	Credits (\$)
Received/Requested	49	\$44,122,603
Allocated	0	\$0

Developments Under Construction

	Properties	Units
Noncompetitive LIHTC	33	5,230
Competitive LIHTC	33	5,639

Placed in Service/Compliance

As of 12/31/17		
Properties	593	
Units	50,573	

THDA QUARTERLY BOARD REPORT

January 1, 2018 – March 31, 2018

Summary of Grant Programs

<u>Program</u>	<u>Funds Awarded /</u> <u>Allocated</u>	<u>Paid this Quarter</u>	<u>Paid to Date</u>	<u>Awarded Funds</u> <u>Remaining</u>	<u>Unallocated</u> <u>Program \$</u>	<u>Percent Expended</u>
<i>Housing Trust Fund (active grants)</i>						
Home Modification and Ramps	\$600,000	\$21,369	\$336,584	\$263,416		56%
Emergency Repair	\$5,400,000	\$765,411	\$3,049,523	\$2,350,477		56%
Competitive Grants	\$18,278,202	\$1,325,025	\$11,506,569	\$6,771,633		63%
Habitat for Humanity	\$1,000,000	\$233,324	\$750,010	\$249,990		75%
<i>HOME</i>						
2017	\$10,890,000	\$122,513	\$236,789	\$10,653,211		2%
2016	\$7,328,292	\$388,283	\$1,097,155	\$6,231,137		15%
2015	\$8,671,000	\$444,661	\$1,606,080	\$7,064,920		19%
2014	\$9,874,036	\$406,124	\$3,973,031	\$5,901,005		40%
2012 & 2013	\$16,506,409	\$286,859	\$11,988,669	\$4,517,740		73%
<i>Emergency Solutions Grant</i>	\$7,380,038	\$749,260	\$5,456,914	\$1,923,124		74%
<i>Weatherization</i>	\$14,638,681	\$591,412	\$7,755,140	\$6,883,542		53%
LIHEAP Set-Aside	\$8,523,721	\$386,491	\$4,340,212	\$4,183,509		51%
<i>LIHEAP (excluding Weatherization Set-Aside)</i>	\$103,777,153	\$14,139,370	\$74,036,829	\$29,740,324		71%
<i>Treasury/Recovery Programs</i>						
Appalachian Renovation Loan Program	\$129,403	\$0	\$129,403		\$1,370,598	9%
Blight Elimination Program	\$385,078	\$111,697	\$385,078		\$9,614,922	4%
Principal Reduction Program	\$77,687	\$77,687	\$77,687		\$10,622,313	1%
Reinstatement Only Program	\$59,262	\$44,612	\$59,262		\$5,640,739	1%
Downpayment Assistance	\$31,995,000	\$6,885,000	\$28,995,000		\$28,005,000	48%
Keep My TN Home (HHF)	\$185,764,431	\$895	\$182,783,691	\$2,980,740		98%
Keep My TN Home (Medical Hardship Program)	\$22,631,287	\$55,213	\$21,660,788	\$970,499		96%

Notes:

Finances and Resources

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

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

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

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

Multifamily Programs

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

Homeownership Activities

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

Summary of Grant Programs

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

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

Principle Reduction Program: The previous quarterly report stated that the PRP had \$14,650 expended during Q4 2017. This was an error; the \$14,650 Q4 expenditure was actually from the Reinstatement Only Program. The above Summary of Grant Programs reflects the corrected total.

Downpayment Assistance: During Q1 of 2018, THDA committed \$6,960,000 in downpayment assistance, but as of March 31, had funded \$6,885,000 of loans.

Keep My Tennessee Home (HHF): Administrative funds are deducted from the funds award and not included in the report. THDA approved the last borrower for the Keep My Tennessee Home Program in November 2014, but continued disbursing funds on behalf of the borrowers approved previously. Disbursed dollar amounts show the payments that were made during the current quarter. The numbers shown in the Q1 2018 report reflect THDA's 100% allocation and commitment of KMTH funds at the current HHF Participation Cap of \$185,764,430.93, as well as to-date expenditures.

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

Tab # 3

Items:

Board Meeting Minutes from March 27, 2018

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
March 27, 2018

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the “Board”) met in regular session on Tuesday, March 27, 2018, at 1:00 p.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

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

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

Shana Mills	Human Resources	5 years
Jack Thomas	S8 Contract Admin	5 years
Tasheka Verser	Rental Assistance	15 years
Julie Burnette	Internal Audit	15 years

Chair Brown, seeing a quorum present, 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 minutes from the November 14, 2017 and January 24, 2018, meetings. Upon motion by Ms. Cleaves, second by Ms. Hubbard, both sets of minutes were approved.

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

- As of March 26, 2018, loan applications for the month of March topped \$39.1 million compared to \$34.8 million for the entire month of March, 2017. Year to date production is approximately \$103 million compared to \$68 million for the first quarter of 2017.
- A Welcome package, given to Volunteer Mortgage Loan Service (VMLS) customers, was shared with Board Members. The delinquency rate for loans VMLS is servicing is 5.9%, about 3 percentage points lower than the overall delinquency rate.
- Forty-nine lenders are now delivering servicing on new closed loans directly to VMLS. Staff expects that by June 1, 2018, all servicing on new closed loans will be coming directly to VMLS. The transition of servicing for existing loans from US Bank to VMLS is continuing and the expectation is that VMLS will be servicing the entire THDA loan portfolio by the end of the summer.
- Nicole Lucas, Director of Information Technology, reported on the steps THDA takes to protect the IT system and the private information in THDA’s possession. She described the annual penetration test for THDA’s system and noted that the hacker THDA hired was unable to get into THDA’s system. She indicated that all THDA staff would attend a two-hour mandatory training to augment the THDA’s preventative measures.

- Jeremy Heidt, Director of Industry and Government Affairs, presented an overview of the Federal budget and of the impact on areas involving THDA programs.
- Lorrie Shearon, Chief Strategy Officer, was recognized for work with the National Housing Conference.
- THDA's budget expansion request passed House and Senate Committees without objection.

Chair Brown introduced the newest THDA Board member, Mary Mac Wilson. Ms. Brown noted that Ms. Wilson is from the Knoxville area, is currently the Chief Operating Office of The Diocese of Knoxville and has a background in lending.

Chair Brown stated the Bond Finance Committee met on Monday, March 26th and recognized Lynn Miller, THDA Chief Legal Counsel, to present the Bond Finance Committee report. Ms. Miller referenced Board materials regarding authorization of Issue 2018-2 and a reimbursement resolution for Issue 2018-2. She noted that the \$99,900,000 Issue 2018-1 closing will be on March 29, however, over \$81 million has been committed against Issue 2018-1 proceeds and over \$50 million will be reimbursed from these proceeds at closing for loans already purchased. Ms. Miller explained that, given the status of Issue 2018-1, the Bond Finance Committee approved a Plan of Financing for Issue 2018-2 in an aggregate principal amount not to exceed \$175 million and recommended that the Board approve the following:

- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2018-2 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2018-2 bonds (the "Authorizing Resolution");
- the form of Series Resolution for Issue 2018-2; and,
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2018-2 in an amount not to exceed \$60 million (the "Reimbursement Resolution").

Upon motion by Chair Brown, second by Mr. Boring, motion carried to approve the Authorizing Resolution and the Reimbursement Resolution.

Ms. Miller next referenced a memo dated March 15, 2018 from herself and Trent Ridley, Chief Financial Officer, for details about the status of volume cap allocated to and carried forward by THDA. She noted that THDA's Debt Management Policy calls for an annual update to provide information to demonstrate that THDA has sufficient volume cap to carry out both the multifamily and the single family programs. She noted that this was a report that does not require Board action.

Chair Brown explained that the Audit & Budget Committee meet, but did not have action items for Board consideration.

Chair Brown called for the Grants Committee report and recognized Mr. McMullen who served as committee chair in the absence of Mr. van Vuuren. Mr. McMullen referenced a memorandum from Don Watt, Director of Community Programs, dated March 13, 2018, describing recommended changes to the 2017 National Housing Trust Fund Program Description.

Mr. McMullen noted that \$2.8M is available for award and the only proposed change to the 2017 National Housing Trust Fund Program Description is to increase the maximum grant amount from \$750,000 to \$900,000 to increase project financial feasibility, while still allowing at least one funding award in each Grand Division. Upon motion by Mr. McMullen, second by Ms. Hess, the motion carried to approve the described 2017 National Housing Trust Fund Program Description and authorize the Executive Director to make the program awards.

Mr. McMullen next referenced a memorandum from Don Watt dated March 14, 2018, regarding the THDA Challenge Grant Program and the 2019 THDA Challenge Grant Program Description. Mr. McMullen reviewed the following three changes to the 2019 THDA Challenge Grant Program Description as recommended by the Grants Committee:

- Add an additional goal of preserving and enhancing the existing supply of owner-occupied units.
- Add a requirement that the applicant must have demonstrated at least 2 years of housing activity or services in Tennessee, in alignment with THDA's other programs.
- Reduce the available funding amount from \$1M to \$500,000.

He noted that the THDA Challenge Grant Program continues to require that successful applicants match THDA funds at least 5 to 1. Upon motion by Mr. McMullen, second by Ms. Tully, motion carried to approve the 2019 THDA Challenge Grant Program Description, to make \$500,000 available for the 2019 THDA Challenge Grant Program and to authorize the Executive Director to make funding awards.

Mr. McMullen next referenced a memorandum dated March 14, 2018, and noted that THDA must submit an application for funding of the WAP program to the Department of Energy (DoE) by May 1st. He explained the following changes recommended by the Grants Committee for the 2018 program year are consistent with changes in the Department of Energy requirements:

- Add language to allow THDA to reallocate funding within the year based on the performance and need of sub-grantees.
- Require that all initial energy audits be performed by individuals possessing the Energy Auditor Certification as required by DoE.
- Add a requirement that every unit have an energy audit performed using the WAPez software, which runs the Weatherization Assistant energy audit to identify the most effective energy savings measures for that unit.

Upon motion by Mr. McMullen, second by Ms. Butterworth, motion carried to authorize the Executive Director to submit the WAP application by the May 1st deadline and to approve the described changes.

Mr. McMullen noted the Committee received an update on the HOME Mini-Round 2 award to Neighborhood Housing, Inc. in the amount of \$315,000. He explained that the \$558,000 remaining will be rolled into the 2018 HOME program for award prior to May 31, 2018.

Mr. McMullen reported that the Committee received information from Bettie Teasley, THDA Director of Research and Planning, on the Analysis of Impediments to Fair Housing Choice. Mr. McMullen noted that this analysis is required every five years, is tied to the HUD Consolidated Plan, and covers five HUD-funded programs, including three programs administered by THDA, the National Housing Trust Fund, Emergency Solutions Grant, and the Home Investment Partnership Program. He explained that THDA is conducting the analysis as well as a Survey of Fair Housing, which will be incorporated into the analysis. Mr. McMullen also noted that a more robust analysis will be conducted in 2020.

Mr. McMullen concluded his report with an item not on the original agenda, the Built for Zero Initiative. Mr. McMullen stated that the State of Tennessee's Interagency Council on Homelessness has made ending homelessness among veterans a priority. He described steps THDA is taking in response and noted that the Grants Committee recommended \$10,000 in funding from THDA funds to cover the annual fee for each of up to three (3) Continuum of Care organizations across the state to attend learning sessions for the Built for Zero Initiative. Upon motion by Mr. McMullen, second by Ms. Cleaves, motion carried to approve \$10,000 in funding to allow up to three Continuum of Care organizations to receive the Built for Zero technical assistance training.

Chair Brown recognized Ms. Cleaves for the Lending Committee Report. Ms. Cleaves recognized Cynthia Peraza, Director of Single Family Special Programs, who referenced her memo dated March 15, 2018 and noted that the deadline for expending all HHF funds is December 2020. She indicated that the Lending Committee recommended the following HHF funding reallocations to meet this deadline:

- Reduce the ROP allocation from \$5.7 million to \$4.7 million.
- Reduce the PRRPLE allocation from \$5 million to \$2.5 million.
- Increase the HHF-DPA allocation from \$60 million to \$63.5 million and add an additional \$500,000 from funds recovered through the Keep My Tennessee Home Program, bringing the total HHF-DPA funding to \$64 million.

Upon motion by Ms. Cleaves, second by Ms. Hubbard, motion carried to approve the recommended reallocations and authorize staff to (1) ratify a new or modified HFA Participation Agreement with U.S. Treasury, if necessary, for the recommended program allocation adjustments; (2) make minor changes and housekeeping changes to the programs as necessary or as directed by the U.S. Treasury; and (3) do all things necessary and proper, including execution of all documents, to carry out the described programs.

Ms. Peraza next referenced her memo dated March 12, 2018, regarding the Attorney General Repair Program proposal and provided an overview of the \$34.5 million in funds received in 2012 from the National Mortgage Servicer Settlement through the Attorney General's Office to help fund foreclosure prevention programs. She explained that with real estate market improvements, foreclosures have declined, however, lower-income homeowners continue to have issues with maintaining and repairing their properties. She noted that the Lending Committee recommended approval of a repair program for low income homeowners to be funded with \$3.5 million from the AG funds, with \$2 million to be available through approved non-profit

partners with experience in repair activities across the state, excluding the Appalachian Regional Commission (ARC) Distressed or At-Risk counties that are already served under the Appalachian Renovation Loan Program, \$1million as a match for additional ARC funding, and \$500,000 for administrative costs, with the caveat that if THDA does not receive additional ARC funding, then the full \$3.5 million, excluding administrative costs, would be made available to homeowners for repairs across the state. Upon motion by Ms. Cleaves, second by Ms. Samantha Wilson, motion carried to approve the recommended reallocation of AG Program funds, approve the statewide repair program as described, and authorize staff to (1) ratify a new or modified Agreement with the Office of the Attorney General, if necessary; (2) make minor changes and housekeeping changes to the programs as necessary or as directed by the Office of the Attorney General; and (3) do all things necessary and proper, including execution of any documents, to carry out the Attorney General Repair Program.

Chair Brown recognized Ms. Tully for the Tax Credit Committee report. Ms. Tully recognized Donna Duarte, Director of Multifamily Programs, who referenced her memo dated March 7, 2018, regarding the Tax Credit Committee recommended change to Exhibit 1 of the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan (“QAP”) that would move Sevier County from the suburban county list to the urban county list. Ms. Duarte noted that the change would allow an increase in the amount of low income housing tax credits available for Sevier County. Upon motion by Ms. Tully, second by Ms. Samantha Wilson, motion carried to approve the change to the QAP. Mr. McMullen abstained from the vote.

Ms. Tully next referenced two memos from Ms. Duarte, both dated March 1, 2018, describing requests from Oakwood Flats (TN18-208) and Broadway Towers (TN18-229), respectively, to waive the per development limit for non-competitive low income housing tax credits. Ms. Tully noted that increased construction costs have necessitated these requests to increase the amount of non-competitive low income housing tax credits to up to \$1.9 million for Oakwood Flats and to up to \$1.5 million for Broadway Towers. Upon motion by Ms. Tully, second by Ms. Hubbard, the motion carried to approve both waivers as noted above. Mr. McMullen abstained from the vote.

Ms. Tully noted that the Tax Credit Committee next considered a special request under the 2018 Multifamily Tax-Exempt Bond Authority Program Description (“2018 Program Description”) and referenced a memo from Ms. Duarte dated March 7, 2018, for more information. Ms. Tully noted that the Tax Credit Committee approved up to \$62 million in multifamily tax-exempt bond authority and up to \$3.808 million in noncompetitive low income housing tax credits for Trevecca Towers. She explained that Part III.C. of the 2018 Program Description provides for approval by the Tax Credit Committee, so no THDA Board action is required.

Ms. Tully next referenced a memo from Ms. Duarte dated March 26, 2018, regarding a Tax Credit Committee recommended change to the 2018 Program Description to increase the amount of volume cap available from \$210,000,000 to \$346,000,000. Upon motion by Ms. Tully, second by Ms. Hess, motion carried to approve the described change to the 2018 Program Description. Mr. McMullan abstained from the vote.

Ms. Tully then referenced a memo from Donna Duarte dated March 7, 2018, regarding a Tax Credit Committee recommended exchange of 2016 low income housing tax credits for an equal amount of 2018 low income housing tax credits for Flats at 58 (TN16-039) Upon motion by Ms. Tully, second by Ms. Hubbard, motion carried to approve the exchange for the reasons and subject to the conditions contained in the referenced memo. Mr. McMullen abstained from the vote.

Ms. Tully completed her report by noting that the Tax Credit Committee discussed development of the 2019-2020 Low Income Housing Tax Credit Qualified Allocation Plan, however, there was no Committee or Board action required.

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

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 22nd day of May, 2018.

Tab # 4

Items:

Bond Finance Committee Meeting Materials

**Tennessee Housing Development Agency
Bond Finance Committee**

**May 21, 2018
2:00 p.m. Central Time**

AGENDA

1. Call to OrderBrown
2. Approval of minutes from May 8, 2018, meetingBrown
3. Issue 2018-3 Authorization.....Miller
4. Issue 2018-3 Reimbursement ResolutionMiller
5. Issue 2018-1 State Form CT-0253.....Miller
6. Fiscal Year 2018-2019 Schedule of Financing.....Miller
7. AdjournBrown

LOCATION

Conference Room G-3
State Capitol, Ground Floor
Nashville, Tennessee 37243

COMMITTEE MEMBERS

Kim Grant Brown, Chair
Secretary Tre Hargett
Treasurer David Lillard
Commissioner Larry Martin
Comptroller Justin Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
May 8, 2018

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Tuesday, May 8, 2018, at 4:30 P.M. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The following members were present: Keith Boring (for Secretary of State Tre Hargett), Treasurer David Lillard, Samantha Wilson (for Commissioner of Finance & Administration Larry Martin) and Kathy Stickel (for Comptroller Justin Wilson (*Secretary*)). Kim Grant Brown (*Chair*) participated by conference call.

At the request of Chair Brown, Treasurer Lillard chaired the meeting. Treasurer Lillard noted a physical quorum was present and called the meeting to order. He asked for a motion to approve the minutes of the March 26, 2018, meeting. Upon motion by Mr. Boring, second by Ms. Wilson, and with the following roll call vote, the motion carried to approve the March 26, 2018, minutes:

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

Treasurer Lillard indicated the next item for consideration was the sale of Issue 2018-2 Bonds. He recognized Lynn Miller, THDA Chief Legal Counsel, who presented the following documents that were circulated for the Committee’s consideration:

- Memo from CSG Advisors Incorporated (“CSG”), financial advisor for THDA, dated May 8, 2018, recommending approval of the described pricing for Issue 2018-2.
- Resolution of the Bond Finance Committee approving the issuance and sale of Issue 2018-2 (Non-AMT) in the aggregate principal amount of \$160,00,000 (the “Award Resolution”). The following documents were attached to the Award Resolution as exhibits and were incorporated by reference:
 - Bond Purchase Agreement for the sale of Issue 2018-2 Bonds to the underwriting syndicate, led by RBC Capital Markets, LLC (“RBC”), the bookrunning senior manager;
 - Supplemental Resolution for the Issue 2018-2 Bonds; and
 - Bond Maturity Schedule showing the maturities and interest rates for the Issue 2018-2 Bonds.

Ms. Miller noted that bonds, in the principal amount of \$160 million, were offered and there were over \$121 million in retail orders and nearly \$290 million in institutional orders. She noted that, prior to pricing, staff anticipated using \$3.6 million of bonds proceeds at 0% interest to maintain the current interest rate on THDA loans, however, due to the high level of orders and an overall lower bond yield, the amount of funds required to be loaned at 0% was reduced to \$1.3 million, based on the current interest rate on THDA loans.

Ms. Miller called upon David Jones, with CSG, who participated by conference call. He talked briefly about market conditions. Mr. Jones indicated RBC provided a consensus scale yesterday that appeared to have good levels overall, however, there were two term bonds that seemed a little conservative. He indicated that CSG suggested tightening the two terms bonds by 5 basis points and RBC agreed. He

explained that, based on favorable market conditions, the level of retail orders and reads that RBC received from institutional investors, CSG recommended, and staff agreed, that accelerating into an institutional order period for a one-day sale was appropriate. He noted that there was over \$411 million in total orders, resulting in further beneficial adjustments to the two terms bonds and other maturities, including the PAC bonds. He further noted that CSG recommended accepting the pricing as shown on the Bond Maturity Schedule

Upon motion by Treasurer Lillard, second by Mr. Boring, and with the following roll call vote, motion carried to approve the Award Resolution:

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

There being no further business, Treasurer Lillard adjourned the meeting.

Respectfully submitted,

Assistant Secretary

Approved this 21st day of May, 2018.



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: May 17, 2018
TO: THDA Bond Finance Committee and Board
FROM: Lynn Miller *WM*
Chief Legal Counsel
SUBJECT: Authorization of General Residential Finance Program Bonds, Issue 2018-3

DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

Attached please find the following documents in connection with the requested authorization of the next THDA bond issue, Issue 2018-3:

1. Memo from CSG Advisors recommending authorization in the maximum principal amount of \$150 million for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013, including authorization of a new money component, but no refinancing component. Staff expects this bond issue to be priced in August, with closing prior to the end of September, depending on THDA loan production. The final size and structure will be determined by the Bond Finance Committee closer to pricing.
2. THDA Plan of Financing for Issue 2018-3 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.
3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2018-3, which includes the form of Series Resolution for Issue 2018-3 and which authorizes the referenced bond issue and delegates authority to the Bond Finance Committee to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.
4. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2018-3 in an amount not to exceed \$60 million.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2018-3 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2018-3 complies with the Debt Management Policy as follows:

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

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

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

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

Parts XV, XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2018-3 does not include a refunding component, 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 staff recommended "soft" rotation began with Raymond James (Issue 2018-1), followed by RBC (Issue 2018-2). Following conversations with CSG Advisors and State and Local Finance staff, THDA staff recommends that Citigroup Global Markets, Inc., be appointed as the bookrunning senior manager for Issue 2018-3. This recommendation is based on the following: (a) Citi provided reasonable participation in 2018-2, with Tennessee retail, national retail and net designated orders of \$0.5 million, \$2.6 million and \$2.0 million respectively, totaling \$5.1 million, and (b) Citi was instrumental in providing Trent Ridley, THDA Chief Financial Officer, an opportunity to speak at the Society of Municipal Finance Analyst conference recently in an effort to build investor knowledge of THDA, its creditworthiness, its financial strength and to build investor appetite for THDA bonds.

ROTATING CO-MANAGER

Based on an analysis by CSG Advisors, THDA staff recommends that selling group member J.J.B. Hilliard, W.L. Lyons, LLC be appointed to serve as rotating co-manager for Issue 2018-3 based on allotments resulting from Tennessee retail orders on Issue 2018-2.

SELLING GROUP

Duncan-Williams, Inc.
Fidelity Capital Markets
FTN Financial
Robert W. Baird
Wiley Brothers-Aintree Capital

LEM/ds

MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee

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

SUBJECT: Bond Issue Authorization Recommendation

RE: Residential Finance Program Bonds, Issue 2018-3

DATE: May 17, 2018

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a \$150 million Issue 2018-3 under the Residential Housing Finance Program Bond Resolution as new money bonds to fund THDA's mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale date based on THDA's pipeline and interest rates at the time.
- Issue 2018-2 will close on June 12, 2018, however, THDA expects Issue 2018-2 to be fully committed by mid to late July, at which time they will begin committing against Issue 2018-3.
- Issue 2018-3 is expected to be sold in August for a closing in September, providing funding for summer and early fall production.
- Alternative bond structures, including the use of excess THDA mortgage collateral from the 1985 Resolution to lower the bond yield will be analyzed and presented closer to pricing.

Current Market Conditions

Issue 2018-2 was successfully priced last week with strong demand from both retail and institutional investors. Since the previous THDA bond sale for Issue 2018-1 on February 27, 2018, interest rates have been mixed to slightly higher, with the 10-year US Treasury bond increasing slightly from 2.91% to 2.98% on May 9th, and the 30-year treasury almost unchanged from 3.17% to 3.15% over the same period. High-quality tax-exempt Municipal Market Data Index ("MMD") yields over the same period also trended slightly lower than their February 27th levels, with the 10- and 30-year yields down from 2.48% and 3.06%, to 2.44% and 2.99%, respectively.

Although international events including trade and tariff threats have continued to have market impact and increased volatility, evidence of a strengthening U.S. economy continues. As economists underline the importance of full-employment and economic bottlenecks, signs of price inflation have begun to stir, but

currently there is little concern about an overreaction by the Federal Reserve's Open Market Committee as they've indicated gradual interest rate increases in spite of inflation hitting its 2% mandate.

Background

On May 8, 2018, THDA priced its Residential Finance Program Bonds, Issue 2018-2 in the amount of \$160 million of which \$147 million is available to purchase new mortgage loans. As of May 15, 2018, approximately \$63.6 million of Issue 2018-2 proceeds were committed, over \$20 million in THDA funds (that will be reimbursed to THDA from Issue 2018-2 proceeds at closing) have been used to purchase loans and the balance is expected to be committed by mid to late July.

When the Issue 2018-2 proceeds are exhausted, THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2018-3. Beginning in mid to late July, THDA anticipates building a pipeline of mortgage loans that will be funded with Issue 2018-3. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2018-3 in September, when additional bond funds likely will be needed.

None of THDA's outstanding bonds will become optionally redeemable at par before January 1, 2019. Since housing bonds may not be refunded prior to 90 days before they are redeemed, no refunding is proposed for Issue 2018-3.

In order to further lower the bond yield and reduce the amount of zeros consumed by the issuance, THDA could contribute excess mortgage loan collateral currently held in the 1985 General Resolution in order to structure the Issue 2018-3 Bonds earlier in the maturity schedule at lower rates than if structured pro-rata throughout the maturity schedule. THDA took this approach most recently in Issue 2018-1. There are several effects of including excess mortgage collateral in the proposed new transaction:

- 1) Expected savings allow THDA to set lower mortgage interest rates 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 bond issue; and
- 3) Post-transfer, the excess mortgage loan repayments and prepayments would no longer be available to redeem bonds in the 1985 General Resolution, but instead would be used to redeem Issue 2018-3 Bonds. Such use of the excess mortgage loan receipts is not expected to negatively impact the cash flows of the 1985 General Resolution or THDA's ability to fund other programs from its Resolutions; however, CSG will review the impact of such a transfer and provide additional information as such structure is considered.

Proposed Sizing and Structure for Issue 2018-3

Authorizing a bond issue of not to exceed \$150 million will allow THDA to continue purchasing mortgage loans well into the fall of 2018. The ultimate size of the issue will depend on mortgage loan demand up until pricing, on interest rates, and on an assessment of negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond interest rate before such proceeds can be used to purchase mortgage loans).

Based on current market conditions and investor appetite, structuring Issue 2018-3 to include planned amortization class bonds ("PACs") to be sold at a premium would significantly lower the issue's bond yield. PACs are often priced at a premium and most commonly designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed

first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same maturity.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed below 100% PSA, causing the PACs to remain outstanding longer than projected and potentially extending the period during which THDA would pay the high coupon on these bonds. However, THDA's average historical prepayment speed is greater than 150% PSA. Also, if the actual sustained prepayment speed is less than 100% PSA, at its option THDA could choose to redeem the PACs up to the 100% PSA experience with other available funds in order to maintain the short average life of the PACs.

Three alternative bond structures are shown in Exhibit A. In each case after calculating an estimated bond yield, the spread for tax compliance purposes between the mortgage loan 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, refunding component or overcollateralization. The spread for tax purposes is 0.798%. \$11.0 million in zeros would be consumed to increase the issue to a full 1.125% spread. This is not an optimal and sustainable structure, see Scenarios 2 & 3 below.
- Scenario 2 includes non-AMT PAC bonds. The lower yield on the PAC reduces the overall bond yield by 0.18% and would result in a spread for tax purposes of 0.983%. \$4.7 million in zeros would be consumed to increase the issue to a full 1.125% spread.
- Scenario 3 in addition to including non-AMT PAC bonds, the structure assumes \$10 million in unencumbered, seasoned mortgage loans are transferred and used to over-collateralize and accelerate the repayment of the Issue 2018-3 bonds. Since the transferred collateral allows for a shorter bond maturity schedule with a slightly larger PAC bond, the bond yield is reduced 0.10% when compared to Scenario 2 above and would result in a spread for tax purposes of 1.082%. \$1.2 million in zeros would be consumed to increase the issue to a full 1.125% spread.

