# Tennessee Housing Development Agency - Board of Directors Meeting Materials

## July 23, 2019

# Tab # 1

<u>Items</u>:

Agenda

THDA Board of Directors Meeting
**July 23, 2019—1:00 p.m. Central Time**
William R. Snodgrass Tennessee Tower
312 Rosa L Parks Avenue, Third Floor
Nashville, TN 37243

**All meetings will be held in The Nashville Room**

**<u>AGENDA</u> (Tab #1)**

**Public Comment to the Board** — **Hedges, Perrey, Board Members**

**A. Opening Comments and Introductions ..... Hedges**
**B. Staff Recognition (Directors) (Tab #2) ..... Perrey**
**C. Approval of Minutes from May 21, 2019 Meeting (Tab #3) ..... Hedges**
**D. Executive Director's Report (Tab #2) ..... Perrey**
*** E. Creating Homes Initiative ..... Perrey / Williams**
**F. Committee Reports and Committee Matters**

**1. Bond Finance Committee (Monday, July 22—2:00 pm State Capitol Room G-3) (Tab #4) ..... Hedges**
- * a. Issue 2019-3 Authorization ..... Miller
- * b. Issue 2019-3 Reimbursement Resolution ..... Miller
- * c. Issue 2019-2 State Form CT-0253 ..... Miller

**2. Audit & Budget Committee (Tuesday, July 23—9:00 am CT) (Tab #5) ..... Hargett**
- * a. Fiscal Year 2020 Audit Plan ..... Oliver
- b. Fiscal Year 2019 Budget Recap (Verbal) ..... Ridley

**3. Grants Committee (Tuesday, July 23—9:15 am CT) (Tab #6) ..... McMullen**
- * a. 2020 Fall Round Tennessee Housing Trust Fund Competitive Grants Program Description ..... Shaw
- * b. 2016 Spring Round Tennessee Housing Trust Fund Competitive Grants Extension Request – Brownsville Housing Authority ..... Shaw
- c. 2019 Spring Round Tennessee Housing Trust Fund Competitive Grants Award Summary ..... Shaw
- * d. 2019 National Housing Trust Fund Program Description ..... Lord
- e. 2018 National Housing Trust Fund Award Summary ..... Lord
- * f. Amendment to the 2017, 2018 and 2019 HOME Program Descriptions – Reconstruction Requirement ..... Lord
- g. 2019 HOME Award Summary ..... Lord
- h. 2019 Emergency Solutions Grant Award Summary ..... Watt
- * i. 2020 Low Income Home Energy Assistance Program Annual Plan Authorization ..... Watt

**4. Rental Assistance Committee (Tuesday, July 23—9:30 am CT) (Tab #7) ..... Snodderly**
- a. Housing Quality Standards (HQS) Amendment ..... Scott

**5. Tax Credit Committee (Tuesday, July 23—9:45 am CT) (Tab #8) ..... Tully**
- a. 2019-2020 Low Income Housing Tax Credit Qualified Allocation Plan Discussion ..... Watt

* 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

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

TO: THDA Board of Directors
FROM: Ralph M. Perrey, Executive Director
DATE: July 15, 2019
SUBJ: THDA Board of Directors Meeting

THDA Board Members –

We look forward to welcoming you in Nashville for our next Board meeting on July 23 (July 22 for Bond Finance Committee). This will the first meeting for our newly-appointed Board Chair, Mike Hedges, and for newly-appointed Board Member, Chrissy Rhea.

First up on the Board agenda is consideration of $3 million in grant funding that THDFA proposes to make available to support Governor Lee’s plan to provide recovery housing for individuals struggling with opioid addiction. Marie Williams, Commissioner of the Tennessee Department of Mental Health & Substance Abuse Services, will be with us to explain how our support will enable her department to leverage an additional $3 million provided in the Governor’s budget. Commissioner Williams and her staff will develop a detailed action plan over the summer. For THDA’s purposes in July, the authorization we ask of you is simply to make up to $3 million available to build or rehab housing for use by organizations providing substance abuse services.

Other action items for your attention this month:

- Authorization for Issue 2019-3 and its accompanying Reimbursement Resolution. Additional information may be found behind the Bond Finance Committee tab.
- Director of Internal Audit Gay Oliver will present the FY 2020 Audit Plan to the Audit & Budget Committee.
- Grants Committee will take up program descriptions for the Housing Trust Fund Fall round, as well as this year’s National Housing Trust Fund round. We also ask your approval of the required annual plan authorization for the Energy Assistance (LIHEAP) program, which we are obligated to provide to the federal government.

Our staff will review proposed amendments to the 2020 Qualified Allocation Plan. These are detailed behind the Tax Credit Committee tab. The Rental Assistance Committee will be briefed on