It should be noted that THDA has accumulated approximately \$90 million in zeros that can be used to subsidize new bond issues such as Issue 2018-3. Each of the scenarios summarized above and listed in Exhibit B assume that THDA continues lending at interest rates of 4.625% and 4.125% for its Great Choice and Brave Choice loan programs, respectively.

As the financing is developed, production needs are refined, and the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds to evaluate if further refinement of the structure could offer an improvement in the pricing of Issue 2018-3.

Issuing the 2018-3 bonds under the 2013 General Resolution will avoid a state moral obligation pledge on such bonds.

Method of Sale

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

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate

members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. Compared to offerings with little retail participation, interest rate savings on bonds sold principally to retail investors typically range from 0.05% to 0.10%. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

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

Complexity and Credit – While investors are familiar with bonds issued by housing finance agencies, because the housing sector played a major role in the financial crisis, some investors have remained concerned about transactions financing whole loans and wary of making credit decisions solely based on ratings. A negotiated sale provides greater opportunity to communicate with investors about the more complex structure and the credit features of THDA's bonds.

Bond Structure – Though Issue 2018-3 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, additional maturities or features, or in bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in THDA's offerings in the last year in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

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

Recommendations

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

- Authorize the issuance and sale of Residential Finance Program Bonds, Issue 2018-3, with a par amount not to exceed \$150 million;
- Delegate to the Bond Finance Committee the authority to:
 - Establish the principal amount of Issue 2018-3, with the aggregate size of Issue 2018-3 not to exceed \$150 million;
 - Establish the structure, sub-series and pricing schedule of Issue 2018-3;
 - Approve long and shorter maturity bonds in any combination of fixed rate bonds not to exceed a maturity of 32 years; and
 - Approve the transfer of up to \$15 million of unencumbered seasoned THDA mortgage loans or other resources from THDA's 1985 General Resolution to over-collateralize Issue 2018-3.
- Based on current market conditions and for the reasons described above, authorize Issue 2018-3 via a negotiated sale.

Exhibit A

Preliminary Structuring Analysis

			Scenario 1 No PAC / No Overcollateralization		Scenario 2 With PAC / No Overcollateralization		Scenario 3 With PAC / With Overcollateralization	
<u>Structuring Scenario</u>			5/8/2018		5/8/2018		5/8/2018	
Interest Rate Scale as of Date			No		Yes		Yes	
Including PAC Bonds			No		No		Yes	
Including \$10,000,000 Over-Collateralization								
<u>Issue Amounts</u>								
New Money	Non-AMT		150,000,000		150,000,000		150,000,000	
TOTAL			150,000,000		150,000,000		150,000,000	
<u>Bond Structure</u>			Coupon / Yield					
Serials 2019-2031	Non-AMT	1.75 - 3.40 %	44,540,000	30%	28,240,000	19%	34,095,000	23%
Term 2033	Non-AMT	3.500 %	8,995,000	6%	5,780,000	4%	6,960,000	5%
Term 2038	Non-AMT	3.700 %	25,815,000	17%	16,685,000	11%	20,055,000	13%
Term 2043	Non-AMT	3.850 %	31,620,000	21%	20,610,000	14%	21,605,000	14%
Term 2045	Non-AMT	4.000 %	-	0%	-	0%	10,510,000	7%
Term 2048	Non-AMT	4.000 %	39,030,000	26%	24,085,000	16%	-	0%
PAC Term	Non-AMT	4.00 / 2.71 %	-	0%	54,600,000	36%	56,775,000	38%
			150,000,000	100%	150,000,000	100%	150,000,000	100%
<u>Yields</u>								
Mortgage Yield (1)			4.467 %		4.467 %		4.467 %	
Bond Yield			3.669 %		3.483 %		3.384 %	
Yield Spread			0.798		0.983		1.082	
Zero Percent Loans (Consumed) / Created			(11,000,000)		(4,700,000)		(1,200,000)	
Yield Spread After Zero Participations			1.125 %		1.125 %		1.125 %	

(1) Based on assumed Great Choice Loans & Brave Choice Loans as summarized below with 5.00% 2nd lien downpayment / closing cost assistance loans.

Program	Origination Amount	Mortgage Rate	Notes
Great Choice	147,000,000	4.625%	[Existing/Future Production]
Brave Choice	3,000,000	4.125%	[Existing/Future Production]
85 Ind Overcollateralization	10,000,000	5.000%	[reflected in Scenario 3 only]

Exhibit A - Supplement: Impact of Changing Future Mortgage Rates

Preliminary Structuring Analysis

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

<u>Structuring Scenario</u>		Scenario 1 No PAC / No Overcollateralization	Scenario 2 With PAC / No Overcollateralization	Scenario 3 With PAC / With Overcollateralization
Interest Rate Scale as of Date		5/8/2018	5/8/2018	5/8/2018
Including PAC Bonds		No	Yes	Yes
Including \$10,000,000 Over-Collateralization		No	No	Yes
Bond Yields		3.669 %	3.483 %	3.384 %
<u>Mortgage Rates and Zero Percent Loans Needed</u>				
A	Mortgage Rate on 'Future' Mortgages	4.625 %	4.625 %	4.625 %
	Mortgage Yield (1)(2)	4.467 %	4.467 %	4.467 %
	Yield Spread	0.798	0.983	1.082
	Zero Percent Loans (Consumed) / Created for Full Spread	(11,000,000)	(4,700,000)	(1,200,000)
B	Mortgage Rate on 'Future' Mortgages to Reduce Zeros by 50%	4.800 %	4.700 %	4.650 %
	Mortgage Yield (1)	4.794 %	4.608 %	4.509 %
	Yield Spread	1.125	1.125	1.125
	Zero Percent Loans (Consumed) / Created for Full Spread	(5,500,000)	(2,350,000)	(600,000)
C	Mortgage Rate on 'Future' Mortgages to Reduce Zeros by 100%	4.970 %	4.770 %	4.660 %
	Mortgage Yield (1)	4.794 %	4.608 %	4.509 %
	Yield Spread	1.125	1.125	1.125
	Zero Percent Loans (Consumed) / Created for Full Spread	-	-	-

(1) Based on Great Choice Loans & Brave Choice Loans with 5.00% 2nd lien downpayment / closing cost assistance loans.

(2) Prior to the application of zeroes (Consumed) / Created

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2018-3
May 21, 2018

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

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2018-3 (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 \$150,000,000. The actual aggregate principal amount shall be determined by the Bond Finance Committee of the THDA Board of Directors (the “Bond Finance Committee”) upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA’s Bond Counsel and may take into account the following limitations and other factors:

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

APPLICATION
OF PROCEEDS:

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

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

DATE, METHOD AND
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than October 31, 2018. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors, and its bond counsel, Kutak Rock.

MATURITIES:

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

BOND INTEREST RATES:

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

REDEMPTION TERMS:

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

LOAN INTEREST RATES AND
COST OF ADMINISTRATION:

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

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2018-3
May 22, 2018

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on May 21, 2018, approved a plan of financing for Residential Finance Program Bonds, Issue 2018-3 (the “Bonds”) in an aggregate par amount not to exceed \$150,000,000 (the “Plan of Financing”); and

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

WHEREAS, THDA on January 23, 2018, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 8, 2018, primary housing costs exceed 25% of an average Tennessee household’s gross monthly income; and

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

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

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

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

1. The issuance and sale of the Bonds, in an aggregate par amount not to exceed \$150,000,000, with the final terms, all as determined by the Committee, upon the recommendation of THDA’s Financial Advisor, the Executive Director and the Secretary of the Committee, with the approval of THDA’s Bond Counsel, is hereby authorized.

2. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, \$_____ Issue 2018-3A (AMT), \$_____ Issue 2018-3B (Non-AMT), and \$_____ Issue 2018-3C (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 \$150,000,000; (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 May 22, 2018.

TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

\$_____ Issue 2018-3A (AMT)

\$_____ Issue 2018-3B (Non-AMT)

\$_____ Issue 2018-3C (Non-AMT)

Adopted May 22, 2018
as amended and supplemented
by the Bond Finance Committee
of THDA on _____, 2018

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**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS**

\$ _____ **ISSUE 2018-3A (AMT)**
\$ _____ **ISSUE 2018-3B (Non-AMT)**
\$ _____ **ISSUE 2018-3C (Non-AMT)**

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

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution may hereafter be cited by THDA as the Issue 2018-3 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

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

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

[*"400% PSA Prepayment Amount"* means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2018-3 Bonds (including Program Securities and the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

"Bond Purchase Agreement" means the contract for the purchase of the Issue 2018-3 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 2018-3 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2018-3 Bonds (including Program Securities [and the Transferred Program Loans]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2018-3 Bonds.

“Issue 2018-3 Bonds” means, collectively, the Issue 2018-3A Bonds, the Issue 2018-3B Bonds and the Issue 2018-3C Bonds.

“Issue 2018-3A Bonds” means the Issue 2018-3A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[*“Issue 2018-3A PAC Bonds”* means the Issue 2018-3A Bonds in the aggregate principal of \$_____ maturing _____.]

[*“Issue 2018-3A PAC Bonds Planned Amortization Amount”* means the cumulative amount of Issue 2018-3A PAC Bonds expected to be redeemed upon the receipt of Excess 2018-3 Principal Payments at a rate equal to ____% PSA, as set forth in Exhibit B hereto.]

“Issue 2018-3B Bonds” means the Issue 2018-3B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“Issue 2018-3C Bonds” means the Issue 2018-3C Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[*“Issue 2018-3C PAC Bonds”* means the Issue 2018-3C Bonds in the principal amount of \$_____ maturing _____.]

[*“Issue 2018-3C PAC Bonds Planned Amortization Amount”* means the cumulative amount of Issue 2018-3C PAC Bonds expected to be redeemed upon the receipt of Excess 2018-3 Principal Payments at a rate equal to ____% PSA, as set forth in Exhibit B hereto.]

“Issue Date” means the date on which the Issue 2018-3 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on _____, 2018.

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

“Official Statement” means the Official Statement dated _____, 2018 used in connection with the sale of the Issue 2018-3 Bonds.

[*“PAC Bonds”* means, collectively, the Issue 2018-3A PAC Bonds and the Issue 2018-3C PAC Bonds.]

“*Preliminary Official Statement*” means the Preliminary Official Statement dated _____, 2018 used in connection with the offering of the Issue 2018-3 Bonds.

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

[“*Refunded Bonds*” means, THDA’s Homeownership Program Bonds, Issue _____ and Homeownership Program Bonds, Issue _____.]

“*Resolution*” means this Supplemental Resolution adopted by THDA on May 22, 2018, as amended and supplemented by the Bond Finance Committee on _____, 2018.

“*Serial Bonds*” means the Issue 2018-3 Bonds which are not Term Bonds.

“*Term Bonds*” means, collectively, the Issue 2018-3A Bonds maturing _____, the Issue 2018-3B Bonds maturing _____ and the Issue 2018-3C Bonds maturing _____.

[“*Transferred Investments*” means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2018-3 Bonds upon the refunding of the Refunded Bonds.]

[“*Transferred Program Loans*” means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2018-3 Bonds upon the refunding of the Refunded Bonds.]

“*Underwriters*” means, collectively, [RBC Capital Markets, LLC, Raymond James & Associates, Inc., and Citigroup Global Markets Inc.], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2018-3 Bonds.

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

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

(e) [Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans and Program Securities and the phrase “Program Loans allocable to the Issue 2018-3 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2018-3 Bonds.]

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

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2018-3A are hereby authorized to be issued in the aggregate principal amount of \$_____, Residential Finance Program Bonds, Issue 2018-3B are hereby authorized to be issued in the aggregate principal amount of \$_____ and Issue 2018-3C are hereby authorized to be issued in the aggregate principal amount of \$_____. In addition to the title “Residential Finance Program Bond,” the Issue 2018-3 Bonds will bear the additional designations “Issue 2018-3A (AMT), “Issue 2018-3B (Non-AMT)” and “Issue 2018-3C (Non-AMT),” as appropriate. The Issue 2018-3 Bonds shall be issued only in fully registered form. The Issue 2018-3A Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds. The Issue 2018-3B Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds. The Issue 2018-3C Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds.

Section 2.02. Purposes. [The Issue 2018-3A Bonds and the Issue 2018-3B Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans and the Transferred Investments will become allocated to the Issue 2018-3 Bonds.] The Issue 2018-3C Bonds are being issued (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2018-3 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2018-3 Bonds.

The proceeds of the Issue 2018-3 Bonds [and the Transferred Investments] shall be applied in accordance with Article IV hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2018-3 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [July 1, 2019], at the rate set opposite such date in the following tables:

Issue 2018-3A Bonds
Serial Bonds

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

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	\$	%

Issue 2018-3B Bonds
Serial Bonds

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

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	\$	%

Issue 2018-3C Bonds
Serial Bonds

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

Term Bonds

Maturity Date	Principal Amount	Interest Rate
--------------------------	-----------------------------	--------------------------

\$

%

(b) Whenever the due date for payment of interest on or principal of the Issue 2018-3 Bonds or the date fixed for redemption of any Issue 2018-3 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2018-3 Bonds of each series maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2018-3 Bonds of each series maturing in such year. The Issue 2018-3 Bonds are to be lettered "RA," "RB," or "RC," as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2018-3 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2018-3 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2018-3 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2018-3 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2018-3 Bonds will not receive certificates representing their interest in the Issue 2018-3 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2018-3 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2018-3 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2018-3 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2018-3 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2018-3 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2018-3 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2018-3 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2018-3 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2018-3 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2018-3 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2018-3 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2018-3 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2018-3 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2018-3 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2018-3 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2018-3 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

Issue 2018-3A Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

Issue 2018-3B Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

Issue 2018-3C Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

(b) Upon the purchase or redemption of Issue 2018-3 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2018-3 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2018-3 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2018-3 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2018-3 Bonds maturing on and after [July 1, 2028] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [January 1, 2028] (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, 2028] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

<u>Period</u>	<u>Issue 2018-3A PAC Bond Redemption Price</u>	<u>Issue 2018-3C PAC Bond Redemption Price</u>
[January 1, 2028] to [_____]	[_____]%	[_____]%
[_____] and thereafter	[_____]	[_____]]

Section 2.10. Special Optional Redemption. The Issue 2018-3 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2018-3 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including

Program Securities [and the Transferred Program Loans]) allocated to the Issue 2018-3 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2018-3 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2018-3 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the related Planned Amortization Amount [and (C) shall be redeemed on a pro rata basis to the extent of any special optional redemption].

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2018-3 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2018-3 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2018-3 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10 [, and, to the extent the PAC Bonds are redeemed pursuant to any special optional redemption, the PAC Bonds shall be redeemed on a pro rata basis.]

Section 2.11. Special Mandatory Redemptions.

(a) ***Unexpended Proceeds.*** The Issue 2018-3 Bonds are subject to mandatory redemption on _____ in the event and to the extent that there are unexpended proceeds of the Issue 2018-3 Bonds on deposit in the Issue 2018-3 Subaccount of the Loan Fund on _____; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2018-3 Bonds are subject to mandatory redemption on _____, _____, to the extent any amounts remain on deposit in the Issue 2018-3 Subaccount of the Loan Fund on _____, _____.

The redemption price of the Issue 2018-3 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2018-3 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of

their proportionate amount of all Issue 2018-3 Bonds then Outstanding [, and, to the extent the PAC Bonds are redeemed, the PAC Bonds shall be redeemed on a pro rata basis.]

(b) **[Excess 2018-3 Principal Payments (PAC Bonds)]**. The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2018-3 Principal Payments. Any Excess 2018-3 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [July 1, 2019]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2018-3 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2018-3 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2018-3 Principal Payments shall first be applied to redeem the PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2018-3A PAC Bonds Planned Amortization Amount and the Issue 2018-3C PAC Bonds Planned Amortization Amount, as applicable, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2018-3 Bonds (including Program Securities [and the Transferred Program Loans]) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2018-3 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2018-3A PAC Bonds Planned Amortization Amount and the Issue 2018-3C PAC Bonds Planned Amortization Amount, as applicable, (as set forth in “FIRST” above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2018-3 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds’ proportionate amount of all Issue 2018-3 Bonds then Outstanding and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

The Issue 2018-3A PAC Bonds Planned Amortization Amount, the Issue 2018-3C PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2018-3 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

(c) **Ten Year Rule.**

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2018-3 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2018-3 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2018-3 Bonds (or the date of original issuance of the bonds refunded by the Issue 2018-3 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2018-3 Bonds on or before the next Interest Payment Date with respect to the Issue 2018-3 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2018-3 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2018-3 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the applicable Planned Amortization Amount only if there are no other Issue 2018-3 Bonds Outstanding and if such PAC Bonds are redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

Section 2.12. Selection by Lot. If less than all of the Issue 2018-3 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

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

ARTICLE III

SALE AND DELIVERY

Section 3.01. Sale.

(a) The Issue 2018-3 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chair, Secretary or Assistant Secretary of the Bond Finance Committee and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2018-3 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2018-3 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2018-3 Bonds to the public is hereby authorized and approved.

(c) The Issue 2018-3 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2018-3 Supplemental Resolution.

ARTICLE IV

DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2018-3 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2018-3 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2018-3 Bonds. Amounts on deposit in the Issue 2018-3 Bond Subaccount of the Loan Fund in excess of \$_____ shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2018-3 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2018-3 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2018-3 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2018-3 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2018-3 Bonds shall not exceed 2% of the proceeds of the Issue 2018-3 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2018-3 Bond Subaccount of the Loan Fund which are to be used to finance Program Loans (including Program Securities) (or other available funds of THDA), shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until _____, 2018.

The Bond Reserve Fund Requirement with respect to the Issue 2018-3 Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2018-3 Bonds plus the amount on deposit in the Issue 2018-3 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

Section 4.02. Proceeds of Issue 2018-3A Bonds and Issue 2018-3B Bonds. Proceeds of the Issue 2018-3A Bonds and Issue 2018-3B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2018-3 Bond Subaccount of the Loan Fund. On the Issuance Date, \$_____ of the amount on deposit in the Issue 2018-3 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2018-3A Bonds and the [entire proceeds of the] Issue 2018-3B Bonds [in the aggregate amount of \$_____ [and available funds of THDA in the amount of \$_____]]) shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans shall be credited to the Issue 2018-3 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]]

Section 4.03. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2018-3 Bonds unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the real property or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed by the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or
- (c) have a principal balance not exceeding 78% of the value, as determined in an appraisal by or acceptable to THDA, or the purchase price of the property securing the Program Loan, whichever is less; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or purchase price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to do business in the State and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder

of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or purchase price of the property securing the Program Loan, whichever is less.

ARTICLE V

FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Section 5.01. Form of Bonds. Subject to the provisions of the General Resolution, the Issue 2018-3 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication. The Issue 2018-3 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2018-3A (AMT)] [Issue 2018-3B (Non-AMT)] [Issue 2018-3C (Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

ARTICLE VI

MISCELLANEOUS

Section 6.01. No Recourse Against Members or Other Persons. No recourse may be had for the payment of principal of or premium or interest on the Issue 2018-3 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2018-3 Bonds and neither the members of THDA nor any person executing the Issue 2018-3 Bonds may be liable personally on the Issue 2018-3 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2018-3 Bonds are not a debt, liability or the obligation of the State or any

other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2018-3 Bonds. The Issue 2018-3 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2018-3 Bonds.

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

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

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

Section 6.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2018-3 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2018-3 Bonds from time to time.

Section 6.07. Continuing Disclosure Undertaking.

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

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

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

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

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

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

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2018-3 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) substitution of any credit or liquidity provider, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2018-3 Bonds, or other material events affecting the tax status of the Issue 2018-3 Bonds;
- (vii) modifications to rights of the holders of the Issue 2018-3 Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Issue 2018-3 Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the

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

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

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

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2018-3 Bonds or defeasance of any Issue 2018-3 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2018-3 Bonds pursuant to the Resolution.

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

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

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2018-3 Bonds whether or not the Rule (as defined below) applies to such Issue 2018-3 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2018-3 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of Rule 15c2-12 (the “Rule”) as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or

determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2018-3 Bonds or (B) the holders of the Issue 2018-3 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2018-3 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2018-3 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2018-3 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

Section 6.08. Confirmation and Adjustment of Terms by Committee. The terms of the Issue 2018-3 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2018-3 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2018-3 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

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

EXHIBIT A

BOND PURCHASE AGREEMENT

EXHIBIT B

[PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS]

<u>Date</u>	<u>[Issue 2018-3A PAC Bonds Planned Amortization Amount]</u>	<u>[Issue 2018-3C PAC Bonds Planned Amortization Amount]</u>
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**[[400]% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2018-3 BONDS]**

Date	Cumulative Amount	Date	Cumulative Amount
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EXHIBIT C

FORM OF BOND

REGISTERED

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

\$[_____]

**TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2018-3[A][B][C] [(AMT)][(Non-AMT)]**

Interest Rate	Dated Date	Maturity Date	Cusip
[____]%	[____], 2018	[_____]	880461[_____]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: [_____]

TENNESSEE HOUSING DEVELOPMENT AGENCY (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [July 1, 2019]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

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

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

This bond is one of a series of bonds additionally designated “Issue 2018-3[A][B][C]” (herein called the “Bonds”) issued in the aggregate principal amount of \$_____ under the General Resolution, a resolution of THDA adopted on May 22, 2018, as amended and supplemented by the Bond Finance Committee of THDA on _____, 2018 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

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

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

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

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

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

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

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

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

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

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

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

[Remainder of page intentionally left blank]

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

TENNESSEE HOUSING DEVELOPMENT
AGENCY

By _____
[_____] Chair
[SEAL]

Attest:

By _____
Ralph M. Perrey
Executive Director

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2018-3[A][B][C] [(AMT)][(Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Signatory

Dated: _____, 2018

ABBREVIATIONS

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

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

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

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

ASSIGNMENT

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

Dated: _____

Social Security Number or
Employer Identification
Number of Transferred: _____

Signature guaranteed: _____

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

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSEMENT OF THDA
FROM PROCEEDS OF ISSUE 2018-3
May 22, 2018

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

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2018-3, if and when issued and sold (the “Bonds”), through the direct purchase of eligible mortgage loans; and

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

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

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

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

1. Use of proceeds from the Bonds in an amount not to exceed Sixty Million and 00/100 Dollars (\$60,000,000) shall be used to reimburse THDA for the actual amounts expended to purchase mortgage loans made to eligible borrowers who purchased single family residences in accordance with the requirements of the Code and the 2013 General Resolution.
2. This resolution shall take effect immediately.



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: May 9, 2018
TO: Bond Finance Committee
Board of Directors
FROM: Lynn E. Miller, Chief Legal Counsel *LEM*
SUBJECT: Issue 2018-1 State Form CT-0253 (the "State Form")

Attached please find the State Form for Issue 2018-1 that priced on February 27, 2018, and closed March 29, 2018. The State Form was filed with the Office of the Comptroller within the required time period on April 18, 2018.

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

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

	2013 Resolution			
	\$99,900,000 Issue 2018-1	\$99,900,000 Issue 2017-4	\$99,900,000 Issue 2017-3	\$175,000,000 Issue 2017-2
Fees/Expenses ¹ Paid To:				
Financial Advisor	\$ 70,000	\$ 37,500	\$ 47,500	\$ 60,000
Bond Counsel	35,000	35,000	35,000	35,000
Trustee	4,995	4,995	4,995	8,750
Bookrunning Underwriter	617,164	628,691	626,443	1,029,490
Moody's	50,000	53,000	50,000	96,500
Standard & Poor's	49,000	48,000	48,000	90,000
i-Deal	1,500	1,500	1,500	1,500
General Services Print Shop	1,168	1,396	1,239	1,254
Total Fees/Expenses Per Bond Issue	\$ 828,827	\$ 810,082	\$ 814,677	\$ 1,322,494

1. rounded to the nearest \$

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

LEM/ds

Attachment

Tennessee Comptroller of the Treasury
Office of State and Local Finance

Received Date: April 18, 2018

Page 1 of 3

State Form No. CT-0253
Revised Effective 1/1/14

REPORT ON DEBT OBLIGATION

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

1. Public Entity:

Name: Tennessee Housing Development Agency
Address: Andrew Jackson Building, 3rd Floor, 502 Deaderick Street
Nashville, TN 37243-0200
Debt Issue Name: Issue 2018-1

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

2. Face Amount:

\$ 99,900,000.00

Premium/Discount: \$ See Attachment 1

3. Interest Cost:

3.5203 %

☒ Tax-exempt

☐ Taxable

☒ TIC* ☐ NIC *Excluding Underwriter's Discount

☐ Variable: Index _____ plus _____ basis points; or

☐ Variable: Remarketing Agent _____

☐ Other: _____

4. Debt Obligation:

☐ TRAN

☐ RAN

☐ CON

☐ BAN

☐ CRAN

☐ GAN

☒ Bond

☐ Loan Agreement

☐ Capital Lease

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

5. Ratings:

☐ Unrated

Moody's Aa1

Standard & Poor's AA+

Fitch _____

6. Purpose:

☐ General Government _____ %

☐ Education _____ %

☐ Utilities _____ %

☒ Other 100.00 %

☐ Refunding/Renewal _____ %

BRIEF DESCRIPTION

Single Family Housing

7. Security:

☐ General Obligation

☐ General Obligation + Revenue/Tax

☐ Revenue

☐ Tax Increment Financing (TIF)

☐ Annual Appropriation (Capital Lease Only)

☒ Other (Describe): special limited obligation

8. Type of Sale:

☐ Competitive Public Sale

☐ Interfund Loan

☒ Negotiated Sale

☐ Loan Program

☐ Informal Bid

9. Date:

Dated Date: 03/29/2018

Issue/Closing Date: 03/29/2018

REPORT ON DEBT OBLIGATION

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

10. Maturity Dates, Amounts and Interest Rates *:

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

If more space is needed, attach an additional sheet.

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

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

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

	AMOUNT (Round to nearest \$)	FIRM NAME
Financial Advisor Fees	\$ 70,000	CSG Advisors Incorporated
Legal Fees	\$ 0	
Bond Counsel	\$ 35,000	Kutak Rock
Issuer's Counsel	\$ 0	
Trustee's Counsel	\$ 0	
Bank Counsel	\$ 0	
Disclosure Counsel	\$ 0	
	\$ 0	
Paying Agent Fees	\$ 0	
Registrar Fees	\$ 0	
Trustee Fees	\$ 4,995	US Bank, NA
Remarketing Agent Fees	\$ 0	
Liquidity Fees	\$ 0	
Rating Agency Fees	\$ 99,000	Moody's and S & P
Credit Enhancement Fees	\$ 0	
Bank Closing Costs	\$ 0	
Underwriter's Discount _____%		
Take Down	\$ 550,666	Raymond James & Associates, Inc. ("Raymond James")
Management Fee	\$ 30,000	Raymond James
Risk Premium	\$ 0	
Underwriter's Counsel	\$ 25,000	Hawkins Delafield & Wood
Other expenses	\$ 11,498	Raymond James
Printing and Advertising Fees	\$ 2,668	i-Deal and TN General Services Printing Division
Issuer/Administrator Program Fees	\$ 0	
Real Estate Fees	\$ 0	
Sponsorship/Referral Fee	\$ 0	
Other Costs _____	\$ 0	
TOTAL COSTS	\$ 828,827	

REPORT ON DEBT OBLIGATION

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

12. Recurring Costs:☒ No Recurring Costs

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

13. Disclosure Document / Official Statement:☐ None Prepared☐ EMMA link☒ Copy attachedSee Attachment 3: Issue 2018-1 Supplemental Resolution
and Attachment 4: Issue 2018-1 Official Statement

or

14. Continuing Disclosure Obligations:

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

☒ Yes☐ No

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

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

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

11/28/2011, as amended

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

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

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

Date of Letter of Compliance for derivative _____

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

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

To the Governing Body:

on 05/11/2018

and presented at public meeting held on

05/22/2018

Copy to Director to OSLF:

on 04/18/2018

either by:

☐ Mail to:

OR

☒ Email to:505 Deaderick Street, Suite 1600
James K. Polk State Office Building
Nashville, TN 37243-1402StateAndLocalFinance.PublicDebtForm@cot.tn.gov**18. Signatures:**

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

2. PREMIUM/DISCOUNT:

Includes the original issue premium of \$2,262,060.00 on the Issue 2018-1 Bonds maturing January 1, 2043

10. MATURITY DATES, AMOUNTS AND INTEREST RATES

\$99,900,000 Issue 2018-1 (Non-AMT)

\$29,125,000 Serial Bonds						
<u>Year</u>	<u>Principal Amount Due January 1</u>	<u>Interest Rate</u>	<u>CUSIP Number⁽¹⁾</u>	<u>Principal Amount Due July 1</u>	<u>Interest Rate</u>	<u>CUSIP Number⁽¹⁾</u>
2019	\$ 760,000	1.400%	880461SG4	\$ 970,000	1.500%	880461SH2
2020	980,000	1.625	880461SJ8	990,000	1.750	880461SK5
2021	1,000,000	1.850	880461SL3	1,010,000	2.000	880461SM1
2022	1,020,000	2.050	880461SN9	1,035,000	2.150	880461SP4
2023	1,045,000	2.250	880461SQ2	1,060,000	2.375	880461SR0
2024	1,075,000	2.450	880461SS8	1,085,000	2.550	880461ST6
2025	1,100,000	2.600	880461SU3	1,115,000	2.650	880461SV1
2026	1,130,000	2.800	880461SW9	1,150,000	2.800	880461SX7
2027	1,170,000	2.900	880461SY5	1,185,000	2.950	880461SZ2
2028	1,205,000	3.000	880461TA6	1,225,000	3.050	880461TB4
2029	1,245,000	3.150	880461TC2	1,270,000	3.250	880461TD0
2030	1,290,000	3.300	880461TE8	1,315,000	3.350	880461TF5
2031	1,335,000	3.450	880461TL2	1,360,000	3.500	880461TM0

\$70,775,000 Term Bonds			
<u>Maturity Date</u>	<u>Principal Amount Due</u>	<u>Interest Rate</u>	<u>CUSIP Number⁽¹⁾</u>
July 1, 2033	\$ 5,695,000	3.60%	880461TG3
July 1, 2038	16,360,000	3.85	880461TH1
July 1, 2042	13,320,000	3.90	880461TJ7
January 1, 2043 (PAC)	35,400,000	4.00	880461TK4

PRICE OF ISSUE 2018-1 BONDS DUE JANUARY 1, 2043 (PAC): 106.390%

PRICE OF ALL REMAINING ISSUE 2018-1 BONDS: 100.000%

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

13. DISCLOSURE DOCUMENT:

TENNESSEE HOUSING DEVELOPMENT AGENCY

**A Supplemental Resolution
Authorizing the Sale of
Residential Finance Program Bonds
\$99,900,000 Issue 2018-1 (Non-AMT)**

Adopted January 23, 2018
as amended and supplemented
by the Bond Finance Committee
of THDA on February 27, 2018

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**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS
\$99,900,000 ISSUE 2018-1 (Non-AMT)**

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

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution may hereafter be cited by THDA as the Issue 2018-1 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

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

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

“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2018-1 Bonds (including the Allocated Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.

“*Allocated Program Loans*” means the Program Loans transferred from the General Homeownership Program Bond Resolution adopted by THDA on June 6, 1985 (as amended and supplemented, the “1985 Resolution”) and allocated to the Issue 2018-1 Bonds upon the issuance of the Issue 2018-1 Bonds as identified by THDA on or before March 29, 2018.

“*Bond Purchase Agreement*” means the contract for the purchase of the Issue 2018-1 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

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

“*Co-Managers*” means J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and Wiley Bros.—Aintree Capital, LLC.

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

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

“*Excess 2018-1 Principal Payments*” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2018-1 Bonds (including the Allocated Program Loans) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2018-1 Bonds.

“*Issue 2018-1 Bonds*” means the Issue 2018-1 Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“*Issue Date*” means the date on which the Issue 2018-1 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on March 29, 2018.

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

“*Official Statement*” means the Official Statement dated February 27, 2018 used in connection with the sale of the Issue 2018-1 Bonds.

“*PAC Bonds*” means the Issue 2018-1 Bonds in the aggregate principal amount of \$35,400,000 maturing January 1, 2043.

“*PAC Bonds Planned Amortization Amount*” means the cumulative amount of PAC Bonds expected to be redeemed upon the receipt of Excess 2018-1 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 February 20, 2018 used in connection with the offering of the Issue 2018-1 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).

“*Resolution*” means this Supplemental Resolution adopted by THDA on January 23, 2018 as amended and supplemented by the Bond Finance Committee on February 27, 2018.

“*Serial Bonds*” means the Issue 2018-1 Bonds which are not Term Bonds.

“*Term Bonds*” means, collectively, the Issue 2018-1 Bonds maturing July 1, 2033, July 1, 2038, July 1, 2042 and January 1, 2043.

“Underwriters” means, collectively, Raymond James & Associates, Inc., Citigroup Global Markets Inc. and RBC Capital Markets, LLC, and their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2018-1 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 Allocated Program Loans and Program Securities and the phrase “Program Loans allocable to the Issue 2018-1 Bonds” shall include the Allocated Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2018-1 Bonds.

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

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2018-1 are hereby authorized to be issued in the aggregate principal amount of \$99,900,000. In addition to the title “Residential Finance Program Bond,” the Issue 2018-1 Bonds will bear the additional designation “Issue 2018-1 (Non-AMT).” The Issue 2018-1 Bonds shall be issued only in fully registered form. The Issue 2018-1 Bonds will consist of \$29,125,000 principal amount of Serial Bonds and \$70,775,000 principal amount of Term Bonds.

Section 2.02. Purposes. The Issue 2018-1 Bonds are being issued (a) to finance Program Loans, or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2018-1 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2018-1 Bonds.

The proceeds of the Issue 2018-1 Bonds shall be applied in accordance with Article IV hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2018-1 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing July 1, 2018, at the rate set opposite such date in the following tables:

Issue 2018-1 (Non-AMT)

Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
January 1, 2019	\$ 760,000	1.400%	July 1, 2025	1,115,000	2.650%
July 1, 2019	970,000	1.500	January 1, 2026	1,130,000	2.800
January 1, 2020	980,000	1.625	July 1, 2026	1,150,000	2.800
July 1, 2020	990,000	1.750	January 1, 2027	1,170,000	2.900
January 1, 2021	1,000,000	1.850	July 1, 2027	1,185,000	2.950
July 1, 2021	1,010,000	2.000	January 1, 2028	1,205,000	3.000
January 1, 2022	1,020,000	2.050	July 1, 2028	1,225,000	3.050
July 1, 2022	1,035,000	2.150	January 1, 2029	1,245,000	3.150
January 1, 2023	1,045,000	2.250	July 1, 2029	1,270,000	3.250
July 1, 2023	1,060,000	2.375	January 1, 2030	1,290,000	3.300
January 1, 2024	1,075,000	2.450	July 1, 2030	1,315,000	3.350
July 1, 2024	1,085,000	2.550	January 1, 2031	1,335,000	3.450
January 1, 2025	1,100,000	2.600	July 1, 2031	1,360,000	3.500

Term Bonds

Maturity Date	Principal Amount	Interest Rate
July 1, 2033	\$ 5,695,000	3.600%
July 1, 2038	16,360,000	3.850
July 1, 2042	13,320,000	3.900
January 1, 2043 (PAC)	35,400,000	4.000

(b) Whenever the due date for payment of interest on or principal of the Issue 2018-1 Bonds or the date fixed for redemption of any Issue 2018-1 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business

Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2018-1 Bonds maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2018-1 Bonds maturing in such year. The Issue 2018-1 Bonds are to be lettered “R” and numbered separately from 1 consecutively upwards.

(b) The Issue 2018-1 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2018-1 Bond will be outstanding for each maturity and interest rate of the Issue 2018-1 Bonds in the aggregate principal amount of such maturity and interest rate. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2018-1 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2018-1 Bonds will not receive certificates representing their interest in the Issue 2018-1 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2018-1 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2018-1 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2018-1 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2018-1 Bonds shall be executed by the manual or facsimile signature of the Chairperson or Vice Chairperson and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2018-1 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2018-1 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2018-1 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2018-1 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2018-1 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2018-1 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2018-1 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2018-1 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2018-1 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2018-1 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2018-1 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2018-1 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

Issue 2018-1 Term Bonds due July 1, 2033

Date	Amount Due	Date	Amount Due
January 1, 2032	\$1,385,000	January 1, 2033	\$1,435,000
July 1, 2032	1,410,000	July 1, 2033*	1,465,000

*Maturity

Issue 2018-1 Term Bonds due July 1, 2038

Date	Amount Due	Date	Amount Due
January 1, 2034	\$1,490,000	July 1, 2036	\$1,650,000
July 1, 2034	1,520,000	January 1, 2037	1,685,000
January 1, 2035	1,550,000	July 1, 2037	1,720,000
July 1, 2035	1,585,000	January 1, 2038	1,755,000
January 1, 2036	1,615,000	July 1, 2038*	1,790,000

*Maturity

Issue 2018-1 Term Bonds due July 1, 2042

Date	Amount Due	Date	Amount Due
January 1, 2039	\$1,660,000	January 1, 2041	\$1,730,000
July 1, 2039	1,485,000	July 1, 2041	1,760,000
January 1, 2040	1,515,000	January 1, 2042	1,795,000
July 1, 2040	1,545,000	July 1, 2042*	1,830,000

*Maturity

Issue 2018-1 Term Bonds due January 1, 2043

Date	Amount Due	Date	Amount Due
January 1, 2019	\$ 455,000	July 1, 2031	\$ 725,000
July 1, 2019	465,000	January 1, 2032	735,000
January 1, 2020	470,000	July 1, 2032	750,000
July 1, 2020	480,000	January 1, 2033	765,000
January 1, 2021	490,000	July 1, 2033	780,000
July 1, 2021	500,000	January 1, 2034	795,000
January 1, 2022	510,000	July 1, 2034	810,000
July 1, 2022	515,000	January 1, 2035	825,000
January 1, 2023	525,000	July 1, 2035	840,000
July 1, 2023	535,000	January 1, 2036	855,000
January 1, 2024	545,000	July 1, 2036	870,000
July 1, 2024	555,000	January 1, 2037	885,000
January 1, 2025	570,000	July 1, 2037	905,000
July 1, 2025	580,000	January 1, 2038	920,000
January 1, 2026	590,000	July 1, 2038	940,000
July 1, 2026	600,000	January 1, 2039	955,000
January 1, 2027	610,000	July 1, 2039	925,000
July 1, 2027	625,000	January 1, 2040	940,000
January 1, 2028	635,000	July 1, 2040	960,000
July 1, 2028	645,000	January 1, 2041	980,000
January 1, 2029	660,000	July 1, 2041	950,000
July 1, 2029	670,000	January 1, 2042	970,000
January 1, 2030	685,000	July 1, 2042	990,000
July 1, 2030	695,000	January 1, 2043*	1,010,000
January 1, 2031	710,000		

*Maturity

(b) Upon the purchase or redemption of Issue 2018-1 Bonds of any maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2018-1 Bonds maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2018-1 Bonds of such maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such maturity of Issue 2018-1 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2018-1 Bonds maturing on and after January 1, 2028 are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after July 1, 2027 (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General

Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Section 2.10. Special Optional Redemption. The Issue 2018-1 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution, in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2018-1 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans allocated to the Issue 2018-1 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2018-1 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2018-1 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 the PAC Bond to exceed the PAC Bonds Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2018-1 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2018-1 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2018-1 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 2018-1 Bonds are subject to mandatory redemption on January 1, 2019 in the event and to the extent that there are unexpended proceeds of the Issue 2018-1 Bonds on deposit in the Issue 2018-1 Subaccount of the Loan Fund on December 1, 2018; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2018-1 Bonds are subject to mandatory redemption on September 1, 2021, to the extent any amounts remain on deposit in the Issue 2018-1 Subaccount of the Loan Fund on August 1, 2021.

The redemption price of the Issue 2018-1 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2018-1 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2018-1 Bonds then Outstanding.

(b) ***Excess 2018-1 Principal Payments (PAC Bonds).*** The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2018-1 Principal Payments. Any Excess 2018-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing July 1, 2018; provided, however, that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2018-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2018-1 Bonds (including the Allocated Program Loans) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2018-1 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 2018-1 Bonds (including the Allocated Program Loans) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2018-1 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 2018-1 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 2018-1 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 2018-1 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.

(c) **Ten Year Rule.**

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2018-1 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, financed with proceeds of the Issue 2018-1 Bonds received more than ten years after the Issue Date of the Issue 2018-1 Bonds shall be applied to redeem the Issue 2018-1 Bonds on or before the next Interest Payment Date with respect to the Issue 2018-1 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. This requirement does not apply to Allocated Program Loans. The Redemption Price of Issue 2018-1 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2018-1 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 2018-1 Bonds Outstanding.

Section 2.12. Selection by Lot. If less than all of the Issue 2018-1 Bonds of like maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

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

ARTICLE III

SALE AND DELIVERY

Section 3.01. Sale.

(a) The Issue 2018-1 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chair, Secretary or Assistant Secretary of the Bond Finance Committee

and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2018-1 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2018-1 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2018-1 Bonds to the public is hereby authorized and approved.

(c) The Issue 2018-1 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2018-1 Supplemental Resolution.

ARTICLE IV

DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2018-1 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2018-1 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2018-1 Bonds. Amounts on deposit in the Issue 2018-1 Bond Subaccount of the Loan Fund shall be applied to (i) the financing of Program Loans, or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) fund deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) the payment of Costs of Issuance and (iv) the payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2018-1 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2018-1 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2018-1 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2018-1 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2018-1 Bonds shall not exceed 2% of the proceeds of the Issue 2018-1 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2018-1 Bond Subaccount of the Loan Fund which are to be used to finance

Program Loans (or other available funds of THDA), shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until March 29, 2019.

The Bond Reserve Fund Requirement with respect to the Issue 2018-1 Bonds shall be an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2018-1 Bonds plus the amount on deposit in the Issue 2018-1 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund which, together with any excess amounts on deposit in the Bond Reserve Fund, shall satisfy the Bond Reserve Requirement.

Section 4.02. Proceeds of Issue 2018-1 Bonds. Proceeds of the Issue 2018-1 Bonds initially shall be deposited in the Issue 2018-1 Bond Subaccount of the Loan Fund.

Section 4.03. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2018-1 Bonds unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the real property or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed by the Federal Housing Administration, the Farmers Home Administration, the Veteran’s Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or
- (c) have a principal balance not exceeding 78% of the value, as determined in an appraisal by or acceptable to THDA, or the purchase price of the property securing the Program Loan, whichever is less; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or purchase price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to do business in the State and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal

amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or purchase price of the property securing the Program Loan, whichever is less.

ARTICLE V

FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Section 5.01. Form of Bonds. Subject to the provisions of the General Resolution, the Issue 2018-1 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication. The Issue 2018-1 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2018-1 (Non-AMT) of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

ARTICLE VI

MISCELLANEOUS

Section 6.01. No Recourse Against Members or Other Persons. No recourse may be had for the payment of principal of or premium or interest on the Issue 2018-1 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2018-1 Bonds and neither the members of THDA nor any person executing the Issue 2018-1 Bonds may be liable personally on the Issue 2018-1 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2018-1 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2018-1 Bonds. The Issue 2018-1 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full

faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2018-1 Bonds.

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

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

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

Section 6.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2018-1 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2018-1 Bonds from time to time.

Section 6.07. Continuing Disclosure Undertaking.

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

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

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

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

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

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2018-1 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) substitution of any credit or liquidity provider, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2018-1 Bonds, or other material events affecting the tax status of the Issue 2018-1 Bonds;
- (vii) modifications to rights of the holders of the Issue 2018-1 Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Issue 2018-1 Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such

jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA);

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

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

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2018-1 Bonds or defeasance of any Issue 2018-1 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2018-1 Bonds pursuant to the Resolution.

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

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

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2018-1 Bonds whether or not the Rule (as defined below) applies to such Issue 2018-1 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2018-1 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of Rule 15c2-12 (the "Rule") as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the

interests of the holders of the Issue 2018-1 Bonds or (B) the holders of the Issue 2018-1 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2018-1 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2018-1 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2018-1 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

Section 6.08. Confirmation and Adjustment of Terms by Committee. The terms of the Issue 2018-1 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2018-1 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2018-1 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

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

EXHIBIT A

BOND PURCHASE AGREEMENT

EXHIBIT B

PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS

<u>Date</u>	<u>PAC Bonds</u> <u>Planned Amortization</u> <u>Amount</u>
July 1, 2018	\$ 195,000
January 1, 2019	750,000
July 1, 2019	1,775,000
January 1, 2020	3,390,000
July 1, 2020	5,535,000
January 1, 2021	8,140,000
July 1, 2021	10,895,000
January 1, 2022	13,610,000
July 1, 2022	16,185,000
January 1, 2023	18,635,000
July 1, 2023	20,955,000
January 1, 2024	23,150,000
July 1, 2024	25,230,000
January 1, 2025	27,190,000
July 1, 2025	29,035,000
January 1, 2026	30,765,000
July 1, 2026	32,385,000
January 1, 2027	33,895,000
July 1, 2027	35,300,000
January 1, 2028	35,400,000

**400% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2018-1 BONDS**

Date	Cumulative Amount		Date	Cumulative Amount
July 1, 2018	592,269		January 1, 2034	97,564,477
January 1, 2019	3,326,739		July 1, 2034	97,734,963
July 1, 2019	7,967,892		January 1, 2035	97,879,470
January 1, 2020	14,616,862		July 1, 2035	98,001,774
July 1, 2020	22,939,456		January 1, 2036	98,105,118
January 1, 2021	32,313,804		July 1, 2036	98,192,287
July 1, 2021	41,311,768		January 1, 2037	98,265,670
January 1, 2022	49,319,804		July 1, 2037	98,327,315
July 1, 2022	56,229,451		January 1, 2038	98,378,979
January 1, 2023	62,189,309		July 1, 2038	98,422,166
July 1, 2023	67,328,025		January 1, 2039	98,458,189
January 1, 2024	71,757,063		July 1, 2039	98,488,272
July 1, 2024	75,572,904		January 1, 2040	98,513,339
January 1, 2025	78,859,074		July 1, 2040	98,534,158
July 1, 2025	81,687,824		January 1, 2041	98,551,387
January 1, 2026	84,121,712		July 1, 2041	98,565,586
July 1, 2026	86,214,829		January 1, 2042	98,577,233
January 1, 2027	88,013,975		July 1, 2042	98,586,734
July 1, 2027	89,559,597		January 1, 2043	98,594,436
January 1, 2028	90,886,675		July 1, 2043	98,600,632
July 1, 2028	92,025,429		January 1, 2044	98,605,572
January 1, 2029	93,001,969		July 1, 2044	98,609,467
July 1, 2029	93,838,836		January 1, 2045	98,612,495
January 1, 2030	94,555,503		July 1, 2045	98,614,808
July 1, 2030	95,168,770		January 1, 2046	98,616,533
January 1, 2031	95,693,140		July 1, 2046	98,617,777
July 1, 2031	96,141,118		January 1, 2047	98,618,630
January 1, 2032	96,523,487		July 1, 2047	98,619,167
July 1, 2032	96,849,541		January 1, 2048	98,619,451
January 1, 2033	97,127,288		July 1, 2048	98,619,546
July 1, 2033	97,363,621		January 1, 2049	98,619,566

EXHIBIT C

FORM OF BOND

REGISTERED

R-1

\$[_____]

**TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2018-1 (Non-AMT)**

Interest Rate	Dated Date	Maturity Date	Cusip
[____]%	March 29, 2018	[_____]	880461[_____]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: [_____]

TENNESSEE HOUSING DEVELOPMENT AGENCY (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing July 1, 2018. 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 Bonds Resolution” (herein called the “General Resolution”) and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various

principal amounts, may bear interest at different rates and subject to the provisions thereof, may otherwise vary. All Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated "Issue 2018-1" (herein called the "Bonds") issued in the aggregate principal amount of \$99,900,000 under the General Resolution, a resolution of THDA adopted on January 23, 2018, as amended and supplemented by the Bond Finance Committee on February 27, 2018 (collectively with the General Resolution, the "Resolutions"). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the "Trustee") and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

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

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

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner's attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner's attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same series 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 2018-1 (Non-AMT) of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Signatory

Dated: March 29, 2018

ABBREVIATIONS

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

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

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

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

ASSIGNMENT

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

Dated: _____

Social Security Number or
Employer Identification
Number of Transferred: _____

Signature guaranteed: _____

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

13. OFFICIAL STATEMENT:

May Be Viewed on the Investors Webpage at THDA's Website at

<https://thda.org/investors/investors>



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

DATE: May 9, 2018
TO: THDA Board of Directors
FROM: Lynn E. Miller *LEM*
Chief Legal Counsel
SUBJECT: Schedule of Financing for Fiscal Year 2018-2019

The attached Schedule of Financing is required by Tennessee Code Annotated Section 13-23-120(e)(1). The statutory language directs THDA to submit a Schedule of Financing to the State Funding Board showing the financings THDA proposes during the fiscal year. While the preparation of a Schedule of Financing is required, THDA is not required to carry out its financings precisely as shown on the attached Schedule. The attached Schedule is THDA's best estimate with respect to the financings for the upcoming fiscal year.

Both the Bond Finance Committee and the Board will be asked to review and approve this Schedule of Financing. Assuming such approval occurs, the Schedule will be forwarded to the State Funding Board for their consideration.

LEM/ds

Attachment

TENNESSEE HOUSING DEVELOPMENT AGENCY

**SCHEDULE OF FINANCING
FISCAL YEAR 2018-2019**

SUMMARY

The Tennessee Housing Development Agency (“THDA”) is required, under Tennessee Code Annotated Section 13-23-120(e)(1), to submit a schedule to the State Funding Board showing financings proposed for the fiscal year. The proposed schedule for fiscal year 2018-2019 is attached.

Total amount of bonds or notes reflected on Schedule of Financing for Fiscal Year 2018-2019:	\$ 436,000,000
--	----------------

Total amount of bonds reflected on schedule, designed to produce proceeds for mortgage loans:	\$ 398,110,000
---	----------------

Total amount of bonds or notes reflected on schedule related to refunding (not expected to produce proceeds for mortgage loans this fiscal year):	\$ 37,890,000
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TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULE OF FINANCING
FISCAL YEAR 2018-2019

ISSUE 2018-3 - RESIDENTIAL FINANCE PROGRAM BONDS –NEW VOLUME CAP/REFUNDING
August 2018

Sources of Funds

Proceeds of the Issue	\$ 100,000,000
-----------------------	----------------

Uses of Funds

To Purchase Mortgage Loans or Refund Outstanding Bonds	\$ 100,000,000
Bond Reserve Funds)
Underwriting Fee/Bond Discount)
Capitalized Interest)
Cost of Issuance)

\$ THDA contribution, or no more than 1% of
bond proceeds, or a combination thereof

ISSUE 2018-4 - RESIDENTIAL FINANCE PROGRAM BONDS –NEW VOLUME CAP
November 2018

Sources of Funds

Proceeds of the Issue	\$ 120,000,000
-----------------------	----------------

Uses of Funds

To Purchase Mortgage Loans or Refund Outstanding Bonds	\$ 120,000,000
Bond Reserve Funds)
Underwriting Fee/Bond Discount)
Capitalized Interest)
Cost of Issuance)

\$ THDA contribution, or no more than 1% of
bond proceeds, or a combination thereof

**ISSUE 2019-1 - RESIDENTIAL FINANCE BONDS –NEW VOLUME CAP/REFUNDING
February 2019**

Sources of Funds

Proceeds of the Issue	\$ 100,000,000
-----------------------	----------------

Uses of Funds

To Purchase Mortgage Loans or Refund Outstanding Bonds	\$ 100,000,000
Bond Reserve Funds)
Underwriting Fee/Bond Discount) \$ THDA contribution, or no more than 1% of
Capitalized Interest) bond proceeds, or a combination thereof
Cost of Issuance)

**ISSUE 2019-2 - RESIDENTIAL FINANCE PROGRAM BONDS –NEW VOLUME CAP/REFUNDING
May 2019**

Sources of Funds

Proceeds of the Issue	\$ 116,000,000
-----------------------	----------------

Uses of Funds

To Purchase Mortgage Loans or Refund Outstanding Bonds	\$ 116,000,000
Bond Reserve Funds)
Underwriting Fee/Bond Discount) \$ THDA contribution, or no more than 1% of
Capitalized Interest) bond proceeds, or a combination thereof
Cost of Issuance)

Single Family Bonds Sold in FY 2016-2017

\$ 99,900,000	Issue 2017-3 Residential Finance Program Bonds, Dated September 28, 2017
\$ 99,900,000	Issue 2017-4 Residential Finance Program Bonds, Dated December 19, 2017
\$ 99,900,000	Issue 2018-1 Residential Finance Program Bonds, Dated March 29, 2018
\$ 160,000,000	Issue 2018-2 Residential Finance Program Bonds, Dated June 12, 2018
TOTAL	\$ 459,700,000 (includes approximately \$24,535,000 in refundings)

Multifamily Bonds Sold in FY 2016-2017 \$ 0

**Volume Cap Used by Local Issuers
For Multi-Family Housing in 2017** \$ 198,100,000 From THDA's 2017 Volume Cap Allocation

**Volume Cap Available to Local Issuers
For Multi-Family Housing in 2018** \$ 346,000,000 From THDA's 2018 Volume Cap Allocation

ASSUMPTIONS

1. A bond issue may include any structure authorized by the Board and approved by the Bond Finance Committee, including, without limitation, convertible option bonds, short term notes, variable rate debt, taxable debt, planned amortization class bonds.
2. Dates of bond issues are based on estimated absorption of available funds and expected need for additional funds for three to four months, subject to the actual rate at which mortgage loans are currently being purchased.
3. THDA anticipates taking the maximum spread allowed under federal law for each bond issue, which is 112 basis points. The maximum spread could, however, be reduced based on program requirements at the time of sale. Interest rates for THDA loans could be further subsidized.
4. THDA anticipates future bonds will be issued under the 2013 General Resolution to continue to reduce the moral obligation of the state for THDA bonds.
5. The volume cap assumption is that 35% of the annual total tax-exempt bond authority amount available in Tennessee is made available to THDA at the beginning of each calendar year. This is the allocation to THDA for all tax-exempt housing bond issuance in the state in the current Department of Economic and Community Development plan. For bond issues in calendar year 2018, volume cap carried forward from 2015 will be used. THDA currently has \$536,842,000 in 2015 carried forward volume cap available. For bond issues in calendar year 2019, volume cap THDA carried forward from 2016 will be used. THDA currently has \$494,157,000 in 2016 carried forward volume cap available. Unused 2015 volume cap will be made available for the THDA Mortgage Credit Certificate Program by making the required elections on or before December 31, 2018.
6. A THDA contribution may be made with each bond issue as needed to over-collateralize the bond issue for the benefit of THDA borrowers, to fund required reserves, to pay cost of issuance and to ensure that the maximum amount of bond proceeds is used to fund mortgage loans. The amount and source of the THDA contribution is determined at the time it is needed. The amount of the contribution, if needed, is based on the structure of the bond issues, an analysis of debt service requirements of the general resolution under which the bonds are issued, the fee paid to underwriters and an estimate of other costs of issuance expected to be incurred. The source of such THDA contribution is assets available for such purpose under the 2013 General Resolution, 1985 General Resolution or the 2009 General Resolution.

Tab # 5

Items:

Grants Committee Meeting Materials

**Tennessee Housing Development Agency
Grants Committee**

May 22, 2018

10:00 a.m. Central Time

AGENDA

1. Call to Order van Vuuren
2. Approval of Minutes for March 27, 2018 Meeting van Vuuren
3. 2019 Emergency Repair Program Description Watt
4. 2018 HOME CHDO Mini-Round Program Description Watt
5. 2016 and 2017 HOME Program Description Modifications Watt
6. Update on 2018 HOME Program Awards Watt
7. Adjourn..... van Vuuren

LOCATION

William R. Snodgrass – Tennessee Tower
312 Rosa L. Parks Avenue, Third Floor
Nashville, TN 37243

The Nashville Room

COMMITTEE MEMBERS

Pieter van Vuuren, Chair
Tre Hargett
Austin McMullen
Lynn Tully
Justin Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY
GRANTS COMMITTEE
March 27, 2018

Pursuant to the call of the Chairman, the Grants Committee of the Tennessee Housing Development Agency Board of Directors met in regular session Tuesday, March 27, 2018, at 10:16 a.m. Central Time in the Nashville Room at the William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee.

The following Committee members were present: Austin McMullen, Keith Boring (for Secretary of State Tre Hargett), Lynn Tully, Anne Butterworth (for Comptroller Justin Wilson) and Kim Grant Brown. Other Board members present were Dorothy Cleaves, Mary Mac Wilson, and Regina Hubbard. Todd Skelton joined the meeting at 10:34 a.m. and Courtney Hess (for Treasurer David Lillard) joined the meeting at 10:49. Pieter van Vuuren was absent.

Mr. McMullen acted as Chair and called the meeting to order. He called for consideration of the minutes from the January 23, 2018 meeting. Upon motion by Ms. Butterworth, second by Ms. Tully, the minutes were approved.

Chairman McMullen next called on Don Watt, Director of Community Programs, to present staff-recommended changes to the 2017 National Housing Trust Fund (NHTF) Program Description. Mr. Watt referenced the memorandum dated March 13, 2018, and the 2017 National Housing Trust Fund Program Description distributed to Committee members. He reminded the Committee that this is THDA's 2nd funding allocation and \$2.8M is available for award. Mr. Watt noted that the only proposed change to the 2017 National Housing Trust Fund Program Description is to increase the maximum grant amount from \$750,000 to \$900,000 to increase project financial feasibility, while still allowing at least one funding award in each Grand Division. Upon motion by Ms. Tully, second by Ms. Brown, the Committee unanimously recommended approval of the described 2017 National Housing Trust Fund Program Description changes to the Board.

Chairman McMullen next called on Mr. Watt to discuss proposed changes to the 2019 THDA Challenge Grant (CG) Program Description. Mr. Watt referenced the memorandum dated March 14, 2018, and the 2019 THDA Challenge Grant Program Description distributed to Committee members. After reminding the Committee of the purpose and goals of the CG Program, Mr. Watt presented three proposed changes to the 2019 THDA Challenge Grant Program Description:

- 1) Add an additional goal of preserving and enhancing the existing supply of owner-occupied units.
- 2) Add a requirement that the applicant must have demonstrated at least 2 years of housing activity or services in Tennessee, in alignment with THDA's other programs.
- 3) Reduce the available funding amount from \$1M to \$500,000.

Upon motion by Ms. Tully, second by Ms. Brown, the Committee unanimously recommended to the Board approval of the 2019 THDA Challenge Grant Program Description and allocation of \$500,000 in funding.

Next, Chairman McMullen called on Mr. Watt to discuss recommendations for the 2018 Weatherization Assistance Program (WAP). Mr. Watt referenced the memorandum dated March 14, 2018, and noted that THDA must submit an application for funding of the WAP program to

the Department of Energy (DoE) by May 1st. He explained the following proposed changes for the 2018 program year:

- 1) Raise the average cost per unit from \$7,212 to \$7,261, in line with the limit set by the DoE.
- 2) Add language to allow THDA to reallocate funding within the year based on the performance and need of sub-grantees.
- 3) Require that all initial energy audits be performed by individuals possessing the Energy Auditor Certification as required by DoE.
- 4) Add a requirement that every unit have an energy audit performed using the WAPez software, which runs the Weatherization Assistant energy audit to identify the most effective energy savings measures for that unit.

Upon motion by Ms. Butterworth, second by Ms. Tully, the Committee recommended that the Board authorize the Executive Director to submit the WAP application by the May 1st deadline and approve proposed changes.

Chairman McMullen again called on Mr. Watt, who provided an update on the HOME Mini-Round 2 Award. Mr. Watt noted that one application was received from Neighborhood Housing, Inc. and an award of \$315,000 was made. He explained that the \$558,000 that was not awarded will be rolled over into the 2018 HOME program for award prior to May 31, 2018.

Next Chairman McMullen called on Bettie Teasley, THDA Director of Research and Planning, to present a report on the Analysis of Impediments to Fair Housing Choice. Ms. Teasley noted that this analysis is required every five years, is tied to the HUD Consolidated Plan, and covers five HUD-funded programs, including the National Housing Trust Fund, Emergency Solutions Grant, and the Home Investment Partnership Program administered by THDA. She explained that THDA is conducting the analysis as well as a Survey of Fair Housing, which will be incorporated into the analysis. She also noted that a more robust analysis will be conducted in 2020.

Finally, Chairman McMullen called on Mr. Watt to present information about the Built for Zero Initiative, an item not on the agenda. Mr. Watt stated that the State of Tennessee's Interagency Council on Homelessness has made ending homelessness among veterans a priority. He described steps THDA is taking in response and noted that staff is proposing \$10,000 in funding from THDA funds to cover the annual fee for each of up to three (3) Continuum of Care organizations across the state to attend learning sessions for the Built for Zero Initiative. Upon motion by Ms. Tully, second by Ms. Brown, the Committee unanimously recommended that the Board approve \$10,000 in funding to allow up to three Continuum of Care organizations to receive the Built for Zero technical assistance training.

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

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the ____ day of May, 2018



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: May 6, 2018
RE: Request for Approval of 2019 – 2020 Emergency Repair Program Description

THDA annually provides funds to eight development districts and one human resource agency (collectively, “Administering Agencies”) to administer the Emergency Repair Program (ERP) within their service area in order to assist homeowners who are elderly or have a disability to complete necessary emergency repairs on their units. Staff is requesting the Board’s approval of the attached 2019 - 2020 ERP Program Description with the following modifications from that approved for the 2017 program:

- Adjusted the implementation period, providing a two year program covering an allocation of ERP resources for the 2019 and 2020 program years. This procedure formalizes the process instituted for the 2017 and 2018 program years where 2017 contracts were extended and 2018 funds were amended into the 2017 contract based on performance of the grantee in the prior year. For the 2019 year, THDA proposes to award equal funding allocations, with 2020 funds amended into the contract based on the grantee’s performance during the initial contract year. During the second year of the contract, funds may be reduced or enhanced based on funding expenditures and funding commitments to eligible homeowners.
- Added a requirement that homeowners must reside in the home for a minimum of one year prior to their application for assistance.
- Adjusted income eligibility to be at or below the greater of either 60% of Area Median Income for the county in which the applicant resides or 60% of the Statewide Median Income. This change will expand access to ERP resources for households in counties with lower area median incomes than the statewide average. Currently 56 of 70 areas have an area median income below the statewide median income. This change would increase the 2017 income limit for a household of 4 from a low of \$28,740 to a minimum of \$34,380.

- Added a requirement to ensure applicant eligibility by requiring re-certification if more than six months has elapsed prior to entering into an agreement with the grantee to implement a project.
- Added a requirement that documentation must be submitted to the grantee to support the need for ERP funds if a homeowner has received a hazard insurance claim for the affected area of the home to be assisted.
- Added a lifetime limit of \$10,000 for assistance by a homeowner at an eligible property.
- Reduced the homeowner's match requirement from 50% to 25% in order to facilitate the delivery of assistance in areas of the state which have demonstrated difficulty in generating the higher match requirement and in order to improve access to households at the lowest income levels.
- Extended the length of time from 12 to 18 months that past repairs completed by the homeowner can be counted towards the match requirement.
- Clarified the ability of grantees to provide assistance to homeowners unable to provide match once the match requirement for the overall grant has been met.
- Added requirements that work must be completed to state or local code as required by state law and that building permits must be obtained as required by the local jurisdiction.
- Identified that driveway repairs, except as part of an eligible accessibility activity for ingress/egress to the home, are an ineligible activity.
- Required that contractors must be licensed as required by state law and must be bonded.
- Allowed for the selection of the best contractor rather than the contractor with the lowest bid if sufficient justification for the selection is provided.
- Requires completion of work activity on homes built prior to 1978 to be in compliance with the Renovate Repair and Paint Rule adopted by the U.S. Environmental Protection Agency and the Tennessee Department of Environment and Conservation.

Ralph M. Perrey, Executive Director



Emergency Repair Program 2019 – 2020 Program Description

Introduction

The Tennessee Housing Development Agency (THDA) operates a state-wide Emergency Repair Program (ERP) through the Tennessee Housing Trust Fund to provide grants to low income homeowners who are either elderly (60 years or older) or who have a disability in order to correct, repair, or replace an essential system and/or critical structural problem. The purpose of ERP is to stabilize the homeowner's residence by making essential repairs to make the home livable and enable the homeowner to maintain established supports within the community. ERP is not a comprehensive homeowner rehabilitation program.

ERP will be administered through Tennessee's nine Development Districts or other agencies authorized to serve the counties within a Development District region to help ensure that the program is available state-wide. ("Administering Agency").

Allocation of Funds

THDA will enter into a two year contract for the administration of ERP funds. During the first year of the contract, the initial award of 2019 funds will be allocated equally to each Administering Agency for implementation during the first twelve months of the contract period.

Effective July 1, 2019, THDA will make available funds from the 2020 allocation for implementation during the remaining twelve months. THDA will plan to allocate resources equally among each Administering Agency. However, THDA will evaluate the performance of each Administering Agency during the first twelve months based on the grant agreement, this program description, and the ERP Manual. THDA, in its sole discretion, may opt to award a lower amount or reduce the funding allocation to a particular Administering Agency for the remaining twelve months. Amounts not awarded to Administering Agencies for the remaining twelve months may be redistributed to higher-performing Administering Agencies that have a demonstrated need for additional funds.

Each Administering Agency may use up to 10% of the award amount for ERP program administrative costs.

Program Requirements:

1. Homeowner Eligibility:

Applicants must meet all of the following requirements:

- The applicant must be at least 60 years of age or an individual with a disability.
- The applicant must occupy the property to be repaired as his/her principal residence.
- The applicant must reside in the home for at least one year prior to the application for assistance.
- The applicant must have an ownership interest in the property to be repaired.
- The household income of the applicant must be at or below the greater of either 60% of Area Median Income for the county in which the applicant resides or 60% of the Statewide Median Income as defined by the most current Income Limits for the HOME Investment Partnerships Program issued by the U.S. Department of Housing and Urban Development. The calculation and determination of household income must follow the guidelines provided in the Emergency Repair Program Manual.
- The applicant must be current on the payment of local property taxes for the property to be assisted.

An applicant must be re-certified if more than six (6) months elapse between the date the application is signed and the date that the contract between the Administering Agency and the homeowner is to be signed to ensure that the client is still eligible.

The Administering Agency may establish additional program preferences of homeowner eligibility based on the needs and priorities of their local service area.

2. Property Eligibility:

The property must be an owner-occupied property in which title to the property and the home must be in the form of fee simple ownership, a life estate, or a minimum 99-year leasehold interest, except for manufactured housing and homes on trust or tribal lands. In cases where manufactured homes are on leased property, such as a manufactured home park, the applicant must hold title to the manufactured home, but is not required to own the lot. Housing located on trust or tribal lands must have a minimum leasehold interest of 50 years.

The unit must be a single family dwelling unit or other form of dwelling approved in advance by THDA. In cases where a building of more than one unit is assisted, no improvements may be made to common spaces or systems.

3. Hazard Insurance

If a claim for hazard insurance has been filed and/or insurance proceeds received for similar repairs to an eligible property, documentation must be submitted to support the need for additional repairs using ERP funds.

4. Subsidy Level:

The maximum amount of ERP funds awarded to an eligible homeowner for a given eligible property is \$10,000. This value is a lifetime limit. The funds provided are a grant to the homeowner and do not require a compliance period secured by a lien on the property.

5. Match:

A match of at least 25% of the amount of ERP funds is required. The match can be provided by:

- The homeowner or the homeowner's family.
- Federal sources such as USDA Rural Development, Weatherization Assistance Program, Low Income Home Energy Assistance Program (LIHEAP) funds used for weatherization activities, state or local HOME Investment Partnership funds, or state or local Community Development Block Grant (CDBG) funds.
- Church groups, local agencies, or nonprofit organizations.
- Donated labor and/or materials.
- A funding pool or grants from local lender(s) to the Administering Agency.
- The value of prior repairs completed on a home may be used as match as long as the repairs were undertaken within eighteen months of the effective date of the contract between the homeowner and the Administering Agency for the ERP-funded repairs and the related match contribution can be documented appropriately.

Administering Agencies are encouraged to develop partnerships with other service providers, in order to coordinate match funding that is greater than the required 25% match threshold when possible. Once Administering Agencies have met their overall 25% match requirement for the grant, match requirements can be waived for homeowners when the match requirement poses a barrier to eligibility. Administering Agencies are required to submit their overmatch policies and procedures for review by THDA before waiving the homeowner match requirement.

6. Eligible Repairs:

ERP is intended to make repairs to an essential system so that the homeowner can continue to reside in his/her home. ERP does not require that the entire structure be brought into compliance with codes, but the work being done must be in compliance with local adopted codes, where applicable. If no local codes have been adopted for the type of work being done, the work must

be performed in compliance with any applicable state codes. If permits are issued by a local jurisdiction for work to be performed, then the permits must be obtained and the work must be inspected by the local jurisdiction.

The following are approved repair activities and represent the type of repairs ERP is meant to address:

- Roofs
- Electrical systems
- Plumbing systems
- Septic systems
- Heating and air systems
- Structural repairs to floors or walls
- Bathroom modifications and ramps necessary for the homeowner with a physical disability to access and use the home for basic life functions.

The homeowner will help define the nature of the emergency repair. However, an initial inspection by a qualified, independent, third-party inspector of the work proposed is required in order to create the work write up for the project. Upon completion of the project, a final inspection must also be conducted by a qualified, independent, third-party inspector. Use of ERP funds does not require that the entire eligible property be brought into code compliance. ERP funds are to be used to correct an immediate issue to an essential system necessary for habitability. As a result, only those items that are repaired as part of the ERP-funded project must receive a final inspection by a qualified inspector. The cost of both the initial and final inspection is an eligible soft cost for the project.

Contractors and/or match partners who perform ERP repairs for a given homeowner may not conduct initial inspections of the work to be conducted or final inspections of the work that has been completed. However, if the contractor or match provider is a volunteer service organization, that organization's staff is authorized to complete the initial inspection and work write up, but the project must still receive a final inspection by a qualified, independent, third-party inspector.

If the inspector is not an FHA-approved inspector or licensed as either a building codes or home inspector, the Administering Agency must obtain THDA's approval of the inspector's qualifications prior to authorizing the inspector to begin performing inspections on ERP projects.

In many instances, additional work will need to be completed to the house that cannot be addressed with ERP, and there may not be a visible difference in the house once the emergency repairs have been completed. The Administering Agency must receive THDA approval to implement activities beyond those noted above.

When applicable, repair work should include measures to improve the energy efficiency of the home.

THDA reserves the right to deny assistance if it is determined that the repairs needed are beyond the scope of the Emergency Repair Program.

7. Ineligible Activities:

The following are ineligible activities associated with the ERP-funded projects:

- The purchase or repair of appliances not permanently attached to the home, including refrigerators, dishwashers, washers, and dryers.
- Off-site infrastructure.
- Landscaping, except for the restoration of the site following an eligible activity or for health and safety reasons.
- Driveway repairs, except as part of an eligible accessibility activity for ingress/egress to the home
- Relocation costs of the homeowner.

Costs associated with ineligible activities may not count toward the project's required match contribution.

8. Contractor Qualifications

The emergency repairs must be completed by a contractor licensed for the type of repair work being performed, when required by law. When a license is not required for the type and amount of work to be performed, the contractor must still be bonded. The Administering Agency will procure qualified contractors and provide the homeowner with a choice of qualified contractors. The Administering Agency will review the cost estimates with the homeowner. The contractor with the lowest and best bid shall be selected to do the work.

Should the homeowner or the Administering Agency decide to select a bid other than the lowest bid, the Administering Agency must provide the reason/justification on behalf of the owner to THDA in writing before accepting the bid. If the justification is not acceptable to THDA, the Administering Agency or owner will be required to finance any costs in excess of the lowest bid from the Administering Agency's or homeowner's own resources.

9. EPA Renovate, Repair and Paint Rule (RRP)

The EPA's Renovate, Repair, and Paint Rule applies to any home proposed for assistance with ERP funds that was built prior to 1978, if the work to be performed will disturb more than six square feet of painted, varnished, or stained surfaces per interior room or more than twenty square feet of exterior painted, varnished, or stained surfaces. If the RRP Rule applies to a given project, the Administering Agency must ensure that the contractor selected is an [EPA Lead Safe Certified Firm](#). The certified contractor is responsible for complying with all elements of the RRP Rule in order to protect the occupants of the home from lead-based paint hazards during repair.

10. Eligible Administrative Costs:

ERP funds may be used to pay administrative costs incurred by the Administering Agency in the performance of program activities, but may not exceed the amount of administrative funds allocated in THDA's agreement with the Administering Agency. Administrative funds may be used for the following activities and as further described in the ERP Manual:

- a. General management, oversight, and coordination of the program, including travel costs incurred and billed at the State-approved rate.
- b. Public information, including the provision of information and other resources to residents and citizen organizations participating in the planning, implementation and assessment of projects assisted with ERP funds.
- c. Indirect costs based on a cost allocation plan approved by the cognizant agency.

Administrative funds are not subject to the match requirement.

Program Administration Requirements:

1. Equal Opportunity:

No person shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under this program.

2. Conflict of Interest:

Any person who is an employee, agent, consultant, officer or elected official or appointed official of THDA or the Administering Agency and who exercises or has exercised any functions or responsibilities with respect to activities assisted with ERP funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may not obtain a financial interest or financial benefit from an ERP-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to any ERP-assisted activity, or the proceeds from such activity, either for themselves or those whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister) grandparent, grandchild, and in-laws of a covered person.

Administering agencies must avoid conflict of interest and the appearance of a conflict of interest in administering ERP. Activities which raise the appearance of a conflict of interest must be presented to and reviewed by THDA prior to any actions by the Administering Agency. The

Administering Agency may be required to repay any ERP funds used in a way that violates this provision.

3. Compliance with Emergency Repair Program Manual

Administering agencies will implement ERP in accordance with all policies and procedures outlined in the Emergency Repair Program Manual, including, but not limited to:

- Outreach to Beneficiaries
- Requests for Payment
- Appeals
- Accessibility of Location to Accept Applications
- Recordkeeping
- Reporting
- Marketing of Program Outcomes
- Grant Close-Out



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: May 17, 2018

RE: Request for Authorization of the 2018 HOME CHDO Mini-Round Program Description

The funding round authorized under the 2018 HOME Program Description did not receive sufficient eligible applications to award the required amount of 2018 HOME funding for CHDOs. Thus, THDA has \$2,683,377 in development funding and up to \$187,836 in operating assistance available to CHDOs. This development funding amount includes \$198,700 in 2017 HOME funds.

Because of changes under HUD regulation, each HOME grant year must meet its own 24-month commitment deadline. As a result, a successful CHDO that receives an allocation of 2017 HOME CHDO funds must commit those funds to specific units no later than June 30, 2019. Organizations that receive an allocation of 2018 HOME funds must be committed to specific units by June 30, 2020. HUD will recapture any HOME CHDO funds not committed to specific CHDO activities by these respective dates. In order to provide sufficient time for CHDOs to meet this requirement, staff recommends implementation of a CHDO Mini-Round for award of these available CHDO funds.

THDA had conversations this month with past and current CHDOs to discuss barriers to HOME Program implementation. Based on the input received, THDA incorporated portions of this feedback in this program description. Other feedback will be considered for future program descriptions. The proposed changes for the 2018 HOME CHDO Mini-Round include:

- Increase the maximum of HOME funds that can be awarded to an applicant from \$500,000 to \$750,000 to allow for more funds to be awarded to successful applicants and developers of housing. This change would also allow a CHDO funded under the 2018 HOME Program Description to re-apply for additional funds not to exceed the \$750,000 total award cap.
- Add a Commitment Requirement threshold item and relaxed the Spend Down Threshold requirement of past funding recipients. Commitment is the first important stage for CHDOs to

meet, but previously was not recognized separately as a threshold item. Instead, THDA previously required CHDOs to meet expenditure at earlier timeframes, requiring CHDOs to not only have committed funds, but to have also expended funding as well. This change will allow threshold eligibility of organizations that have met key commitment requirements, but have not yet expended funds.

- Adjust funding allocation amounts to reflect final 2018 HOME awards to THDA. The HOME Program received a 50% increase in funding, which adds a 50% increase in the CHDO Commitment requirement.
- Eliminate the 25% match requirement of CHDOs put in place as part of the 2018 HOME Program Description and re-instituted the scoring incentives for the contribution of match to projects. Our conversations with representatives of CHDOs in May 2018 revealed a fundamental misunderstanding by CHDOs of the federal definition of “match”. As a result, applicants, including those who have been successful under past awards, are experiencing difficulty in generating eligible match and would be prohibited from funding consideration if this threshold requirement remains.
- Revise the scoring criteria, including:
 - Eliminate the Not Previously Served category weighted at 40 points. CHDOs indicated that this category was the primary driver of where the CHDO located a project, rather than market demand. As THDA’s CHDO funds have been under subscribed, CHDOs may not be looking to place projects in the most optimum locations given this factor that is intended to spread funds across jurisdictions.
 - Increase points for Capability from 50 to 60 points.
 - Add a new category for projects not located in a local participating jurisdiction, because local participating jurisdiction receive direct allocations of HOME funds that can be used to foster affordable housing development for homeownership purposes.
 - Reinstitute a match scoring criteria previously used under the 2017 HOME Program Descriptions.
 - Separate the Energy Efficiency/Universal Design category into two categories. Previously, the combined category awarded a total of 10 points for rehabilitation activities that incorporated energy efficiency measures and for new construction activities that incorporated specific universal design elements. The scoring matrix now provides 10 points for each category and adds scoring elements to each for both new construction and rehabilitation activities.

Staff recommends approval of the 2018 HOME CHDO Mini-Round Program Description as attached and authorization of the Executive Director or his designee to award HOME funds available under the approved Program Description to applications scored by staff based on the rating scale contained in the approved Program Description in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description. Staff will provide information to the Committee and Board regarding 2018 HOME CHDO Mini-Round funding awards at the meetings that immediately follow the date of the awards.



HOUSING GRANT APPLICATION
2018 HOME CHDO MINI-ROUND
Program Description and Application Package
Tennessee Housing Development Agency

The Tennessee Housing Development Agency (THDA) administers the federally funded HOME program to promote the production, preservation and rehabilitation of single family housing for low-income households. The purpose of this Program Description is to explain the requirements and the application process of the HOME program.

HOME funds made available to Community Housing Development Organizations (CHDOs) are awarded through a competitive application process to eligible non-profit organizations that meet the designation as a CHDO by THDA. An applicant must apply for at least \$100,000 and may apply for a maximum HOME grant of \$750,000. CHDO's previously awarded under the 2018 Regular Round may apply for an amount that would bring their total cumulative award under all 2018 Program Descriptions to no more than \$750,000. There is a \$750,000 limit on the amount of HOME funds that can be awarded in any one county.

Applications for the HOME program must be received by THDA on or before 4:00 PM CDT on Thursday, July 13, 2018. THDA anticipates notifying successful applicants by August 15, 2018. HOME contracts will begin September 1, 2018 and will end August 31, 2021.

The program description is followed by the application package. The program description and application are also available at www.thda.org. Once at the THDA website, click on BUSINESS PARTNERS and then Grant Administrators for the links to the HOME program. Click on HOME for the link to the 2018 HOME CHDO Mini-Round Program Description, application and the application attachments. If you have questions please call Bill Lord at (615) 815-2018.

The HOME Program

This program is governed by Title 24 Code of Federal Regulations, Part 92, as amended. Those regulations are incorporated by reference in this Program Description. In cases of conflicting requirements, the more stringent requirement will apply.

A. ELIGIBLE APPLICANTS

The State of Tennessee, through THDA, will accept applications for the HOME program from private, non-profit organizations that also qualify as a Community Housing Development Organization, (CHDO).

To be eligible, a non-profit organization must:

1. Meet one of the two following criteria:

- a. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

OR

- b. Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of State dated no more than thirty (30) days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).
2. Demonstrate at least two (2) years of experience providing affordable housing or affordable housing related services in the state of Tennessee satisfactory to THDA, in its sole discretion.
 3. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;
 4. Have among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of housing to low-income households;
 5. Have standards of financial accountability that conform to 2 CFR Part 200, *Uniform Administrative Requirements, Audit Requirements and Cost Principles*; and
 6. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status.

To be considered a qualifying community housing development organization, the CHDO must also meet the following additional requirements:

7. Not be controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the CHDO. If a CHDO is sponsored or created by a for-profit entity, all of the following shall apply:
 - a. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer or real estate management firm;
 - b. The for-profit entity may not have the right to appoint more than one-third of the membership of the CHDO's governing body. CHDO board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
 - c. The CHDO must be free to contract for goods and services from vendors of its own choosing;
 - d. The officers, directors, owners (stockholders, managers, members, etc.) or employees of the for-profit entity cannot be officers, directors, owners (stockholders, managers, members, etc.) or employees of the CHDO.

8. Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO; however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of recipient governmental entity. Board members appointed by the State or local government may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers of the Board or employees of a CHDO
9. Maintain accountability to low-income community residents by:
 - a. Including residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in at least one-third of the CHDO's governing board's membership. For urban areas, "community" may be a neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and
 - b. Providing a formal process for low-income program beneficiaries to advise the CHDO in its decisions regarding the design, site selection, development, and management of affordable housing.
10. Have a demonstrated capacity to successfully carry out housing projects assisted with HOME funds. A CHDO undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with HOME funds. Paid staffing may be documented by providing copies of the most recent W-2, as applicable, issued by the nonprofit entity for each staff member. For its first year of funding as a CHDO, a CHDO may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key CHDO staff. A CHDO that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of 24 CFR 92.300(a)(2). A CHDO does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated or cost allocated by another organization, or by hiring a consultant.
11. Have a history of serving the community within which the housing to be assisted with HOME funds is to be located. In general, a CHDO must be able to show at least one year of serving the community through housing activities benefiting low-income persons or families before HOME funds may be awarded to that CHDO. However, a newly created CHDO formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least one year of serving the community through housing activities benefiting low-income persons or families.

CHDOs may only apply for HOME funding for projects in which the CHDO is the owner and developer. CHDO applicants must submit **a completed application that includes the Non-Profit Checklist/CHDO Designation** with supporting documentation signed by the applicant's counsel.

All applicants with prior HOME grants from THDA must meet both the Commitment and Spend Down Requirements as noted below for the funding round under which the entity received a prior grant award:

1. To meet the Commitment Requirement, THDA must have entered into a legally binding agreement with the organization for specific site addresses for the percentage of development funds specified by grant year.

2. To meet the Spend Down Requirement, the organization must have either expended or submitted an official Request for Payment Form with supporting documentation for the percentage of development and operating assistance funds specified by grant year:

<u>HOME PROGRAM DESCRIPTION</u>	<u>COMMITMENT REQUIREMENT</u>	<u>SPEND DOWN REQUIREMENT</u>
<u>2012 CHDOs</u>	<u>100%</u>	<u>100%</u>
<u>2012 – 2013 Regular Rounds</u>	<u>100%</u>	<u>100%</u>
<u>2013 CHDOs</u>	<u>100%</u>	<u>100%</u>
<u>2014 Regular and CHDOs</u>	<u>100%</u>	<u>100%</u>
<u>2015-2016 Regular and CHDO Round and CHDO Mini-Rounds 1 & 2</u>	<u>100%</u>	<u>50%</u>
<u>2017 Regular</u>	<u>50%</u>	<u>0%</u>
<u>2017 CHDO and CHDO Mini- Rounds 1 and 2</u>	<u>25%</u>	<u>0%</u>
<u>2018 Regular Round</u>	<u>0%</u>	<u>0%</u>

These spending requirements apply to applications from CHDOs that have received THDA HOME grant awards under previous program descriptions. In addition, CHDOs that were funded for homeownership programs that generate CHDO proceeds will have to demonstrate a need for additional HOME funds and documentation that neighborhood market conditions demonstrate a need for the project to be eligible for the 2018 HOME program.

3. To be eligible, all applicants for the 2018 HOME CHDO Mini-Round application cycle must be in compliance with all other THDA programs in which they participate.

B. ALLOCATION OF FUNDS

HOME funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. The amount of the 2018 HOME allocation to THDA is \$14,391,943. Additionally, THDA also will make available any returned or leftover funds from the 2017 or earlier funding rounds as determined at the time of award in August, 2018.

Under this program description, THDA will also set-aside up to 5% of its 2018 HOME allocation for CHDO operating expenses.

THDA will set-aside eighteen percent (18%) of the total 2018 HOME allocation for eligible applications from CHDOs, including CHDOs serving Local PJs. Any HOME funds remaining or returned from prior application rounds and designated as CHDO funds will also be made available with this 2018 set-aside. The THDA HOME funding to successful CHDO applicants serving a Local PJ will be reduced by the amount of funding the CHDO receives from the Local PJs to keep within the \$750,000 maximum grant.

To be funded, an application must receive a minimum threshold score of 60, an amount equal to at least 50% of the total points available.

Beginning with the 2015 HOME allocation, HUD no longer considers a PJ as meeting its 24-month CHDO commitment through a cumulative total of CHDO commitments since 1992, and each grant year must meet its own 24-month commitment deadline. In addition, the execution of a HOME Working Agreement and the establishment of a CHDO sub-grant in IDIS is insufficient to meet this requirement. Thus, a successful CHDO that receives an allocation of 2018 CHDO funds must commit those funds to specific units no later than June 30, 2020. Any 2017 HOME funds awarded to an organization must be committed to specific units no later than June 30, 2019. **HUD will recapture any 2018 CHDO funds not committed to specific CHDO activities by June 30, 2020 and will recapture any 2017 CHDO funds not committed to specific CHDO activities by June 30, 2019.** CHDO applicants need to be aware of these dates and have a pipeline of eligible homebuyers so they can begin their projects as soon as the environmental reviews are completed. If, in the opinion of THDA, the applications submitted do not contain viable proposals or are from a CHDO that lacks the organizational potential to comply with all HOME affordability requirements, THDA may choose not to award any or all of the funds set-aside for CHDOs in the current application round.

C. ELIGIBLE ACTIVITIES

There are specific eligible activities under the HOME CHDO Mini-Round Program Description that must address the housing needs of low-income households. Manufactured housing and manufactured housing lots are not eligible for HOME assistance. Housing does not include emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and dormitories, including those for farm workers or housing for students. Eligible housing activities include:

1. Homeownership Programs

- a. *CHDO: CHDOs must use HOME funds to develop units for homeownership, including new construction or acquisition and substantial rehabilitation of substandard single-family dwellings.* The CHDO must be the owner and developer of all units at the time the units are constructed or rehabilitated. When units are sold to eligible homebuyers, the HOME funds must be repaid to the CHDO as CHDO proceeds and must be used to develop additional single-family units for homeownership in compliance with the HOME regulations. A CHDO must allow an amount up to \$14,999 of HOME funds to remain with the unit as a soft second mortgage as necessary to qualify the household for permanent financing, but not less than \$1,000. THDA requires that a subsidy remain in the financing when the unit is sold so affordability is based on the less restrictive recapture provision of the HOME regulations. Any homeownership unit developed by a CHDO that cannot be sold to an eligible homebuyer within nine months of the Certificate of Occupancy must be converted to rental housing and rented to an income-eligible tenant.

Before construction or acquisition and rehabilitation can begin under homeownership, all CHDOs must demonstrate a pipeline of eligible buyers pre-qualified for a permanent loan. Although speculative construction or acquisition is not generally allowed, under certain circumstances THDA will allow a CHDO to apply for an exception to this policy on a project by project basis. To be considered for an exception, the CHDO must demonstrate that it meets certain criteria, including:

- (1) Experience and capacity to manage an affordable rental housing program;
- (2) Success during the last three (3) years in managing affordable rental housing in the area of the proposed project with an average list to lease-up term of no more than 180 days;

- (3) A current average market time of list to contract for sale for similarly priced, comparable homes in the area of the proposed project of no more than 120 days;
- (4) Extenuating circumstances that prevent the CHDO from having a pipeline of pre-qualified homebuyers to support their development activity.

Additionally, if the property remains unsold nine months after completion, a lease-purchase may be permitted if the CHDO can demonstrate that it has an existing and active lease-purchase program.

- b. *Cities, Counties, and Non-profit Organizations (non-CHDO).* Homeownership programs are restricted to a soft second mortgage necessary to qualify the household for permanent financing.
- c. *Soft Second Mortgages.* Any HOME funds used for a soft second mortgage in homeownership programs are limited to the lesser of \$14,999 in HOME funds or the amount of HOME funds necessary to qualify the household for permanent financing, but not less than \$1,000. All grant recipients using HOME for soft second mortgages must use the THDA single-family underwriting template to determine the amount of HOME assistance, and must submit the determination to THDA for review and final approval. If the underwriting template indicates that the homebuyer does not have an unmet need for the soft second mortgage, the grant recipient may not provide direct HOME assistance to that homebuyer. The amount of the soft second mortgage is the “direct HOME subsidy” provided to the homebuyer and subject to recapture.

The soft second mortgage will have an affordability period of five years, which is forgiven at the end of the fifth year if the unit remains in compliance, i.e., the unit remains the permanent residence of the initial buyer and is not leased or vacated. If the unit is sold or transferred during the affordability period, the amount of the HOME subsidy subject to recapture will be reduced by twenty percent (20%) per year of occupancy by the initial homebuyer. If the unit is leased or vacated during the affordability period, the entire HOME subsidy must be repaid.

The soft second mortgages may not be combined with other THDA-funded “second mortgage” assistance programs, including Great Choice Loan Plus assistance, or with funding available through the New Start program, and any subsequent or similar programs operated by THDA. The THDA HOME funded soft second mortgage may be combined with a THDA Great Choice first mortgage loan.

- d. *Sales Price.* All units must be sold for an amount not to be lower than the appraised value of the unit.
- e. *Sales Price Limits.* The sales price limit for homeownership programs are the Property Value Limits. Current limits are available at <https://thda.org/business-partners/home>.
- f. *Underwriting.* Front and back end ratios may not exceed twenty-nine (29%) and forty-one percent (41%), respectively. Lower ratios are encouraged.
- g. *Permanent Financing.* Under homeownership programs, THDA expects the use of THDA mortgage loans whenever suitable. Other financing may be used if it is comparable to a THDA mortgage loan. Permanent financing is considered comparable if the interest rate does not exceed the prevailing THDA Great Choice interest rate by more than one percentage point and when it is demonstrated that the homebuyer represents a commensurate underwriting risk to the lender. All loans must have a fixed interest rate fully amortizing over the 30 year term of the loan. There can be no pre-payment penalty for early payoffs.

- h. *Homebuyer Contribution.* The homebuyer must make a contribution from their own funds equal to one percent (1%) of the purchase price of the property.
- i. *Homebuyer Education.* All homebuyers must complete a homebuyer education program from a THDA qualified homebuyer education provider prior to purchase.
- j. *Neighborhood Market Conditions.* Applicants proposing homeownership projects must document that neighborhood market conditions demonstrate a need for the project and must complete a market study as part of the 2018 application cycle for homeownership programs.
- k. *Deadline for Sale.* Homeownership units must be sold to an eligible homebuyer within nine (9) months of project completion. If a homeownership unit is not sold to an eligible homebuyer within nine months of the Certificate of Occupancy, the unit must be converted to rental housing for the appropriate rental affordability period or the HOME funds must be repaid by the grant recipient to THDA.

THDA expects that the grant recipient will not only shepherd the homebuyer through the home buying process, but also work toward fostering an on-going relationship with the homebuyer. This responsibility includes facilitating additional homeowner counseling, verifying homeowner occupancy requirements on an annual basis, and monitoring mortgage loan default issues.

2. CHDO Operating Expenses, Developer's Fees and CHDO Proceeds

- a. *CHDO Operating Expenses.* A CHDO may request up to 7% of the funds awarded for the acquisition and rehabilitation or new construction of housing for sale to low and moderate income home buyers as CHDO operating expenses to help with the administrative costs of operating the organization. Operating expenses are separate from project funds and are funded from the 5% set-aside for CHDO operating expenses from the annual HOME allocation.
- b. *Developer's Fees.* A CHDO may also request an 8% developer's fee if the CHDO is acting as a developer of housing. The developer's fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit. The developer's fee is a project soft cost and counts against the maximum per unit subsidy limit applicable to a project.
- c. *CHDO Proceeds.* CHDO proceeds are the HOME funds returned to a CHDO upon the sale of a unit developed by the CHDO from the buyer's permanent financing. The CHDO must use its CHDO proceeds to develop more housing for homeownership. A CHDO may use 15% of the CHDO proceeds for operating expenses, divided as follows: Maximum of 7% for administration and Maximum of 8% for developer's fees. Once the CHDO proceeds are used a second time to develop more housing for homeownership, the HOME restrictions on the use of proceeds are eliminated. The 25% cap on the amount of CHDO proceeds that can be used for operating or administrative expenses has been eliminated. This policy applies retroactively to current, active CHDO grants.

3. Project Soft Costs

In planning their programs, applicants may include the actual costs paid to third parties for progress inspections and work write-ups as a project-related soft cost where necessary. The costs for progress inspections and work write-ups are capped at \$2,500. In addition to the costs for inspections and work write-ups, the costs for lead-based paint inspections, risk assessments and clearance testing, and

architectural and engineering fees are also paid as project soft costs. All project soft costs count toward the HUD maximum per unit subsidy limit.

D. PROHIBITED ACTIVITIES

1. Provide project reserve accounts, or operating subsidies;
2. Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;
3. Provide non-federal matching contributions required under any other Federal program;
4. Provide assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);
5. Carry out activities authorized under 24 CFR Part 968 (Public Housing Modernization);
6. Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages);
7. Provide assistance (other than assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by HUD or THDA in the written agreement. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the HUD maximum per-unit subsidy amount;
8. Pay for any cost that is not eligible under 24 CFR 92.206 through 92.209;
9. Use HOME funds for rental housing projects;
10. Provide assistance for a homeowner rehabilitation project by a CHDO from the 15% CHDO set-aside. A CHDO funded through the 15% CHDO set-aside can only participate in the HOME program if they are the owner and developer of a project.

E. LAYERING

Layering is the combining of other federal resources on a HOME-assisted project that results in an excessive amount of subsidy for the project. Such activity is prohibited. Grantees must analyze each project to ensure that only the minimum amount of assistance is allocated to the project. In no case may the amount of HOME funds exceed the HUD Maximum per Unit Subsidy Limit.

F. MATCH

THDA will not require applicants to provide match towards funded projects. Although no local match is required, THDA will award points based on the contribution of eligible match reflected in an application as specified in the scoring matrix. THDA will count any qualifying non-federal project funds or other resources reflected in successful applications that qualify as match under the HOME rule toward the match requirement.

HOME match is permanent, non-federal contributions to a project. Matching contributions may be in the form of one or more of the following:

1. Cash contributions not provided by the assisted household and not from a federal source, including the present value of the interest subsidy for loans made at rates below market.
2. Reasonable value of donated site-preparation and construction materials.
3. Reasonable rental value of the donated use of site preparation or construction equipment.
4. Waived fees and taxes.
5. Property donation or below-market sale. A copy of the appraisal and/or purchase contract must be submitted. The donor/seller of the property must also provide a statement certifying that the property was donated or sold for affordable housing purposes and an acknowledgment that the donor/seller received the URA Guide Form Notice Disclosure to Seller, as well as the HUD booklet entitled, "When a Public Agency Acquires Your Property." If the property was originally acquired with federal funds, the value of the property is not match eligible.
6. The direct cost of donated, compliant homebuyer counseling services provided to families that acquire properties with HOME funds under the provisions of 24 CFR §92.254, including on-going counseling services provided during the period of affordability. Counseling may not be valued at more than \$40 per hour.
7. Reasonable value of donated or volunteer labor or professional services. Unskilled volunteer labor may not be valued at more than \$10 per hour; skilled volunteer labor may be valued at the documented going rate.
8. Value of sweat equity may also be eligible if every assisted household under the HOME grant award is required to perform sweat equity. Sweat equity may not be valued at more than \$10 per hour.
9. Other match sources as permitted under the HOME Final Rule.

THDA will monitor the contribution of match throughout the implementation of the grant.

G. LEVERAGE

In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by local governments, grants from other sources and cash from program beneficiaries. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage. Administrative funds, *anticipated* fund-raising revenues, other THDA funds, and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years.

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

H. HOME PROGRAM REQUIREMENTS

1. INCOME LIMITS

HOME funds may be used to benefit only low-income households. "Low-income households" means an individual or household whose income does not exceed 80% of the area median income, adjusted for household size. THDA encourages the targeting of HOME resources for homeowner rehabilitation activities to very low-income households.

"Very low-income household" means a household whose income does not exceed 50% of the area median income, adjusted for household size.

The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other household member residing in the home. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Current limits are available at <https://thda.org/business-partners/home>. Median income for an area or the state shall be that median income estimate made by HUD. Median incomes change when HUD makes revised estimates.

2. FORMS OF ASSISTANCE

Homeownership programs. Assistance from grant recipients to program beneficiaries as soft second mortgages will be limited to loans equal to the lesser of \$14,999 or the amount necessary to qualify the household for permanent financing which are forgiven at the end of 5 years.

3. AFFORDABILITY PERIOD

- a. CHDOS.* At the time of the sale of the unit to an eligible homebuyer, the CHDO must leave HOME funds in the unit as a soft second mortgage loan in an amount equal to the lesser of \$14,999 or the amount of HOME funds necessary to qualify a household for permanent financing, but not less than \$1,000. There will be an affordability period of five years secured by a Note and Deed of Trust between the CHDO and the homebuyer. The HOME loan is forgiven at the end of the fifth year if the unit remains in compliance with HOME requirements. This means that the property remains the primary residence of the initial homebuyer and is not leased or vacated; and if the property is sold or transferred at the end of the affordability period, the homebuyer has complied with these recapture provisions. If the unit is sold or transferred during the affordability period, the amount of HOME subsidy subject to recapture will be reduced by twenty percent (20%) per year of occupancy by the initial homebuyer. If the unit is leased or vacated during the affordability period, the entire HOME subsidy must be repaid to THDA.

- b. *Sale or Transfer of the Property.* The HOME-assisted home buyer may sell or otherwise transfer the unit on or before the end of the affordability period to any willing buyer at any price, and the amount of the HOME subsidy subject to recapture will be reduced by 20% per year of occupancy by the initial homebuyer. The amount subject to recapture is limited by the availability of net proceeds. The net proceeds are the sales price minus superior non-HOME loan repayments minus closing costs. If the net proceeds are not sufficient to recapture the remaining outstanding principal balance of the HOME Note plus the amount of the down payment made by the homeowner, if any, plus the amount of any capital improvement investment made by the homeowner, then the grant recipient shall recapture a pro rata share of the net proceeds of the sale in lieu of the full remaining outstanding principal balance of the HOME Note. “Capital improvement investment” means the improvements to the property made at the homebuyer’s expense (and not through some other form of subsidy), as evidenced by receipts or cancelled checks detailing the capital improvements made. Capital improvements do not include items of maintenance, deferred maintenance or cosmetic improvements. The pro rata amount to be recaptured shall be calculated in accordance with the HOME Program Regulations at 24 CFR 92.254(a)(5)(ii)(A)(3) as follows:

If the net proceeds are not sufficient to recapture the full HOME investment (or a reduced amount) plus enable the homeowner to recover the amount of the homeowner’s down payment and any capital improvement investment made by the home owner since purchase, the grant recipient shall share the net proceeds according to the following formulas:

$$\frac{\text{HOME Subsidy}}{\text{HOME Subsidy} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME Amount to Recapture}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Subsidy} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME Amount to Recapture}$$

The new proceeds may be divided proportionately as set forth in these steps:

- (1) *Application of Forgiveness Feature.* Once the net proceeds are determined from the sale of the property, the grant recipient shall reduce the amount due based on the length of time the homebuyer has occupied the home in relation to the affordability period. Soft second mortgages up to \$14,999 have a five year affordability period and a forgiveness feature of 20% per year.
 - (2) *Amount subject to recapture.* The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the homebuyer to buy the housing unit. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e., the development subsidy).
 - (3) After the full HOME investment has been repaid, any excess profits will belong to the homeowner.
- c. *Construction Financing-Homeownership.* For CHDOs using HOME for construction financing to develop homeownership units, the initial affordability period will be based on the amount of HOME funding invested in the development of the unit under the resale provisions of the HOME regulations. In order to enforce the provisions of the Working Agreement with the CHDO, THDA will require that a Restrictive Covenant and Deed of Trust be recorded against the property prior to drawing down HOME funds for construction. When the unit is sold to an eligible homebuyer,

THDA will provide the closing agent a copy of the release for Restrictive Covenant and Deed of Trust. The CHDO must provide the closing agent with a Grant Note and Deed of Trust between the CHDO and the homebuyer for the soft second mortgage loan under the recapture provisions. Upon receipt by THDA of a copy of the Grant Note, the recorded Deed of Trust between the homebuyer and the CHDO, the recorded deed from the seller to the homebuyer, and the fully executed final TILA-RESPA Integrated Disclosure (TRID) Settlement Statement, the original Release of Lien is forwarded to the closing agent for recording.

4. LEVEL OF SUBSIDY

The maximum HOME investment per unit is provided below:

MINIMUM HOME DOLLARS	\$ 1,000	PER UNIT
MAXIMUM HOME DOLLARS	\$60,021	0-BEDROOM (EFFICIENCY) LIMIT
	\$68,806	1-BEDROOM LIMIT
	\$83,667	2-BEDROOM LIMIT
	\$108,239	3-BEDROOM LIMIT
	\$118,812	4-BEDROOM OR MORE LIMIT

Periodically, THDA may update these limits pending approval from HUD. Updated limits will be effective for all activities in which an agreement for the activity is entered into after the effective date for the limits issued by HUD. These updates will be posted on THDA's web site at <https://thda.org/business-partners/home>.

5. PROPERTY STANDARDS

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

In the absence of a local code, new construction of single-family units or duplexes must meet the current, State-adopted edition of the International Residential Code for One- and Two-Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc.

In the absence of a local code, rehabilitation of existing homeowner units must meet the current, State-adopted edition of the Existing Building Code of the International Code Council (ICC).

THDA will not make any funding awards for units in a jurisdiction where the unit cannot be inspected by a state certified building inspector or by a provider as permitted under State law.

HOME funded units must also conform, as applicable, to the THDA Minimum Design Standards for New Construction of Single Family and Multifamily Housing Units and with THDA's Minimum Design Standards for Rehabilitation of Single Family and Multi-family Housing Units. THDA must

review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.

The International Code books are available at: www.iccsafe.org

- a. *Disaster Mitigation.* All new construction should be built in a method and/or location that would attempt to protect all new construction from possible disaster due to either a man-made issue, or an act of God that may cause physical or structural damage to the home. The methods should include any items that may be recommended, or required by either local, state, or federal agencies dealing with disasters.
- b. *Energy Code.* New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.
- c. *Energy Conservation.* In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (HERS) rater or achieve a HERS index of 85 or less when tested by a certified rater.
- d. *Section 504.* Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.

6. AFTER REHABILITATION PROPERTY VALUE

For homeowner rehabilitation projects, the maximum after rehabilitation value permitted for the type of single-family housing (1-4 family residence, condominium, cooperative unit,) shall not exceed 95% of the median purchase price for the area as established by HUD. Current limits are available at <https://thda.org/business-partners/home>.

7. SALES PRICE LIMITS

The sales price limit for homeownership programs are the same as the Property Value Limits for homeowner rehabilitation programs. Current limits are available at <https://thda.org/business-partners/home>.

I. UNIVERSAL DESIGN/VISITABILITY

THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the housing that is constructed or rehabilitated with federal HOME funds.

Universal design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:

- Make the unit usable by the greatest number of people;
- Respond to the changing needs of the resident; and
- Improve the marketability of the unit

The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:

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

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <http://www.ncsu.edu/ncsu/design/cud/index.htm>.

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

- One zero-step entrance.
- Doors with 32 inches of clear passage space.
- One bathroom on the main floor that is accessible to a person using a wheelchair.

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

J. HOME RELOCATION REQUIREMENTS

THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION OF HOUSEHOLDS. PRIOR TO APPLICATION, CONTACT THDA IF YOU ARE PLANNING ANY PROJECT THAT MAY INVOLVE DISPLACEMENT OR RELOCATION.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations, 49 CFR Part 24, requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition, or private acquisition carried out under a federally-assisted project or program.

Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with Community Development Block Grant (CDBG) or HOME funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.

Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME program decisions. Concerns about relocation may cause an administrator to consider establishing a preference for vacant buildings. However, administrators should also consider that vacant buildings are often much deteriorated. Rehabilitating an occupied building even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, program administrators must consider whether occupants will be able to return after rehabilitation and whether Housing Choice Voucher (Section 8) assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the program administrator must consider whether the owner removed the tenants in order to apply for HOME assistance for a vacant building. If so, these tenants are displaced persons.

Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for HOME and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

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

WHO IS A DISPLACED PERSON? - Any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with HOME funds. Relocation requirements apply to all occupants of a project/site for which HOME assistance is sought even if less than 100% of the units are HOME assisted.

WHO IS NOT A DISPLACED PERSON? - A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations. A person with no legal right to occupy the property under State or local law (e.g., squatter). A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project. A person, after being fully informed of their rights, waives them by signing a Waiver Form.

HOW IS DISPLACEMENT TRIGGERED?

Before Application. A tenant moves permanently from the property before the owner submits an application for HOME assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the HOME project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for HOME assistance.)

After Application. A tenant moves permanently from the property after submission of the application, or, if the applicant does not have site control, the date THDA or the local program administrator approves the site because: (1) the owner requires the tenant to move permanently; or (2) the owner fails to provide timely required notices to the tenant; or (3) the tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

After Execution of Agreement. A tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.

K. HOME RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

THDA will require grant recipients to replace all occupied and vacant habitable lower income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with funds provided under the HOME Investment Partnership Act

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a working agreement committing THDA to provide funds for a project that will directly result in the demolition or conversion, THDA will make public by and submit to the HUD/Knoxville HOME coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units must submit the following information to THDA:

1. A description of the proposed assisted project;
2. The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided;
5. The source of funding and a time schedule for the provision of the replacement housing;
6. The basis for concluding that the replacement housing will remain lower income housing for at least 10 years from the date of initial occupancy; and
7. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

L. EQUAL OPPORTUNITY AND FAIR HOUSING

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

Fair Housing Act	24 CFR Part 100
Executive Order 11063, as amended (Equal Opportunity in Housing)	24 CFR Part 107
Title VI of the Civil Rights Act of 1964 (Nondiscrimination in Federal programs)	24 CFR Part 1

Age Discrimination Act of 1975	24 CFR Part 146
Section 504 of the Rehabilitation Act of 1973	24 CFR Part 8
Section 109 of Title I of the Housing and Community Development Act of 1974	24 CFR Part 6
Title II of the Americans with Disabilities Act	42 U.S.C. §12101 <i>et seq.</i>
Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity	24 CFR Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982
Section 3 of the Housing & Urban Development Act of 1968	24 CFR 135
<ul style="list-style-type: none"> Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing. 	
Executive Order 11246, as amended (Equal Employment Opportunity Programs)	41 CFR 60
Executive Order 11625, as amended (Minority Business Enterprises)	
Executive Order 12432, as amended (Minority Business Enterprise Development)	
Executive Order 12138, as amended (Women's Business Enterprise)	
<ul style="list-style-type: none"> Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA. 	

The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:

Architectural Barriers Act of 1968 at 42 U.S.C. §4151 <i>et seq.</i>
Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)
Executive Order 12898
Executive Order 13166 (Limited English Proficiency)
Executive Order 13217 (Community-based living arrangements for persons with disabilities)

In addition to the above requirements, the PJ and local programs must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with its current Consolidated Plan.

M. SITE AND NEIGHBORHOOD STANDARDS

Housing provided through the HOME program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities. Grantees must ensure that the proposed activity does not allow or promote segregation on the basis of race, disability or income.

N. AFFIRMATIVE MARKETING

Prior to beginning a HOME project, grant recipients must adopt affirmative marketing procedures and requirements for all HOME-funded homebuyer projects with five or more units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. These must be approved by THDA prior to any HOME funds being committed to a project. Requirements and procedures must include:

1. Methods for informing the public, owners and potential tenants about fair housing laws and the local program's policies;
2. A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME funds;
3. A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;
4. Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and
5. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

O. ENVIRONMENTAL REVIEW

In implementing the HOME program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58.

THDA, as the Participating Jurisdiction, will be responsible for carrying out environmental reviews. THDA must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews. HOME funds and any other funds involved in the project cannot be committed until the environmental review process has been completed and the HOME funds have been released. The Environmental Review covers the entire project, not just the portion funded by HOME. Therefore, except under very limited circumstances, *no funds, including both HOME and non-HOME resources, may be expended on a project prior to the release of funds under the Environmental Review process. Any such expenditure will make the entire project ineligible for funding under the HOME program.*

P. LEAD-BASED PAINT

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323).

Q. LABOR STANDARDS

Davis-Bacon wage compliance and other Federal laws and regulations pertaining to labor standards apply to all contracts for rehabilitating or constructing 12 or more units assisted with HOME funds. The contract for construction must contain the applicable wage provisions and labor standards. Davis-Bacon does not apply to projects using volunteer labor or to sweat equity projects.

R. DEBARMENT AND SUSPENSION

Local programs must require participants in lower-tier transactions covered by 24 CFR 24 to certify that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

S. FLOOD PLAINS

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

T. CONFLICT OF INTEREST

In the procurement of property and services, the conflict of interest provisions at 2 CFR 200.112, apply. In all cases not governed by 2 CFR 200.112, the conflict of interest provisions of the HOME Rule as stated below apply:

The HOME conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, a State recipient or subrecipient receiving HOME funds. No person listed above who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a HOME-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the HOME-assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

No owner, developer or sponsor of a project assisted with HOME funds (or officer, employee, agent, elected or appointed official, or consultant of the owner, developer or sponsor or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, or consultant of the owner, developer or sponsor) whether private, for profit or non-profit (including a CHDO when acting as an owner, developer or sponsor) may occupy a HOME-assisted affordable housing unit in a project during the required period of affordability specified in 92.252(e) or 92.254(a)(4). This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

Grant recipients should avoid conflicts of interest and the appearance of conflicts of interest in administering their HOME programs as THDA does not routinely consider requesting exceptions to the conflict of interest provisions from HUD. The existence of a conflict of interest or the appearance of a conflict of interest, as determined by THDA in its sole discretion, may be grounds for requiring repayment of HOME funding and limitations on future program participation.

U. PROCUREMENT

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties, and non-profit organizations must follow their procurement policies and meet all state and federal requirements. At a minimum, applicants must comply with 2 CFR 200.318 - General Procurement Standards.

Prior to solicitation of bids, the Grantee should develop a comprehensive scope of work and perform an independent cost estimate. Grantees should obtain a minimum of 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections, and work write-ups. There must be an established, well-documented selection procedure and a written rationale for selecting the successful bid or proposal.

V. APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially, and administratively feasible; and the proposal of a project that meets the requirements of 24 CFR Part 92, as amended.

CHDOs must submit the **Non-Profit/CHDO Checklist** with supporting documentation. Applicants must upload all organizational information required to be submitted through THDA's Participant Information Management System (PIMS). Copies of organizational documents that are required to be submitted through PIMS but that are submitted through another means will not be considered.

Documentation must be submitted along with the completed Checklist to demonstrate that the organization meets threshold requirements and has the capacity to provide affordable housing for low-income households, including the administration of the proposed project.

Applications meeting the threshold criteria will be scored and ranked in descending numerical order within the CHDO matrix, based on the criteria provided below. In the event of a tie score under the CHDO matrix, THDA first will select the application with the highest capacity score and then, if a tie still remains, the highest percentage of Match.

1. CAPABILITY**Up to 60 points**

The proposed project demonstrates exceptional project planning and readiness.

Up to 30 points

- The program design is complete and all necessary components to accomplish the project are identified in the application.
- Sites have been identified and CHDO has site control. NOTE: THDA will not be able to issue a Working Agreement unless there are specific addresses or a legal description for the property.
- CHDO has a pipeline of potential homebuyers ready to purchase or working toward readiness to purchase. NOTE: Commitment of CHDO funds must be to a specific address and homebuyer to meet HUD's definition of CHDO commitment by the 24-month deadline.
- CHDO has completed an examination of neighborhood market conditions demonstrating a need for the proposed housing and the anticipated housing types, as well as the target locations or neighborhoods for which the housing is intended.
- CHDO has secured other funding for the project. Commitment letters are included in the application.

The CHDO demonstrates sufficient capacity beyond threshold.

Up to 30 points

- The CHDO has produced successful affordable housing projects of similar size, scope and complexity.
- The CHDO has a demonstrated capacity to manage homeownership programs.
- The CHDO has paid staff with demonstrated housing development experience as documented by W-2 forms.
- The organization operating budget reflects multiple sources of funding.
- If previous experience under HOME:
 - Has the demonstrated ability to conform to the timeframe of Attachment B: Implementation Plan of the HOME Working Agreement;
 - Has demonstrated its ability to commit and draw down funds in a timely manner;
 - Has demonstrated the ability to complete a project within the contract term;
 - Has a lack of monitoring findings; and
 - Appropriately responds to client concerns or complaints and to THDA staff.

2. CHDO SERVICE AREA NOT IN A PJ**5 points**

THDA shall award up to 5 points to applications submitted from CHDO's where the service area of the CHDO does not include an area designated as an entitlement area/PJ by HUD.

3. DISASTER AREAS**10 points**

THDA shall award 10 points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the calendar year prior to the application due date. There are currently no presidentially declared disaster areas in Tennessee.

4. MATCH**Up to 15 points**

THDA shall award up to 30 points to applications that include a committed contribution of eligible match resources towards the project implementation. A commitment of eligible match contribution from an external source must be documented in the application from the source providing the contribution. To determine the points awarded, THDA will not round the percentage calculated.

- The project's sources include an eligible HOME match contribution that is equal to or greater than 15% of the proposed HOME funds to be used for project costs;

15 points

OR

- The project's sources include an eligible HOME match contribution that is equal to or greater than 5% and less than 15% of the proposed HOME funds to be used for project costs;

10 points

OR

- The project's sources include an eligible HOME match contribution that is equal to or greater than 1% and less than 5% of the proposed HOME funds to be used for project costs;

5 points

OR

- The project's sources include an eligible HOME match contribution that is less than 1% of the proposed HOME funds to be used for project costs.

0 points**5. LEVERAGE****Up to 10 points**

THDA shall award up to 10 points to applications that include the use of funds from other sources. THDA will award points in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. In order to receive points, there must be written documentation for the leveraged funds in the application.

6. ENERGY CONSERVATION

Up to 10 points

- a. For acquisition/rehabilitation and sale type homeownership projects, THDA shall award up to 10 points to applications that, to the extent feasible, include at least three energy conservation measures beyond that required by THDA's Design Standards for Rehabilitation in the rehabilitation of each unit.
- b. For new construction homeownership projects, THDA shall award up to 10 points to applications that include at least three energy conservation measures beyond that required by THDA's Design Standards for New Construction.

7. UNIVERSAL DESIGN

Up to 10 points

- a. For acquisition/rehabilitation and sale type homeownership projects, THDA shall award up to 10 points to applications that include at least three identified universal design features in each unit.
- b. For new construction homeownership projects, THDA shall award up to 10 points to applications that agree to construct each single family unit in accordance with the following standards beyond that which is required by THDA's Design Standards for New Construction:
 - 1) At least one entrance door, whether located at the front, side, or back of the building, or through an interior garage:
 - (A) Is on an accessible route served by a ramp or no-step entrance; and
 - (B) Has at least a standard 36 inch door;
 - 2) On the first floor of the building:
 - (A) Each interior door is at least a standard 32 inch door, unless the door provides access only to a closet of less than 15 square feet in area; and
 - (B) Each hallway has a width of at least 36 inches and is level, with ramped or beveled changes at each door threshold; and
 - (C) Each bathroom wall is reinforced for potential installation of grab bars; and
 - (D) Each electrical panel or breaker box, light switch, or thermostat is not higher than 48 inches above the floor; and
 - (E) Each electrical plug or other receptacle is at least 15 inches above the floor; and
 - (F) The main breaker box is located inside the unit on the first floor.



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: May 7, 2018

RE: Request for Modification to HOME Program Descriptions

With the changes to the HOME Final Rule in 2013, HUD implemented safeguards to ensure that units developed for sale to low and moderate income home buyers must convert to rental if the unit is not sold to an eligible homebuyer within 9 months of issuance of a certificate of occupancy. As a result, THDA implemented a requirement in its program descriptions that homebuyers must be identified for all units prior to the start of construction. This requirement has significantly impacted the ability of CHDOs to implement the program. Subsequently, THDA's ability to meet its two-year commitment requirement also has been impacted. As of today, THDA is \$823,057 short in meeting its HOME commitment obligation due on July 31, 2018.

The 2018 HOME Program Description approved at the November 2017 Board meeting provides for certain experienced CHDOs to be exempted from identifying a homebuyer prior to construction start. The language at Section C – Eligible Activities, #2 – Homeownership Programs specifically states:

CHDOs must use HOME funds to develop units for homeownership, including new construction or acquisition and substantial rehabilitation of substandard single-family dwellings. The CHDO must be the owner and developer of all units at the time the units are constructed or rehabilitated. When units are sold to eligible homebuyers, the HOME funds must be repaid to the CHDO as CHDO proceeds and must be used to develop additional single-family units for homeownership in compliance with the HOME regulations. A CHDO must allow an amount up to \$14,999, but no less than \$1,000, of HOME funds to remain with the unit as a soft second mortgage as necessary to qualify the household for permanent financing. THDA requires that a subsidy remain as part of the financing when the unit is sold so affordability is based on the less restrictive recapture provision of the HOME regulations. Any homeownership unit developed by a CHDO that cannot be sold to an eligible homebuyer within nine months of the Certificate of Occupancy must be converted to rental housing and rented to an income-eligible tenant.

Before construction or acquisition and rehabilitation can begin under homeownership, all CHDOs must demonstrate a pipeline of eligible buyers pre-qualified for permanent loans. Although speculative construction or acquisition is not generally allowed, under certain circumstances THDA will allow a CHDO to apply for an exception to this policy on a project-by-project basis. To be considered for an exception, the CHDO must demonstrate that it meets certain criteria, including:

- (1) Experience and capacity to manage an affordable rental housing program;
- (2) Success during the last three (3) years in managing affordable rental housing in the area of the proposed project with an average list to lease-up term of no more than 180 days;
- (3) A current average market time of list to contract for sale for similarly priced, comparable homes in the area of the proposed project of no more than 120 days;
- (4) Extenuating circumstances that prevent the CHDO from having a pipeline of pre-qualified homebuyers to support their development activity.

Additionally, if the property remains unsold nine months after completion, a lease-purchase may be permitted if the CHDO can demonstrate that it has an existing and active lease-purchase program.

THDA staff recommends replacement of the language at Section C 2 in the following program descriptions with the language provided above from the 2018 HOME Program Description:

- 2015 - 2016 HOME Program Description
- 2016 HOME CHDO Mini-Round 1
- 2016 HOME CHDO Mini-Round 2
- 2017 HOME Program Description
- 2017 HOME CHDO Mini-Round 1
- 2017 HOME CHDO Mini-Round 2

This language change will eliminate a state-instituted barrier and should facilitate the ability of CHDOs to meet their obligations to THDA. As a result, THDA should be better able to meet the HUD imposed CHDO commitment requirements.



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: May 10, 2018
RE: 2018 HOME Program – CHDO Awards

THDA received two applications under the 2018 HOME Program Description seeking funding under the CHDO set-aside of funds. THDA had available over \$2.7M in funding. THDA awarded \$500,000 in funding to Clinch-Powell Resource Conservation and Development Corporation. This organization will acquire and rehabilitate four homes, one unit in each of Claiborne and Jefferson Counties and two units in Hamblen County. The fifth home will be newly constructed in Grainger County.

The second application, from Cleveland-Bradley Housing Corporation, did not meet the threshold requirements for CHDO designation. The application (1) did not include documentation of a process for public input from low income residents regarding the design and siting of projects and (2) included expired documentation of their 501(c)3 designation. Additionally, the application did not include the required 25% match contribution. THDA will notify the organization of these deficiencies for correction in an upcoming funding round.

Awards under the 2018 HOME Program Description for the Urban and Rural rounds will be made by May 31, 2018. An update will be provided at the July meeting.

Tab # 6

Items:

Lending Committee Meeting Materials

**Tennessee Housing Development Agency
Lending Committee**

May 22, 2018

10:15 a.m. Central Time

AGENDA

1. Call to OrderCleaves
2. Approval of Minutes for March 27, 2018 MeetingCleaves
3. Freddie / Fannie Applications Hall
4. Adjourn.....Cleaves

LOCATION

William R. Snodgrass – Tennessee Tower
312 Rosa L. Parks Avenue, Third Floor
Nashville, TN 37243

The Nashville Room

COMMITTEE MEMBERS

Dorothy Cleaves, Chair
Regina Hubbard
Larry Martin
Todd Skelton
Mary Mac Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY
LENDING COMMITTEE
March 27, 2018

Pursuant to the call of the Chairman, the Lending Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met in regular session on Tuesday, March 27, 2018, at 10:30 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Committee members were present: Dorothy Cleaves (Chair), Regina Hubbard, Todd Skelton, and Mary Mac Wilson.

Chairman Cleaves called the meeting to order, and called for consideration of the minutes from the September 26, 2017, meeting. Upon motion by Ms. Hubbard, second by Ms. Wilson, the minutes were approved.

Chairman Cleaves called on Cynthia Peraza, Director of Special Programs, to present the first item on the agenda, HHF Program Reallocation. Ms. Peraza referenced her memo dated March 15, 2018 and provided an update on the following Hardest Hit Fund Programs:

- Down Payment Assistance Program (HHF-DPA): In 2017, THDA loan applications with HHF-DPA equaled approximately 54% of all loan applications received or approximately \$197 million in 1st mortgage loans. This pace appears to be continuing in 2018. The HHF-DPA funds are expected to be fully allocated by or before early fall.
- Principal Reduction and Lien Extinguishment Program (PRRPLE): Modifications made to the program in November 2017 had positive results. Two mortgage loans have been paid off for homeowners living on fixed incomes. An additional 36 loans are under review.
- Reinstatement Only Program (ROP): Since November, 2017, 9 loans have been reinstated, 18 loans have been approved, and an additional 33 loans are under review.
- Blight Elimination Program (BEP): Sixteen properties have been demolished and 22 loans are currently in the pipeline.

Ms. Peraza noted that the deadline for expending all HHF funds is December 2020. She indicated that staff recommends the following HHF funding reallocations to meet this deadline:

- Reduce the ROP allocation from \$5.7 million to \$4.7 million
- Reduce the PRRPLE allocation from \$5 million to \$2.5 million
- Increase the HHF-DPA allocation from \$60 million to \$63.5 million and add an additional \$500,000 from funds recovered through the Keep My Tennessee Home Program, bringing the total HHF-DPA funding to \$64 million.

Upon motion by Ms. Hubbard, second by Ms. Wilson, the Committee recommended that the Board approve the recommended reallocations and authorize staff to (1) ratify a new or modified HFA Participation Agreement with U.S. Treasury, if necessary, for the recommended program allocation adjustments; (2) make minor changes and housekeeping changes to the programs as necessary or as directed by the U.S. Treasury; and (3) do all things necessary and proper, including execution of all documents, to carry out the described programs.

Chairman Cleaves called on Ms. Peraza for the next item, Attorney General Repair Program Proposal. Ms. Peraza referenced her memo dated March 12, 2018, and provided an overview of the \$34.5 million in funds received in 2012 from the National Mortgage Servicer Settlement through the Attorney General's Office to help fund foreclosure prevention programs. She explained that with real estate market improvements, foreclosures have declined, however, lower-income homeowners continue to have issues with maintaining and repairing their properties. She noted that, as a result, staff is proposing a repair program for low income homeowners to be funded with \$3.5 million from the AG funds, with \$2 million to be available through approved non-profit partners with experience in repair activities across the state, excluding the Appalachian Regional Commission (ARC) Distressed or At-Risk counties that are already served under the Appalachian Renovation Loan Program, \$1million as a match for additional ARC funding, and \$500,000 for administrative costs. She noted that if THDA does not receive additional ARC funding, then the full \$3.5 million, excluding administrative costs, would be made available to homeowners for repairs across the state. She also noted that proposed loan terms are in the referenced memo. Upon motion by Ms. Hubbard, second by Mr. Skelton, the Committee recommended that the Board approve the recommended reallocation of AG Program funds, approve the statewide repair program as described, and authorize staff to (1) ratify a new or modified Agreement with the Office of the Attorney General, if necessary; (2) make minor changes and housekeeping changes to the programs as necessary or as directed by the Office of the Attorney General; and (3) do all things necessary and proper, including execution of any documents, to carry out the described programs.

There being no further business, Chairman Cleaves adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 22nd day of May, 2018



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

Date: May 9, 2018

To: Board of Directors, Lending Committee

From: Lindsay Hall, Chief Operating Officer of Single Family and
Rhonda Ronnow, Director of Loan Operations

Re: Application to Become a Seller / Servicer for Fannie Mae and Freddie Mac

With the addition of a servicing division, Volunteer Mortgage Loan Servicing (VMLS), THDA has the opportunity to offer a conventional loan product again by becoming an approved seller/servicer for Fannie Mae and Freddie Mac. The execution of a conventional loan product could be either a swap, by converting a conventional pool of loans into a security certificate and holding the security certificate within one of the THDA general bond resolutions or by selling loans directly to Fannie Mae or Freddie Mac through a traditional MBS program. In either case, the conventional loan product would fit under THDA's Great Choice Loan Program.

In addition, within the past few years both Fannie Mae and Freddie Mac have created products that are uniquely tailored to the HFA eligible borrower. With increased flexibility, Fannie Mae's HFA Preferred and Freddie Mac's HFA Advantage loan products are focused on serving low to moderate income borrowers while still allowing down payment and closing costs assistance. While catering to the first time homebuyer population, these two loan products also offer reduced mortgage insurance premiums.

For these reasons, staff recommends the following:

- Approve offering of a conventional loan product through Fannie Mae and/or Freddie Mac;
- Authorize staff to complete and submit an application to Fannie Mae and Freddie Mac to become a seller/servicer.
- Authorize all appropriate staff to do all things necessary and proper, including execution of all documents, to implement and administer a conventional loan product through Fannie Mae and/or Freddie Mac.

Since 2009 THDA has not purchased conventional loans with mortgage insurance. At that time, the ratings for private mortgage insurance providers were negatively impacted by the mortgage crisis. In order for THDA to purchase privately insured mortgage loans with bond proceeds, the ratings for the mortgage insurance provider must reach a AA rating so that the ratings on the THDA general bond resolutions will not be negatively impacted. The ratings for private mortgage insurers have risen in the past few years, they have not reached the necessary level.

THDA staff has continued to look at opportunities to offer a conventional loan product. The need for a conventional loan is especially important to THDA for several key reasons. First, conventional loans help to meet the needs of THDA eligible borrowers in more rural communities who may rely on smaller banks and credit unions that are not FHA approved and cannot participate in the THDA Great Choice Loan Program. Second, FHA has required life of loan mortgage insurance premiums since 2013, making FHA loan products less appealing and more costly in a side by side comparison with a conventional loan product. Not only will this positively expand THDA's market footprint but also as THDA looks to its future plans to offer servicing for others, it would be required for THDA to be a seller/servicer, thus increasing revenue generated by VMLS, the servicing division.

Tab # 7

Items:

Rental Assistance Committee Meeting Materials

**Tennessee Housing Development Agency
Rental Assistance Committee**

May 22, 2018

10:30 a.m. Central Time

AGENDA

1. Call to Order Snodderly
2. Approval of Minutes for May 23, 2017; November 14, 2017; January 23, 2018..... Snodderly
3. Mainstream VouchersRidley/Scott
4. HCV Program Updates (Verbal Update)Ridley/Scott
5. Adjourn Snodderly

LOCATION

William R. Snodgrass – Tennessee Tower
312 Rosa L. Parks Avenue, Third Floor
Nashville, TN 37243

The Nashville Room

COMMITTEE MEMBERS

John Snodderly, Chair
Daisy Fields
Regina Hubbard
Todd Skelton

TENNESSEE HOUSING DEVELOPMENT AGENCY
RENTAL ASSISTANCE COMMITTEE
May 23, 2017

Pursuant to the call of the Chairman, the Rental Assistance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, May 23, 2017, at approximately 10:49 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

Committee members present: Kimberly Brown (Chair), Regina Hubbard, and Todd Skelton. Committee members absent: Daisy Fields. Other board members present: Christin Lotz for the Comptroller of the Treasury Justin Wilson, Ronald Jones, Keith Boring, Pieter Van Vuuren, Greg Turner, Austin McMullen, Dorothy L. Cleaves, Lynn Tully, and Chairman of the Board Brian Bills.

Chairman Brown called the meeting to order. Seeing a quorum present, she called for consideration of the minutes from March 28, 2017. Upon motion by Mr. Bills, second by Ms. Hubbard, the minutes were approved.

Chairman Brown recognized Trent Ridley, THDA Chief Financial Officer, to provide an update on the Section 8 Housing Choice Voucher (HCV) program and Project-Based Contract Administration (PBCA). Mr. Ridley shared that Congress passed a budget and funded THDA at the Fiscal Year 2016 funding levels. THDA has not heard anything about the competitive process regarding the PBCA. THDA is preparing for when HUD releases a RFP and plans to participate, be competitive and retain the contract. In March, the Housing Choice Voucher program was discussed in regards to reviewing the organization of this program. Ms. Lattimore, the previous THDA Director of the Rental Assistance Division that administers the HCV program, is no longer with THDA. Mr. Ridley has assumed direct leadership for the division for an interim period of 90 days. Jeboria Scott serves as interim Assistant Director. Ms. Scott also manages the Family Self Sufficiency (FSS) Program. To allow Ms. Scott the opportunity to focus on the HCV Program, Mr. Ridley asked Debra Murray, THDA Director of Operations and former FSS Manager, to assist in leading the FSS program during the interim period. This will allow THDA to reassess the program to make sure it is operating efficiently and effectively.

The Rental Assistance Division has a maximum baseline of funding for unit leasing. Baseline units are 6,146 annually from HUD. The maximum that can be leased for the calendar year is 73,752 units. THDA's administrative fee is calculated based on the number of units leased. Maximum leasing is important to maximize the contribution margin for the program. Housing Assistance Payment (HAP) funding is reviewed by looking at the previous years' usage. HUD reviews what THDA actually spent for HAP and does a carryover to the next year. Leasing up to the maximum also helps the next year's HAP funding. In previous years, additional allocations were received than what was spent. HUD holds these funds in reserve in the event THDA is over-leased or overfunding within the confines and requirements of the program.

Rental Assistance is currently trending to be over-leased for the 2017 calendar year. The team including Mr. Ridley, Ms. Scott, James Williams, and the Accounting and IT Divisions completed an analysis over the past few months. The program is trending to be at 75,293 units instead of around 73,752 units for the calendar year. The contributing factors to this was a focus on areas of greatest opportunity to get the most benefit for leasing. Tennessee has areas where there is a higher demand for housing and these are also higher cost areas. This factors into the cost. There was a failure to monitor leasing activities to take appropriate action as necessary. As a countermeasure, THDA has updated its portability policy. Portability is if a person would like to relocate into THDA's or another jurisdiction. Sometimes THDA absorbs the cost of vouchers porting to become part of THDA's account. THDA is not currently absorbing any ports, only billable ports are being accepted. THDA has recalled approximately 100 "Shopping Vouchers". These vouchers were issued but not leased because participants were not ready to sign a lease or have not found

a unit. These implemented recommendations came from a Nashville HUD technical advisor. These countermeasures are commonly used in the public housing arena. This is not new. Attrition is also being monitored for the program that averages approximately 50-60 terminations or people leaving the program per month. At the rate leased up even with attrition, the program will not come down enough to the maximum level allowed for leasing for the calendar year. Over-leasing makes some expenditures related to the HAP payments disallowed. Program reserves, current funding, and shortfall funding can only be used when the program is within the maximum leasing for the year. Because THDA is over leased some of the expenses will be disallowed. It is a balancing act between the administrative fees and administering the 73,000 vouchers within the confine of the funding for the HAP funding given to THDA.

Mr. Ridley reviewed the numbers between the averages per unit cost versus how many units can be leased up on an annual basis. It is approximately \$459 per unit cost per month to maximize administrative fees. The goal is to maximize administrative fees for operating income and maximize federal revenue available to help with HAP. Mr. Ridley shared and explained a spreadsheet showing the HCV Financial Projections from fiscal year 2016 through 2018. In 2016, THDA's utilization rate was 93% making Rental Assistance under-leased for that period. 2016 under-leasing caused less HAP than what was allocated to THDA. Because of proration, HUD funds the HCV program based on the previous year's actuals, the amount of funds available in 2017 are less because of under-leasing. The effort was to lease up at HUD's recommendation and the program over-leased by not properly monitoring resulting in approximately \$665,000 of HAP expenses disallowed by HUD. This means HUD is not providing any funding to the program for over-leased units. Funding will come from THDA. This is the importance of the balancing act to get appropriate administrative fees.

Chairman Brown questioned if the countermeasures taken this year will put THDA where it needs to be because right now we overshot and are trying to get back in line. Mr. Ridley agreed and referred to the spreadsheet for calendar year 2018. It has been determined instead of leasing up all at once and getting a large number and allowing to average out during the year, Rental Assistance will do "Maintenance Leasing" meaning to do a little leasing monthly to ensure we keep the utilization where it needs to be while also monitoring expenditures because sometimes a HAP contract may increase. Monitoring in several areas will prevent over-leasing and maximize the HAP. Calendar year 2018 is projected to be at 99% and fully utilize the program's federal funds available. Administratively, we will be earning as much as we are allowed to earn. The program is now using a two-year and four-year tool to monitor and maintain balance.

Questions included, what would HUD disallow? How does THDA get over-leased? HAP would be disallowed because of over-leasing and HUD will not fund over the agreed leasing limit. This occurred because of not monitoring leasing activities providing a brief explanation of the HCV process including attrition. Mr. Bills' observation was that this is not necessarily over-leasing but failing to stop issuing vouchers funded through HUD. Mr. Bills questioned if the 665,082 countermeasure is the final number including attrition. The response was yes, on the conservative side. Mr. Bills noted that leasing up to 101% is not good because it costs money and leasing too low will lose money for subsequent years. Chairman Brown included if it is too low, funding is lost for the following year.

There being no further business, Chairman Brown entertained a motion for adjournment. Mr. Bills made a motion for adjournment, second by Mr. Skelton.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 22nd day of May, 2018.

TENNESSEE HOUSING DEVELOPMENT AGENCY
RENTAL ASSISTANCE COMMITTEE
November 14, 2017

Pursuant to the call of the Chairman, the Rental Assistance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, November 14, 2017, at approximately 11:36 a.m. in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

Committee members present: John Snodderly (Chairman), and Ron Jones. Committee members absent: Daisy Fields, Regina Hubbard, and Todd Skelton. Other board members present: Dorothy L. Cleaves, Lynn Tully, and Board Chair Kim Grant Brown.

Chairman Snodderly called the meeting to order. Seeing no quorum present, he deferred consideration of the May 23, 2017, meeting minutes.

Chairman Snodderly recognized Trent Ridley, THDA Chief Financial Officer, to provide an update on the Project-Based Contract Administration (PBCA) and Section 8 Housing Choice Voucher (HCV) program. Mr. Ridley indicated THDA received notification from HUD regarding an extension of the PBCA contract, however, the extension date is not yet known. He reported that HUD recently audited the PBCA activities of the Contract Administration and Compliance Division and there were no concerns or findings. He also reported that the maximum fees available were earned with no disincentives.

Mr. Ridley recognized Jeboria Scott, the new Director of Rental Assistance and described the process for selecting Ms. Scott. Ms. Scott then provided information about the Section 8 Rental Assistance Division's plans. She reported THDA anticipates the renewal of funding for the HCV Program and noted the importance of being strategic to maintain the program. She indicated the focus of the Division is to streamline the program to be prepared for opportunities and to increase revenue and to transition from an all-inclusive case management style to an individualized subject matter expert processing model. She further indicated that the overall goal is to be poised advantageously to meet impending changes in 2018 to serve HCV families at the highest level. Mr. Ridley provided additional comments regarding caseload processing models versus specialist model and noted that benchmarking showed that the larger the PHA and the larger the number of units managed, the greater the need for a more specialized approach. In response to a question, Mr. Ridley discussed staffing and noted that staff reductions are not currently being considered.

Mr. Ridley and the Committee recognized the regional managers of THDAS's HCV Program who were present: Karen Davis (West), Linda Lalone (East), and Christy Hollingsworth (South Central). Jackie Sanders (Middle) was not present.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 22nd day of May, 2018

TENNESSEE HOUSING DEVELOPMENT AGENCY
RENTAL ASSISTANCE COMMITTEE
January 23, 2018

Pursuant to the call of the Chairman, the Rental Assistance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, January 23, 2018, at approximately 10:15 a.m. in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

Committee members present: Todd Skelton (Interim Chairman). Committee members absent: John Snodderly, Daisy Fields, and Regina Hubbard. Other board members present: Dorothy L. Cleaves, Lynn Tully, and Ann Butterworth.

Interim Chair Skelton called the meeting to order. Seeing no quorum present, he deferred consideration of the May 23, 2017, and November 14, 2017, meeting minutes.

Interim Chair Skelton recognized Trent Ridley, THDA Chief Financial Officer, to provide an update on the Project-Based Contract Administration (PBCA). Mr. Ridley indicated he and Gwen Coffey, Director of Contract Administration and Compliance attended a HUD conference in early January and learned that HUD expects additional litigation and delays affecting procurement of new PBCA contract administrators. He described the anticipated timeline for development and release of a final RFP for contract administration. He noted that THDA is still preparing to respond to the RFP and creating partnerships with other HFAs.

Interim Chair Skelton recognized Jeboria Scott, Section 8 Rental Assistance Director. Ms. Scott described funding for rental assistance and discussed the Family Self-Sufficiency (FSS) Program. She referenced materials distributed at the meeting and shared preliminary revisions to the Section 8 Administrative Plan that staff plans to bring to the Committee and Board at subsequent meetings

There being no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 22nd day of May, 2018.



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

TO: Rental Assistance Committee and Board of Directors

FROM: Jeboria Scott, Director of Rental Assistance

DATE: May 9, 2018

SUBJECT: 2017 Mainstream Voucher Program

The U.S. Department of Housing and Urban Development (HUD) recently issued a **Notice of Funding Availability (NOFA) for \$100 million in new “Mainstream” housing vouchers** for nonelderly people with disabilities (See attached). Public Housing Authorities (PHAs) are eligible to submit applications; applications are due June 18, 2018. While not a requirement, HUD is providing points in this competitive process for applications that include partnerships between housing and services agencies, especially those that target housing assistance to assist people with disabilities who are transitioning out of institutional or other segregated settings, at risk of institutionalization, homeless or at risk of becoming homeless.

Points will be awarded for PHAs that formalize partnerships with and leverage resources from State Medicaid Agencies and various health and human services partner agencies and organizations.

Mainstream vouchers are a subset of the Housing Choice Voucher program that are awarded competitively to serve persons with disabilities.

Targeting resources to assist eligible persons with disabilities and their families who are transitioning out of institutional or other segregated settings or at serious risk of institutionalization will help further the goals of the Americans with Disabilities Act (ADA). One critical goal under the ADA is to ensure services, programs, and activities by public entities are provided in the most integrated setting appropriate to the needs of individuals with disabilities, as affirmed by the Supreme Court in the Olmstead decision (and settlements and decrees implementing Olmstead). This NOFA will offer vouchers to provide supports to enable non-elderly persons with disabilities to live independently in the community and provide sustained community-based integrated housing opportunities.

THDA currently manages 6,146 Housing Choice Vouchers (HCV) and is the largest HCV provider in the state assisting low-income Tennesseans. THDA’s vouchers are dispersed over 92 of Tennessee’s 95 counties. The staff believe the *Mainstream Housing Vouchers grant* will be an additional benefit to further affordable housing in Tennessee. This grant will support and provide additional housing resources to nonelderly Tennesseans with disabilities.

Further as the NOFA recommends, THDA plans to collaborate with other state agencies to assist in their housing endeavors with the use of this grant. Agencies being considered for collaboration include

- Department of Intellectual and Developmental Disabilities
- Department of TennCare
- Department of Mental Health and Substance Abuse Services
- Department of Veteran Services
- Department of Children Services

As the State of Tennessee's Housing Authority, THDA staff requests that the Rental Assistance Committee and the Board of Directors authorize staff to

1. Apply for the *FY 2017 Mainstream Voucher Program* grant funds by the deadline of June 18, 2018.
2. Allow the Executive Director to approve changes as necessary to meet changes in the program's requirements from HUD prior to submission date, including without limitation, the authority to determine that application submission is not in the best interest for THDA.

Staff anticipates a response from HUD regarding Tennessee's *FY 2017 Mainstream Voucher Program* application prior to the next scheduled THDA Board meeting in July 2018. At that time, Section 8 Rental Assistance staff will provide the Board and Committee with the results, grant award amount, participating agencies, program updates and any amendments.

/zhr

FY 2017 Mainstream Voucher Program

FR-6100-N-43

This is a summary of the NOFA and is not a substitute for a thorough review of the NOFA, which can be found at https://www.hud.gov/program_offices/public_indian_housing/programs/hcv.

Due Date: June 18, 2018

Amount of Funding Available: \$100 million

Number and Amount of Awards Anticipated: Minimum award of \$75,000. Maximum award of \$5 million. NOFA expects to make 40 awards.

Eligible NOFA Applicants: Public Housing Authorities (PHAs) and (only those) nonprofits that already administer Housing Choice Vouchers.

Overview: This NOFA makes available up to \$100 million by combining the FY17 Appropriation of \$13 million for Mainstream Vouchers with \$87 million of the \$385 FY18 Appropriation for Mainstream Vouchers. (The remaining FY18 funds will be issued through a future NOFA.) The target beneficiaries for the Mainstream vouchers are households that include one or more non-elderly persons with disabilities (NEDs).

While not a requirement, HUD is providing points/incentives for PHAs that target funds to assist NEDs who are transitioning out of institutional or other segregated settings, at risk of institutionalization, homeless or at risk of becoming homeless. Note that the definition of homeless is not limited to chronically homeless individuals; nonetheless the household must qualify as disabled in order to be eligible for these resources. The NOFA encourages PHAs to establish formal partnerships with state and/or local health and human services agencies that can provide outreach, referrals and supports.

Scoring Criteria: 100 points total

- ***Capacity and Experience: Up to 60 points***
 - PHA Capacity and Demonstrated Commitment to Provide Housing for Persons with Disabilities (Up to 25 points)
 - Up to 10 points for each: Section 811 PRA, NED2 Vouchers, or similar
 - Up to 5 points for each: system to track/monitor referrals
 - Up to 5 points for each: leveraged resources for home modifications, rent deposit, move in costs, furniture
 - Up to 3 points each: incentives for accessible housing
 - Up to 3 points each: partner with accessible housing registry, housing search for accessible units
 - Up to 5 points each: other similar experience
 - Partner Agency Capacity (Up to 15 points)
 - Up to 5 points each: securing accommodations
 - Up to 5 points each: transitioning people from institutions to community
 - Up to 5 points: Coordinating voluntary services
 - Up to 5 points: Other similar assistance
 - Geographic Jurisdiction (Up to 10 points)
 - 10 points: portability allowed prior to leasing; or
 - 10 points: statewide program; or
 - 5 points: Consortium, cooperative agreement or other
 - Admission Preference for target populations (10 points)

- *Leveraging Resources (30 points)*
 - 10 points: coordinating outreach and referral
 - 10 points: training and coordination of program implementation
 - 4 points: housing search assistance
 - 3 points: move-in assistance
 - 3 points: referring, coordinating or providing Home and Community Based Services
- *Achieving Results and Program Evaluation (Up to 10 points)*
 - 5 points: detailed program evaluation plan provided
 - 10 points: detailed program evaluation provided and centralized tracking will be used by PHA and partners

Other Items of Note:

- Nondiscrimination requirements for Partnerships e.g. cannot have one agency serving a single population as sole route to referrals for the program. Eligible people with disabilities must also be able to apply directly to the PHA.
- PHA must agree to participate in a potential program evaluation.

HUD expects to make approximately 40 awards from the funds available under this NOFA.

Estimated Total Funding: \$100,000,000

Minimum Award Amount: \$75,000 per Project Period

Maximum Award Amount: \$5,000,000 per Project Period

Estimated Project Start Date: 08/07/2018

Estimated Project End Date: 08/06/2019

Length of Project Periods: 12-month project period and budget period

Tab # 8

Items:

Tax Credit Committee Meeting Materials

**Tennessee Housing Development Agency
Tax Credit Committee**

May 22, 2018

10:45 A.M. Central Time

AGENDA

1. Call to Order Tully
2. Approval of Minutes from March 27, 2018 Tully
3. Request for Relief for 2018 Competitive Low-Income Housing Credit ApplicantsDuarte
4. Changes from the Consolidated Appropriations Act of 2018Duarte
5. Update on 2018 Multifamily Tax-Exempt Bond AuthorityDuarte
6. Update on 2019-2020 Qualified Allocation Plan (“QAP”) Development.....Duarte
7. Adjourn Tully

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

Lynn Tully, Chair
Kim Grant Brown
Pieter Vanvuyen
David Lillard
Larry Martin
Todd Skelton

TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT COMMITTEE
March 27, 2018

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors met, in regular session, on Tuesday, March 27, 2018, 11:06 a.m. Central Time at the William R Snodgrass Tennessee Tower, Third Floor, Nashville Room, Nashville, Tennessee.

The following Committee members were present: Lynn Tully (chair), Courtney Hess for Treasurer David Lillard, Todd Skelton, Samantha Wilson for Commissioner of Finance & Administration Larry Martin and Kim Grant Brown. Other Board members attending were Ann Butterworth for Comptroller Justin Wilson and Dorothy Cleaves. Seeing a quorum present, Chairman Tully called the meeting to order and called for consideration of the minutes from January 23, 2018. Upon motion by Mr. Skelton, second by Courtney Hess, the minutes were approved.

Chairman Tully called on Donna Duarte to discuss a staff proposed change to exhibit 1 of the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan that would move Sevier County from the suburban county list to the urban county list. Ms. Duarte referenced her memo dated March 7, 2018, for more information about the staff proposal and noted that the change would allow an increase in the cap for the amount of low income housing tax credits available for Sevier County. Upon motion by Ms. Brown, second by Mr. Skelton, the Committee recommended the staff proposed change to the Board.

Chairman Tully again recognized Ms. Duarte for information regarding two requests for waivers of the per development limit on the amount of non-competitive low income housing tax credits. Ms. Duarte referenced her memo dated March 1, 2018 regarding Oakwood Flats (TN18-208) and her memo also dated March 1, 2018, regarding Broadway Towers (TN18-229). She noted that increased construction costs have necessitated these requests to increase the amount of non-competitive low income housing tax credits to up to \$1.9 million for Oakwood Flats and to up to \$1.5 million for Broadway Towers. Upon motion by Ms. Hess, second by Ms. Brown, the Committee recommended both waivers to the Board.

Chairman Tully next called for consideration of a special request under the 2018 Multifamily Tax-Exempt Bond Authority Program Description ("2018 Program Description"). Ms. Duarte referenced her memo dated March 7, 2018, in describing the process and rationale for special requests as specified in the 2018 Program Description. She noted that Trevecca Towers Retirement Community ("Trevecca Towers") is the subject of the current request and it fits the requirements contained in the 2018 Program Description. Upon motion by Mr. Skelton, second by Ms. Brown, the Committee approved up to \$62 million in multifamily tax-exempt bond authority and up to \$3.808 million in noncompetitive low income housing tax credits for Trevecca Towers. Part III.C. of the 2018 Program Description provides for approval by the Tax Credit Committee, so no THDA Board action is required.

Chairman Tully again recognized Ms. Duarte who referenced her memo dated March 26, 2018 regarding proposed changes to the 2018 Program Description. Ms. Duarte explained that the staff recommendation is to increase the amount of volume cap available under the 2018 Program Description from \$210,000,000 to \$346,000,000 to meet the demand under the 2018 Program description. Upon motion by Ms. Brown, second by Mr. Skelton, the Committee recommended that the Board approve the described change to the 2018 Program Description.

Chairman Tully asked Ms. Duarte to discuss the allocation exchange for Flats at 58. Ms. Duarte referenced her memo dated March 7, 2018, that describes the rationale for the staff recommendation to approve the requested exchange of 2016 low income housing tax credits for 2018 low income housing tax credits. Upon motion by Ms. Brown, second by Mr. Skelton, the Committee recommended Board approval of the exchange subject to the conditions contained in the referenced memo.

Chairman Tully called on Ms. Duarte who provided an update on the development of the 2019-2020 Low Income Housing Tax Credit Qualified Allocation Plan ("2019-2020 QAP"). Ms. Duarte explained that staff has reached out to the development community for feedback on proposed changes to the upcoming QAP. She discussed possible changes including use of regional pools, considering new construction separately from rehabilitation/preservation, and allowing additional options for utility allowances.

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

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 22nd day of May, 2018



Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors, Tax Credit Committee

FROM: Donna Duarte
Director of Multifamily Programs

SUBJECT: 2018 Low-Income Housing Tax Credit Requests for Review Notice

DATE: May 7, 2018

THDA's Low-Income Housing Tax Credit 2018 Qualified Allocation Plan ("2018 QAP") provides a multiple step initial application review process which is outlined in the Part VIII of the 2018 QAP. For the 2018 review period, THDA has been presented with six Requests for Review.

The Requests for Reviews all request reconsideration in one area of the Sponsor Characteristics found in Part VII-B-3-a-ii of the 2018 QAP. The applicants support documentation is attached to this memorandum.

The six requests for review involve the following developments:

TN18-005 ASA Schoolhouse (Chattanooga)

TN18-015 West Creek Place Apartments (Clarksville)

TN18-035 Montgomery Commons Apartments (Clarksville)

TN18-043 Forest Cove (Sevierville)

TN18-050 Southgate Crossing (Columbia)

TN18-051 Fieldstone Village (Clarksville)

The request for relief involves the interpretation of Part VII-B-a of the 2018 QAP. Part VII-B-a reads as follows:

- a. Points will be awarded as designated below if the described event has occurred in Tennessee since March 1, 2013 with respect to the developer, ownership entity, or individuals involved (either directly or indirectly) with the developer or the ownership entity (whether formed or to be formed) identified in the Initial Application: **maximum 19 points**

(i) A reservation of Tax Credits was issued and accepted for development that the individuals identified above were involved with (either directly or indirectly) through the development or owner, and a Carryover or Firm 42M allocation was obtained: **maximum 5 points**

(ii) A Carryover or Firm 42M allocation was made to a development that the individuals identified above were involved with (either director or indirectly) through the developer of owner, and an IRS Form 8609 was obtained: **maximum 6 points**

(iii) An allocation of Tax Credits was made to a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, and the development met the minimum set-aside for low-income tenants as specified in the Land Use Restrictive Covenant: **maximum 8 points**

The specific issue is whether Part VII-B-a-(ii) requires that both a Carryover/Firm 42M allocation and an IRS form 8609 be in place prior to March 1, 2013, for the specified 6 points to be awarded. Multifamily Programs staff has interpreted this provision to require that both items be in place prior to March 1, 2013, to meet the desired result of having applicants who have recently participated in the low income housing tax credit program. In each of the six requests for review, the applicants, through their attorney, have argued that only one of the two items in Part VII-B-a-(ii) should be required for the award of 6 points.

If you have any questions on this memo or the review process, please contact me.

ASA Schoolhouse

215 River Street
Chattanooga, TN 37405
423-280-3114
samckenzie@epbfi.com

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

May 2, 2018

Re: Review Notice Memo 18-005- Scoring Review Requirements Not Met:

We respectfully request a Board Review for the finding that the Townhomes of Nashboro (12-484) does not meet the requirements for obtaining 8609s (6 points) because the Carryover Allocation was prior to 3/1/2013 although the 8609s were obtained after 3/1/2013 as required.

Part VII: Section (B)(3)(a) of the 2018 QAP reads "Points will be awarded as designated below if the described event has occurred in Tennessee since March 1, 2013." The word "event" being singular implies that each of the three scoring opportunities is a single event and not a dual requirement for two events to have occurred for the same project during the specified time period. Section 3.a. awards points when an "event" happens after March 1, 2013. The second category (ii) awards points to developments that receive IRS Forms 8609 after March 1, 2013. The pivotal "event" in the second category is the issuance of the IRS Forms 8609 being after March 1, 2013. The receipt of the carryover allocation after March 1, 2013 is the "event" covered in the first category (i). It would be redundant to again have the same "event" requirement in the second category. As such, the second category awards points to developments with a carryover allocation, that receives IRS Forms 8609 after March 1, 2013.

Not allowing developments to claim the points for receiving 8609s after 3/1/2013 if the carryover was prior to 3/1/2013 results in the following:

- Penalizes the applicants who did not receive an award from 2013-2015 and gives an unfair advantage to those that did. Those with carryover in 2016 and 2017 would most likely not have obtained the 8609s yet.
- The 3/1/13 date for the sponsorship points in the QAP was obviously intended to ensure that developers must have recent experience. The interpretation that both carryover and 8609s must be after 3/1/2013 for a specific development allows a developer with experience with only one development to receive all the experience points. Conversely based on that same interpretation, a developer such as Woodbine Community Organization with multiple developments both prior to and after 2013 is not able to claim all the points based on this technicality.

Sincerely,

Sarah McKenzie

Sarah McKenzie
ASA Schoolhouse, LP

May 3, 2018

Mr. Ralph M. Perrey
Executive Director
Tennessee Housing Development Agency
502 Deaderick Street, 3rd Floor
Nashville, TN 37243

RE: Request for Review, Low Income Housing Tax Credit application TN18-015, West Creek Place Apartments, Clarksville, TN

Dear Mr. Perrey,

I am responding to the Review Notice issued to Low Income Housing Tax Credit application TN18-015, West Creek Place Apartments, Clarksville, Tennessee regarding six (6) scoring points for the second criteria claimed for Sponsor and PHA Sponsor Characteristics, Part VII, B, 3.(ii), Tennessee Low Income Housing Tax Credit 2018 Qualified Allocation Plan. I am requesting a review of the indicated scoring item discrepancy by Tennessee Housing Development Agency's Tax Credit Committee of the Board of Directors of THDA.

I disagree with the staff's determination that as President of Omega Properties, LLC, the developer of West Creek Place Apartments, Clarksville, TN, and the managing member of the proposed development's ownership entity, that I do not meet the criteria to obtain the 6 scoring points as claimed in the initial LIHTC application submitted. I did receive a carryover allocation agreement, as well as IRS forms 8609 on developments since March 1, 2013, as required in the 2nd criteria.

The section of the 2018 Qualified Allocation Plan describing the points for sponsor characteristics in dispute, as I understand it, has three levels of past and present performance on which individuals involved in a developer entity, or an ownership entity identified in the 2018 initial application submitted must meet. Also as I understand it, points for the criteria can be obtained from mixing different deals, not solely one development. Only the second criteria below is in question, but it seems important to discuss all three that make up the section, in order to follow the intent of the section.

THDA's first criteria to receive 5 scoring points requires an individual in either the developer or ownership entities in the 2018 LIHTC application to have been successful in receiving a Carryover Allocation Agreement from THDA awarding LIHTC's to a development, at any point past March 1, 2013 to the present. I was and am an individual identified in the developer entity for TN16-008, Big Oak Apartments, Knoxville, TN. As such, Big Oak Apartments received a Carryover Allocation Agreement on September 2, 2016. Points awarded by THDA.

THDA's second criteria to receive 6 scoring points requires an individual in either the developer or ownership entities in the 2018 LIHTC application to have been successful receiving a Carryover

Mr. Ralph M. Perrey
May 2, 2018
Page 2

Allocation Agreement (see Criteria 1 above, points awarded by THDA), and IRS forms 8609, the final tax credit allocating document for each fully constructed building in a development, at any point past March 1, 2013 to the present. I was an individual identified in the developer entity for TN12-007, Concord Gardens Apartments, Clarksville, TN. As such, Concord Garden Apartments finalized construction, placed the development in service, and received IRS forms 8609 dated December 22, 2014. Points not awarded by THDA.

THDA's third criteria to receive 8 scoring points requires an individual identified in either the developer or ownership entities in the 2018 LIHTC application to have been successful in meeting the minimum set-aside for low-income tenants as specified in the THDA Land Use Restrictive Covenant, as recorded. TN12-007, Concord Gardens met that criteria as fully occupied, in August, 2015 and continues to meet that requirement. Points awarded by THDA.

The combined parts of the QAP regarding sponsor characteristics seem then to provide bench marks of 1) successfully receiving an allocation of credits from THDA, 2) successfully constructing and placing a development in service evidenced by receiving IRS forms 8609, and 3) producing and maintaining a stabilized development serving low income Tennesseans following requirements of THDA to date. Through a combination of different developments, I have met all of the required criteria.

I did receive a carryover allocation agreement, as well as IRS forms 8609 on developments since March 1, 2013, as required in the 2nd criteria. I hope the Tax Credit Committee of THDA's Board of Directors will agree, and restore the 6 points for sponsor characteristics to West Creek Place Apartments initial low income housing tax credit application for 2018.

Thank you for your time and consideration.

Cordially,

Robert Pullen
President
Omega Properties, LLC



GRD MONTGOMERY COMMONS, LLC
14120 Ballantyne Corporate Place, Suite 575
Charlotte, NC 28277
980.318.5000 OFFICE | 980.318.5005 FAX
greenwayresidentialdevelopment.com

May 2, 2018

Mr. Ralph Perrey
Executive Director
Tennessee Housing Development Agency
502 Deaderick Street, 3rd Floor
Nashville, Tennessee 37243

Dear Mr. Ralph Perrey,

We respectfully request your consideration for a formal review of the following unresolved cure item for Montgomery Commons Apartments, TN18-035, as identified in the attached Memorandum of Cure Findings.

Criteria	QAP Citing	Description	Proposed Solution
Carryover was obtained and IRS Form 8609 was obtained	Part VII, Initial Application Eligibility and Scoring, Item B-3-a(ii)	Applicant has claimed points (6) for having a Carryover or Firm 42M allocation was made to a development that the individuals identified were involved with (either directly or indirectly) through the developer or owner, and an IRS Form 8609 was obtained.	THDA has verified its records that 12-205 Fairway Manor 42M Letter was received before March 1, 2013 and is not eligible for the 6 points

Below is the relevant portion of the QAP:

3. Sponsor and PHA Sponsor Characteristics: Maximum 19 Points

a. Points will be awarded as designated below if the described event **has occurred in Tennessee since March 1, 2013** with respect to the developer, ownership entity, or individuals involved (either directly or indirectly) with the developer or the ownership entity (whether formed or to be formed) identified in the Initial Application: **maximum 19 points**

(i) A reservation of Tax Credits was issued and accepted for a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, and a Carryover Allocation was obtained: **maximum 5 points**

(ii) A Carryover Allocation was made to a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, and an IRS Form 8609 was obtained: **maximum 6 points**

(iii) An allocation of Tax Credits was made to a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, and the development met the minimum set-aside for low-income tenants as specified in the Land Use Restrictive Covenant: **maximum 8 points**



GRD MONTGOMERY COMMONS, LLC
14120 Ballantyne Corporate Place, Suite 575
Charlotte, NC 28277
980.318.5000 OFFICE : 980.318.5005 FAX
greenwayresidentialdevelopment.com

Section 3.a. awards points when an "event" happens after March 1, 2013. The receipt of the carryover allocation for Fairway Manor (TN12-205) after March 1, 2013 is the qualifying "event" covered in the first category.

The second category awards points to developments that receive IRS Forms 8609 after March 1, 2013. For this project, the qualifying "event" in the second category is the issuance of the IRS Forms 8609 after March 1, 2013.

It would be redundant to have the same "event" requirement in both categories. As such, the second category awards points to developments with a carryover allocation that receives IRS Forms 8609 after March 1, 2013. Fairway Manor (TN12-205) received 8609's after March 1, 2013.

We appreciate your time and consideration of this matter, and are available to answer any additional questions that you may have.

Sincerely,

Bradley E Parker
Managing Member
GRD Montgomery Commons, LLC

DPKY
Development
Company, LLC

5583 Bobby Hicks Hwy, STE 111
Gray, TN 37615
ph: 423-467-8012

May 3, 2018

THDA Executive Director

Request for Review for TN18-043, TN18-050, & TN18-051

Scoring Review Requirement:

TN18-043 Forest Cove, Sevierville TN, Sevier County
TN18-050 Southgate Crossing, Columbia TN, Maury County
TN18-051 Fieldstone Village, Clarksville TN, Montgomery County

1. Please supply supporting documentation to substantiate the points (6) claimed for having a Carryover or Firm 42M allocation that was made to a development that the individuals identified were involve with (either directly or indirectly) through the developer of owner, and an IRS Form 8609 was obtained.

THDA deemed the documentation we supplied for the Cure Notice was not sufficient to Cure the finding because the Carryover Allocation for Heritage Hills, TN12-416 was received before March 1, 2013.

Response:

In response to the Cure Notices for the three Applications submitted above, we supplied a Carryover Allocation Agreement for Dunbar Apartments, which we received in 2017, Exhibit A, and we submitted a set of IRS Forms 8609 dated in 2014 for our Heritage Hills development, Exhibit B.

We believe we provided the necessary documentation to entitle us to the 6 points for QAP Part VII(B)(3)(ii) because:

- A. QAP Part VII(B)(3)(ii) is ambiguous as written. It is not clear whether *both* the Carryover Allocation and the IRS Form 8609 must have been obtained after March 1, 2013, or if obtaining the IRS Form 8609 is the determining event for these points. We believe the most logical reading of the section is that since we obtained the Form 8609's after March 1, 2013 for Heritage Hills, we qualify for the 6 points.
- B. Because the language in the QAP is ambiguous, and we wanted to be certain we would get these 6 points prior to submitting three applications, we asked staff for an interpretation. Staff advised us that since the Form 8609's for Heritage Hills were received after March 1, 2013, our applications qualify to receive these points. We understand that this

process is very competitive and every single point counts, let alone 6. We would not have submitted three applications if THDA staff had advised us that we would not qualify for these points.

- C. QAP Part VII(B)(3) subsections (i), (ii), and (iii) are each written to award points for a sponsor's demonstration of ability to progress from one stage of tax credit award to the next. As summarized in the "Comparison of Tax Credit Scoring: 2017 and 2018 [Proposed]" included in the April 2017 Proposed Changes for 2018 Qualified Allocation Plan, the points are intended to reward "no failure to progress from reservation to carryover," "no failure to progress from carryover to final," and "no failure to meet minimum low-income set-aside." Subsections (i) through (iii) each require the sponsor to have taken a project successfully from one point to another. It is logical, then, that only the ending point in each subsection is the "event" that must have occurred after March 1, 2013.
- D. THDA scoring staff interpreted Part VII(B)(3)(a)(iii) consistently with this reading (that only the final event in the subsection must have occurred after March 1, 2013). Staff awarded us 8 points for having a development that met the minimum set-aside for low-income tenants as specified in the Land Use Restrictive Covenant, which was the second of the two events listed in the subsection. Our development that met this requirement was Heritage Hills, which met the minimum set-aside after March 1, 2013. Heritage Hills received its allocation of tax credits (the first event in Subsection (iii)) before March 1, 2013, but scoring staff still awarded us the points for Subsection (iii) based on the date the *second* event occurred. Subsection (ii) should be interpreted in the same manner.

For these reasons, we believe our developments should receive the 6 points in question. Our prior developments, collectively, have met all four milestones that are in this section since March 1, 2013: we received a Reservation of Credits, obtained a Carryover Allocation, received IRS Form 8609, and met the minimum set-aside as specified in a Land Use Restrictive Covenant. Drawing arbitrary lines between the events to deny these Sponsor Characteristic points violates the intention of this section. DPKY has demonstrated its significant experience with Tennessee LIHTC projects within the past five years and before, having successfully developed 11 projects. We relied on the logical reading of the QAP's requirements, and on the assurance of THDA staff that we interpreted this section correctly, and expended significant resources to submit our three applications based on our understanding that we qualify for all of the available Sponsor Characteristics points. Accordingly, we request that you reconsider the denial of 6 points for QAP Part VII(B)(3)(a)(ii). Thank you for your time and consideration.

Sincerely,



David Psimer - Member

Exhibit 'A'



Tennessee Housing Development Agency

502 Deaderick Street, 3rd Floor

Nashville, Tennessee 37243

615-815-2200

Ralph Perrey
Executive Director

Writer's Phone Number:
615-815-2210

Writer's Fax Number:
615-564-2790

MEMORANDUM

TO: Recipients of 2017 LIHTC Carryover Allocation Agreement

FROM: Donna Duarte, Director for Multifamily Programs

SUBJECT: 2017 Low-Income Housing Tax Credit Carryover Allocation Agreement

DATE: September 28, 2017

Enclosed is the 2017 Low-Income Housing Tax Credit Carryover Allocation Agreement (the "Carryover Allocation Agreement") for the Development referenced in Paragraph II of the enclosed Carryover Allocation Agreement. **Attached to the Carryover Allocation Agreement is Exhibit A, legal description. Please do not remove this legal description. This same description must be returned with the Carryover Allocation Agreement.**

The original, executed, Carryover Allocation Agreement together with the enclosed Exhibit A must be returned to THDA no later than 1:00 PM Central Time on January 31, 2018. If you have any questions please contact Joe Bethel at 615-815-2147.

- ✓ Please read the Carryover Allocation Agreement carefully and inform THDA (see contacts above) of any erroneous, missing, incomplete or inconsistent information **AS SOON AS POSSIBLE**. Do not alter this Carryover Allocation Agreement.
- ✓ If the taxpayer identification number in Paragraph I of the Carryover Allocation Agreement is missing, please provide this information to THDA (see contacts above) **AS SOON AS POSSIBLE**.
- ✓ Please contact Terry Malone at 615-815-2213 or tmalone@thda.org to discuss scheduling for a pre-construction meeting **AS SOON AS POSSIBLE**.

TENNESSEE HOUSING DEVELOPMENT AGENCY
2017 Low-Income Housing Tax Credit Carryover Allocation Agreement
For Developments Exchanging to an Allocation of 2017 Low-Income Housing Tax Credit

This 2017 Carryover Allocation Agreement is made and entered into by and between the Tennessee Housing Development Agency ("THDA") and the Owner identified in Section I below as of the date indicated in Section VI below (the "Agreement"). This Agreement allocates 2017 Low-Income Housing Tax Credit pursuant to Section 42(h)(1)(E) of the Code (as defined below) in the amount specified in Section VI below (the "Tax Credits" or the "housing credit dollar amount"). The allocation of Tax Credits made in this Agreement is subject to (i) all terms and conditions stated herein, including, without limitation, **Exhibit A** (legal description) and **Exhibit B** (special conditions); (ii) all terms and conditions of THDA's Low-Income Housing Tax Credit Qualified Allocation Plan for 2017; (the "Qualified Allocation Plan"), the applications and all related materials submitted in connection with the Preliminary Award Checklist and this allocation of Tax Credits (collectively, the "Applications"), the Preliminary Award Letter; and (iii) all requirements of Section 42 of the Internal Revenue Code of 1986, as amended, including, without limitation, all subsequent tax legislation duly enacted by the Congress of the United States, United States Treasury Regulations proposed or in effect with respect to the code, and revenue procedures, revenue rulings or other published determinations of the Treasury Department or Internal Revenue Service of the United States (collectively, the "Code")

I. OWNER:

Name : Dunbar Apartments, LLC
Attention : Richard McClain
Address : 901 Pardee Street
City, State, Zip : Johnson City, TN 37601
Tax Payer I.D. # : 46-4660137

II. DEVELOPMENT:

Number : TN17-903
Name : Dunbar Apartments
Address : 908 John Exum Parkway
City, State, Zip : Johnson City, TN 37604
Map and Parcel Number: Portion of Map 460, Grp K, Parcel 2 and Map 460, Grp K, Parcel 1

III. BUILDING IDENTIFICATION NUMBERS:

TN17-90301 through TN17-90306

IV. ANTICIPATED PLACED IN SERVICE DATE: December 1, 2019

(This Development must be placed in service on or before December 31, 2019)

V. AGENCY:

Tennessee Housing Development Agency
Andrew Jackson Building
502 Deaderick Street, Third Floor
Nashville, TN 37243
Tax Payer I.D.: 62-6001445

VI. DATE OF ALLOCATION: September 28, 2017

The housing credit dollar amount shall not exceed \$1,099,853. This housing credit dollar amount is derived from THDA's second evaluation of the Development. THDA will evaluate the Development a third time in connection with the Development being placed in service, provided all documentation required by THDA in connection with a placed in service application, including, without limitation, final certified cost information acceptable to THDA, is submitted to THDA by no later than Monday, December 2, 2019. As a result of this third evaluation, THDA will make a final determination of the housing credit dollar amount to be reflected on the IRS form(s) 8609 issued by THDA for the Development and the housing credit dollar amount may be less than or equal to (but never more than) the amount specified above.

VII. OWNER'S TOTAL REASONABLY EXPECTED BASIS: \$12,280,703

To meet Carryover Allocation requirements, the Owner must submit the Cost Certification (Form furnished by THDA) for the ten percent (10%) test, the deed vesting title of the property to the Owner, the certification with regard to 100-Year Flood Plain (Attachment 25) and a fully executed PILOT Agreement; if applicable, no later than August 29, 2018. No later than one (1) year from the date of allocation specified in Paragraph VI above, the Owner must incur the necessary costs to meet the requirements of the 10% Test.

VIII. THDA may, in its sole discretion, deem the allocation of Tax Credits made in this Agreement cancelled by mutual consent if there is any failure to comply with all terms, conditions, and requirements of this Agreement, the Applications, the Qualified Allocation Plan, the Preliminary Award Letter, or the Code. Once so cancelled, neither the Owner, the Development, nor any other person or entity shall have any right to claim Tax Credits based on this Agreement, the Preliminary Award Letter or the Applications and THDA shall have no liability therefore.

IX. THDA will issue an IRS form 8609 for each building in the Development only if all terms, conditions, and requirements of this Agreement, the Applications, the Qualified Allocation Plan and the Code are met. The total of the housing credit dollar amounts reflected on the IRS form 8609 for each building in the Development may be less than or equal to (but never more than) the housing credit dollar amount specified in Section VI above.

X. THDA has made the allocation of Tax Credits reflected in Section VI above and entered into this Agreement solely in reliance on information provided and representations made by or on behalf of the Owner in the Applications. This Agreement and the allocation of Tax Credits reflected herein do not constitute a representation, warranty, guaranty, advice or suggestion by THDA as to (i) the qualification of the Development, or any building contained within the Development, for Tax Credits, or (ii) the feasibility or viability of the Development and no person or entity in any way now or subsequently connected with the Development or any other person or entity may rely on this Agreement and the allocation of Tax Credits reflected herein or on any other statements, written or oral, of THDA for such purposes.

XI. The Owner hereby agrees and acknowledges that the determination made in Section VII above and the sufficiency of evidence supporting the determination may be subject to future revision by THDA or the Internal Revenue Service.

TENNESSEE HOUSING DEVELOPMENT AGENCY

BY: Donna Duarte
Donna Duarte, Director of Multifamily Programs

Date: September 28, 2017

STATE OF TENNESSEE)
COUNTY OF DAVIDSON)

Before me, Shekinah Whitney, a Notary Public of the state and county mentioned, personally appeared Donna Duarte, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged that she is Director of Multifamily Programs with the Tennessee Housing Development Agency, the within named bargainor and that she, as such Director, executed the foregoing instrument for the purpose therein, by signing the name of Tennessee Housing Development Agency by herself as Director of Multifamily Programs.

Witness my hand and seal, at office, this 28th day of September, 2017.

Shekinah L. Whitney
Notary Public

My Commission Expires: September 7, 2021



EXHIBIT "A"

LEGAL DESCRIPTION

THE LAND REFERENCED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF TN COUNTIES, STATE OF TENNESSEE, AND IS DESCRIBED AS FOLLOWS:

Land in the 9th Civil District of Washington County, Tennessee being more particularly described as follows:

Beginning at the South corner of Garden Drive and the intersection of John Exum Parkway at an iron pin new North 53°50'33" East, a distance of 154.92 feet to an iron pin new; thence along a curve to the right having a radius of 283.40 feet, an arc distance of 305.38 feet, and a chord bearing of North 84°42'43" East, with a chord length of 290.81 feet along the Southerly boundary of Garden Drive; thence continuing along the Southerly boundary of Garden Drive, South 64°25'08" East, a distance of 444.63 feet to an iron pin new; thence South 25°35'38" West, a distance of 145.96 feet to an iron pin new; thence South 64°54'22" East, a distance of 170.95 feet to the Westerly side line of Belmont Street; thence Southerly along Belmont Street, South 28°03'25" West, a distance of 140.97 feet to an iron pin new and the pc of a curve to the right having a radius of 25.00 feet, an arc distance of 38.34 feet, and a chord bearing of South 71°59'42" West, with a chord length of 34.59 feet to the Northerly side line of Robinson Street and an iron pin new; thence Westerly along the Northerly boundary of Robinson Street, North 64°04'00" West, a distance of 467.92 feet to an iron pin new and the pc of a curve to the left having a radius of 240.00 feet, an arc distance of 210.39 feet, and a chord bearing of North 89°10'50" West, with a chord length of 203.72 feet to a iron pin new; thence South 65°42'19" West, a distance of 39.49 feet to an iron pin new at the intersection of John Exum Parkway and Robinson Drive and the pc of a curve to the right having a radius of 25.00 feet, an arc distance of 37.41 feet, and a chord bearing of North 71°25'33" West, with a chord length of 34.02 feet to an iron pin new on the Easterly side of John Exum Parkway and the pc of a curve to the right having a radius of 727.07 feet, an arc distance of 97.32 feet and a chord bearing of North 32°23'30" West, with a chord length of 97.25 feet to an iron pin new; thence North 36°13'34" West, a distance of 116.32 feet to an iron pin new and the pc of a curve to the right having a radius of 25.00 feet, an arc distance of 39.34 feet and a chord bearing of North 08°48'29" East, with a chord length of 35.38 feet to an iron pin new being at the intersection of John Exum Parkway and Garden Drive to the point of beginning, containing 5.96 acres, more or less.

Washington County Tax Map 046O, Control Map 046O, Group K, Parcel 001.00

Exhibit B
(Special Conditions)

None.

— — — — —

— — — — —

—

Accepted this 4 day of October, 2017.

Owner: Dunbar Apartments, LLC

BY: JCHA Dunbar, LLC

BY: Johnson City Housing Authority

BY:

R. McClain

Richard McClain, Executive Director

STATE OF Tennessee
COUNTY OF Washington

Before me, SHERI A. KEENAN, a Notary Public of the state and county mentioned, personally appeared RICHARD MCCLAIN, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged herself/himself to be a/the ~~President of~~ Executive Director of Johnson City Housing Authority within named bargainor, a general/limited partnership, and that she/he, as such general partner, executed the foregoing Instrument for the purpose therein contained, by signing the name of the general/limited partnership by herself/himself as general partner.

Witness my hand and seal, at office, this 4 day of October, 2017.

Sheri A. Keenan

Notary Public

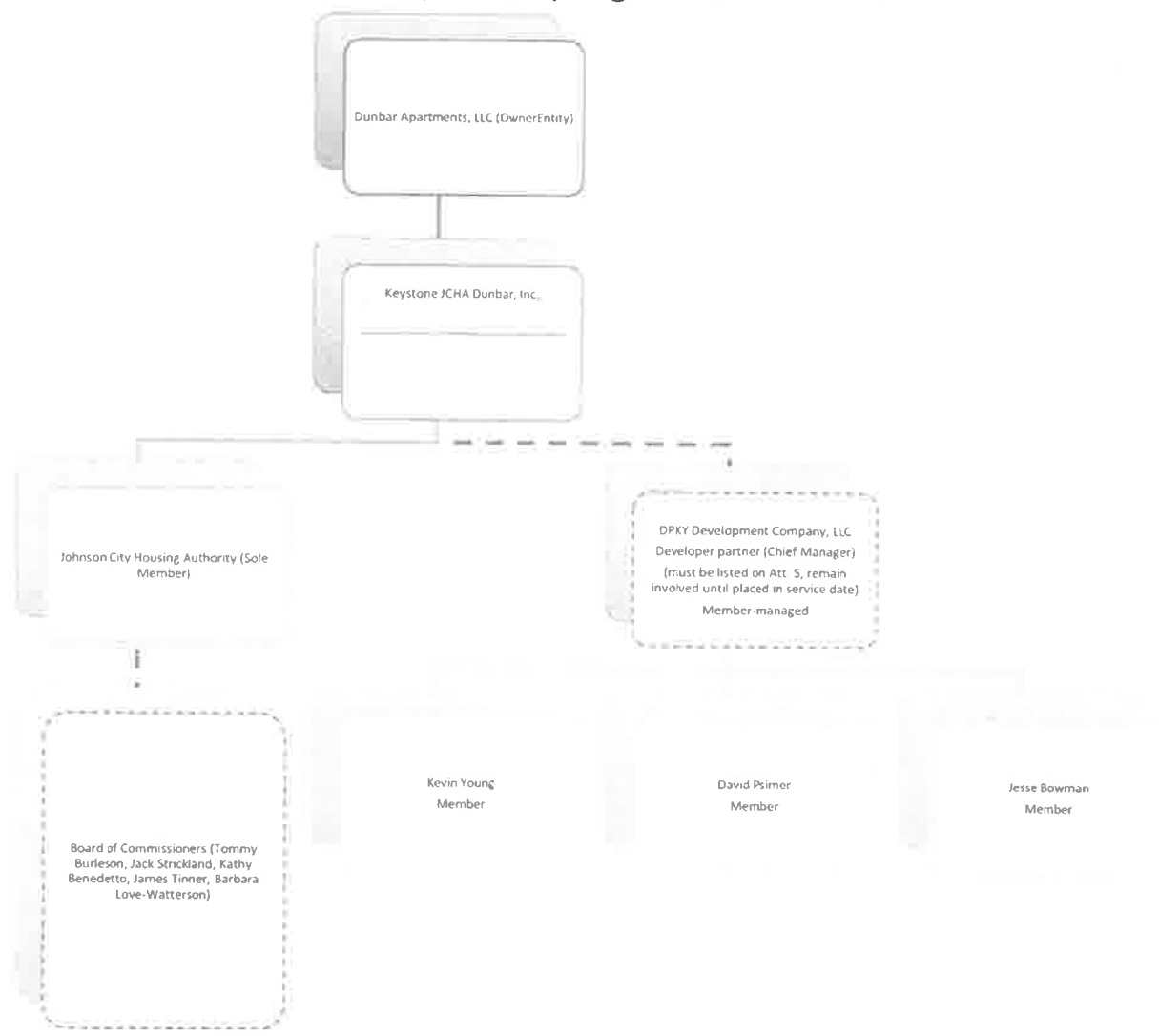
My Commission Expires:

9/27/19

[SEAL]



Developer Entity Organizational Chart





Tennessee Housing Development Agency

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

Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM: Donna Duarte
Director of Multifamily Programs

SUBJECT: Low-Income Housing Credit Program changes from the Consolidated Appropriation Act of 2018

DATE: April 30, 2018

As discussed by Jeremy Heidt at the March THDA Board of Directors Meeting, the Consolidated Appropriation Act of 2018 will impact the Low-Income Housing Credit program several ways.

Starting in 2018 and running through 2021, the Appropriations Act increases by 12.5% the amount of available competitive (9%) housing credits for Tennessee. In 2018, the 12.5% is equal to approximately \$2M in additional housing credits and almost two housing credit developments at the \$1.1M per development cap. THDA is considering this increase as we develop the 2019-2020 QAP.

The additional and most significant change contained in the Appropriations Act was the creation of a new minimum set-aside for housing credit developments. Previously, Tennessee developers were eligible to designate either 20% of their units to serve households with an annual anticipated income of 50% of the average median county income or less; or 40% of their units to serve households with an annual anticipated income of 60% of the average median county income or less. Most developers in Tennessee designated all their rental units to serve low-income households at either 50% or 60% of the average median county incomes.

Effective March 23, 2018, all developments which have not reported their minimum set-aside election to the Internal Revenue Service are eligible to designate 40% of their units to serve households at an overall average median county income of 60% or less. This allows developers to designate units to serve households at 80%, 70%, 60%, 50%, 40%, 30% and 20% of the average median county income as long as the overall average of those units is 60% of the average median county income. For example, a 10 unit 100% low-income property could designate four units to serve households at 60%, three units to serve households at 80% and the remaining three units to serve households at 40%.

THDA is contemplating how to allow developments which have not reported their minimum set-aside election to the Internal Revenue Service eligibility for the 60% Income Averaging provision in the Appropriations Act.

Currently, we are in a very small minority of state housing finance agencies considering changes. As we come to agreement on how to make 60% Income Averaging happen, we will ask for a change to prior THDA Qualified Allocation Plans.

Please let me know if you have questions about the changes to the Low-Income Housing Credit program as a result of the Consolidated Appropriations Act of 2018.

Exhibit 'B'

Form **8609**
(Rev. December 2008)
Department of the Treasury
Internal Revenue Service

Low-Income Housing Credit Allocation and Certification

► See separate instructions.

OMB No. 1545-0043

Part I Allocation of Credit

Check if: ☐ Addition to Qualified Basis ☐ Amended Form

A Address of building (do not use P.O. box) (see instructions)

100 Heritage Hills Court
Building 100
Rockwood, TN 37854

B Name and address of housing credit agency

Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville TN 37243-0900

C Name, address, and TIN of building owner receiving allocation

Heritage Hills, LP
5583 Bobby Hicks Hwy, Suite 111
Gray, TN 37615
TIN ► 45-4003955

D Employer identification number of agency

62-6001445

E Building identification number (BIN)

TN12-41601

1a Date of allocation ► 12 / 31 / 2011 b Maximum housing credit dollar amount allowable

1b \$100,402

2 Maximum applicable credit percentage allowable (see instructions)

2 9

3a Maximum qualified basis

3a \$1,115,589

b If the eligible basis used in the computation of line 3a was increased, check the applicable box and enter the percentage to which the eligible basis was increased (see instructions)

☒ Building located in the Gulf Opportunity (GO) Zone, Rita GO Zone, or Wilma GO Zone
☐ Section 42(d)(5)(B) high cost area provisions

3b 1 3 0 %

4 Percentage of the aggregate basis financed by tax-exempt bonds (if zero, enter -0-)

4 0 %

5 Date building placed in service

► 07 / 24 / 2013

6 Check the boxes that describe the allocation for the building (check those that apply)

a ☐ Newly constructed and federally subsidized b ☒ Newly constructed and not federally subsidized c ☐ Existing building
d ☐ Sec. 42(e) rehabilitation expenditures federally subsidized e ☐ Sec. 42(e) rehabilitation expenditures not federally subsidized
f ☐ Not federally subsidized by reason of 40-50 rule under sec. 42(f)(2)(B) g ☐ Allocation subject to nonprofit rule under sec. 42(h)(5)

Signature of Authorized Housing Credit Agency Official—Completed by Housing Credit Agency Only

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code and that I have examined this form and to the best of my knowledge and belief, the information is true, correct, and complete.



Mike Blade, Director of Multifamily Development

May 28, 2014

Name (please type or print)

Date

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7 Eligible basis of building (see instructions)

7 1,149,123

8a Original qualified basis of the building at close of first year of credit period

8a 1,115,589

b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?

☒ Yes ☐ No

9a If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?

☐ Yes ☐ No

b For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low income units under section 42(d)(3)(B)?

☐ Yes ☐ No

10 Check the appropriate box for each election:

Caution: Once made, the following elections are irrevocable

a Elect to begin credit period the first year after the building is placed in service (section 42(f)(1)) ► ☒ Yes ☐ No
b Elect not to treat large partnership as taxpayer (section 42(j)(5)) ► ☐ Yes ☐ No
c Elect minimum set-aside requirement (section 42(m)) (see instructions) ☐ 20-50 ☒ 40-60 ☐ 25-60 (NYC only)
d Elect deep rent skewed project (section 142(j)(4)(B)) (see instructions) 15-40

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low-income housing project and meets the requirements of Internal Revenue Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.


David B. Smith

Name (please type or print)

45-4003955

Taxpayer identification number

2013

Ex. year

6/9/14

Date

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 633811

Form **8609** (Rev. 12-2008)

**Low-Income Housing Credit Allocation
and Certification**

OMB No. 1545-0066

► See separate instructions.

Part I Allocation of Credit

Check if: ☐ Addition to Qualified Basis ☐ Amended Form

A Address of building (do not use P.O. box) (see instructions)

400 Heritage Hills Court
Building 400
Rockwood, TN 37854

B Name and address of housing credit agency

Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, TN 37243-0900

C Name, address, and TIN of building owner receiving allocation

Heritage Hills, LP
5583 Bobby Hicks Hwy, Suite 111
Gray, TN 37615
TIN ► 45-4003955

D Employer identification number of agency

62-6001445

E Building identification number (BIN)

TN12-41602

1a Date of allocation ► 12 / 31 / 2011 **b** Maximum housing credit dollar amount allowable

1b \$141,265

2 Maximum applicable credit percentage allowable (see instructions)

2 9 %

3a Maximum qualified basis

3a \$1,569,607

b If the eligible basis used in the computation of line 3a was increased, check the applicable box and enter the percentage to which the eligible basis was increased (see instructions)

3b 130 %

- ☒ Building located in the Gulf Opportunity (GO) Zone, Rita GR Zone, or Wilma GO Zone
☐ Section 42(d)(5)(B) high cost area provisions

4 Percentage of the aggregate basis financed by tax-exempt bonds (if zero, enter 0-)

4 0 %

5 Date building placed in service

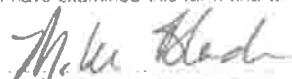
► 07 / 24 / 2013

6 Check the boxes that describe the allocation for this building (check those that apply)

- a** ☐ Newly constructed and federally subsidized **b** ☒ Newly constructed and not federally subsidized **c** ☐ Existing building
d ☐ Sec. 42(e) rehabilitation expenditures federally subsidized **e** ☐ Sec. 42(e) rehabilitation expenditures not federally subsidized
f ☐ Not federally subsidized by reason of 40-50 rule under sec. 42(i)(2)(E) **g** ☐ Allocation subject to nonprofit rule under sec. 42(h)(5)

Signature of Authorized Housing Credit Agency Official—Completed by Housing Credit Agency Only

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined this form and to the best of my knowledge and belief, the information is true, correct, and complete.


Signature of authorized official

Mike Blade, Director of Multifamily Development

May 28, 2014

Name (please type or print)

Date

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7 Eligible basis of building (see instructions)

7 1757486

8a Original qualified basis of the building at close of first year of credit period

8a 1569607

b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?

☒ Yes ☐ No

9a If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?

☐ Yes ☐ No

b For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low income units under section 42(d)(3)(B)?


☐ Yes ☐ No

10 Check the appropriate box for each election:

Caution: Once made, the following elections are irrevocable

- a** Elect to begin credit period the first year after the building is placed in service (section 42(f)(1)) ► ☒ Yes ☐ No
b Elect not to treat large partnership as taxpayer (section 42(i)(5)) ► ☐ Yes ☐ No
c Elect minimum set-aside requirement (section 42(g)) (see instructions) ☐ 20-50 ☒ 40-60 ☐ 25-60 (N.Y.C. only)
d Elect deep rent skewed project (section 42(d)(4)(B)) (see instructions) ☐ 15-40

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low income housing project and meets the requirements of Internal Revenue Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.


Signature
David B. Berman
Name (please type or print)

45-4003955
Taxpayer identification number

2013
Tax year

6/9/14
Date

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat No 539811

Form **8609** (Rev. 12/20/08)

Low-Income Housing Credit Allocation and Certification

▶ See separate instructions.

OMB No. 1545-0048

Part I Allocation of Credit

Check if ☐ Addition to Qualified Basis ☐ Amended Form

A Address of building (do not use P.O. box; see instructions)

600 Heritage Hills Court
Building 600
Rockwood, TN 37854

B Name and address of housing credit agency

Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, TN 37243-0900

C Name, address, and TIN of building owner receiving allocation

Heritage Hills, LP
5583 Bobby Hicks Hwy, Suite 111
Gray, TN 37615
TIN ▶ 45-4003955

D Employer identification number (EIN)

62-6001445

E Housing development number (HIN)

TN12-41603

1a Date of allocation ▶ 12 / 31 / 2011 b Maximum housing credit dollar amount allowable

1b \$189,048

2 Maximum applicable credit percentage allowable (see instructions)

2 9

3a Maximum qualified basis

3a \$2,100,531

b If the eligible basis used in the computation of line 3a was increased, check the applicable box and enter the percentage to which the eligible basis was increased (see instructions)

☒ Building located in the Gulf Opportunity (GO) Zone, Rita GO Zone, or Wilma GO Zone
☐ Section 42(d)(5)(B) high cost area provisions

3b 30

4 Percentage of the aggregate basis financed by tax-exempt bonds (if zero, enter -0-)

4 0

5 Date building placed in service

▶ 07 / 24 / 2013

6 Check the boxes that describe the allocation for the building (check those that apply):

a ☐ Newly constructed and federally subsidized b ☒ Newly constructed and not federally subsidized c ☐ Existing building
d ☐ Sec. 42(n) rehabilitation expenditures federally subsidized e ☐ Sec. 42(n) rehabilitation expenditures not federally subsidized
f ☐ Not federally subsidized by reason of 40-50 rule under sec. 42(i)(2)(E) g ☐ Allocation subject to nonprofit rentable under sec. 42(i)(5)

Signature of Authorized Housing Credit Agency Official—Completed by Housing Credit Agency Only

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined this form and to the best of my knowledge and belief the information is true, correct, and complete.


Signature of authorized official

Mike Blade, Director of Multifamily Development

May 28, 2014

(Typed name, title, or print)

Date

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7 Eligible basis of building (see instructions)

7 2351961

8a Original qualified basis of the building at close of first year of credit period

8a 2100531

b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?

☒ Yes ☐ No

9a If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?

☐ Yes ☐ No

b For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low income units under section 42(d)(3)(B)?

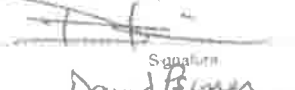
☐ Yes ☐ No

10 Check the appropriate box for each election:

Caution: Once made, the following elections are irrevocable

a Elect to begin credit period the first year after the building is placed in service (section 42(f)(1)) ▶ ☒ Yes ☐ No
b Elect not to treat large partnership as taxpayer (section 42(j)(5)) ☐ Yes ☐ No
c Elect minimum set-aside requirement (section 42(g)) (see instructions) 20-50 ☒ 40-60 25-60 (NYC only) 15-40
d Elect deep rent skewed project (section 42(d)(4)(B)) (see instructions)

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low-income housing project and meets the requirements of Internal Revenue Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.


Signature
David B. Miller
Name (please type or print)

45-4003955
Taxpayer identification number
2013
Year

6/9/14
Date

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

OMB No. 1545-0048

Form **8609** (Rev. 12-2008)

Low-Income Housing Credit Allocation and Certification

► See separate instructions.

OMB No. 1545-0068

Part I Allocation of Credit

Check if: ☐ Addition to Qualified Basis ☐ Amended Form

A Address of building (do not use P.O. box; see instructions)

700 Heritage Hills Court
Building 700
Rockwood, TN 37854

B Name and address of housing credit agency

Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, TN 37243-0900

C Name, address, and TIN of building owner receiving allocation

Heritage Hills, LP
5583 Bobby Hicks Hwy, Suite 111
Gray, TN 37615
TIN ► 45-4003955

D Employer identification number of agency

62-6001445

E Building identification number (BIN)

TN12-41604

1a Date of allocation ► 12 / 31 / 2011 b Maximum housing credit dollar amount allowable

1b \$189,048

2 Maximum applicable credit percentage allowable (see instructions)

2 9 %

3a Maximum qualified basis

3a \$2,100,531

b If the eligible basis used in the computation of line 3a was increased, check the applicable box and enter the percentage to which the eligible basis was increased (see instructions)

☒ Building located in the Gilt Opportunity (GO) Zone, Rita (R) Zone, or Wilma (W) Zone
☐ Section 42(d)(5)(B) high cost area provisions

3b 130 %

4 Percentage of the aggregate basis financed by tax exempt bonds (If zero, enter -0-)

4 0 %

5 Date building placed in service

► 07 / 24 / 2013

6 Check the boxes that describe the allocation for the building (check those that apply):

a ☐ Newly constructed and federally subsidized b ☒ Newly constructed and **not** federally subsidized c ☐ Existing building
d ☐ Sec 42(e) rehabilitation expenditures federally subsidized e ☐ Sec 42(e) rehabilitation expenditures **not** federally subsidized
f ☐ Not federally subsidized by reason of 40-50 rule under sec. 42(i)(2)(E) g ☐ Allocation subject to nonprofit set-aside under sec. 42(h)(5)

Signature of Authorized Housing Credit Agency Official—Completed by Housing Credit Agency Only

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined this form and to the best of my knowledge and belief, the information is true, correct, and complete.



Mike Blade, Director of Multifamily Development

May 28, 2014

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7 Eligible basis of building (see instructions)

7 2351961

8a Original qualified basis of the building at close of first year of credit period

8a 2100531

b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?

☒ Yes ☐ No

9a If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?

☐ Yes ☐ No

b For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low income units under section 42(d)(3)(B)?

☐ Yes ☐ No

10 Check the appropriate box for each election:

Caution: Once made, the following elections are irrevocable

a Elect to begin credit period the first year after the building is placed in service (section 42(f)(1)) ► ☒ Yes ☐ No
b Elect **not** to treat large partnership as taxpayer (section 42(j)(5)) ► ☐ Yes
c Elect minimum set aside requirement (section 42(g)) (see instructions) 20-50 ☒ 40-60 ☐ 25-60 (N.Y.C. only)
d Elect deep rent skewed project (section 42(d)(4)(B)) (see instructions) 15-40 ☐ 15-40

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low income housing project and meets the requirements of Internal Revenue Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.



David Briner

45-4003955

Taxpayer identification number

2013

Year

6/9/14

Date

Low-Income Housing Credit Allocation and Certification

► See separate instructions.

OMB No. 1545-0048

Part I Allocation of Credit

Check if: ☐ Addition to Qualified Basis ☐ Amended Form

A Address of building (do not use P.O. box) (see instructions)

900 Heritage Hills Court
Building 900
Rockwood, TN 37854

B Name and address of housing credit agency

Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, TN 37243-0900

C Name, address, and TIN of building owner receiving allocation

Heritage Hills, LP
5583 Bobby Hicks Hwy, Suite 111
Gray, TN 37615
TIN ► 45-4003955

D Employer identification number of agency

62-6001445

E Building identification number (BIN)

TN12-41605

1a Date of allocation ► 12 / 31 / 2011

b Maximum housing credit dollar amount allowable

1b \$189,048

2 Maximum applicable credit percentage allowable (see instructions)

2 9 %

3a Maximum qualified basis

3a \$2,100,531

b If the eligible basis used in the computation of line 3a was increased, check the applicable box and enter the percentage to which the eligible basis was increased (see instructions)

- ☒ Building located in the Gulf Opportunity (GO) Zone, Rita GO Zone, or Wilma GO Zone
☐ Section 42(i)(5)(B) high cost area provision

3b 13.0 %

4 Percentage of the aggregate basis financed by tax-exempt bonds. (If zero, enter -0-)

4 0 %

5 Date building placed in service

► 07 / 24 / 2013

6 Check the boxes that describe the allocation for the building (check those that apply):

- a** ☐ Newly constructed and federally subsidized **b** ☒ Newly constructed and **not** federally subsidized **c** ☐ Existing building
d ☐ Sec. 42(e) rehabilitation expenditures federally subsidized **e** ☐ Sec. 42(e) rehabilitation expenditures **not** federally subsidized
f ☐ Not federally subsidized by reason of 40-50 rule under sec. 42(i)(2)(E) **g** ☐ Allocation subject to nonprofit set-aside under sec. 42(h)(5)

Signature of Authorized Housing Credit Agency Official—Completed by Housing Credit Agency Only

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code and that I have examined this form and to the best of my knowledge and belief, the information is true, correct, and complete.



Mike Blade, Director of Multifamily Development

May 28, 2014

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7 Eligible basis of building (see instructions)

7 2351961

8a Original qualified basis of the building at close of first year of credit period

8a 2100531

b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?

☒ Yes ☐ No

9a If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?

☐ Yes ☐ No

b For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low income units under section 42(d)(3)(B)?

☐ Yes ☐ No

10 Check the appropriate box for each election:

Caution: Once made, the following elections are irrevocable.

- a** Elect to begin credit period the first year after the building is placed in service (section 42(f)(1)) ► ☒ Yes ☐ No
b Elect **not** to treat large partnership as taxpayer (section 42(j)(5)) ► ☐ Yes
c Elect minimum set-aside requirement (section 42(g)) (see instructions) 20-50 ☒ 40-60 ☐ 25-60 (N.Y.C. only)
d Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions) ☐ 15-40

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low-income housing project and meets the requirements of Internal Revenue Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.


David Brown
Name (please type or print)

45-4003955

Employer identification number

2013

Tax year

6/1/14

Date

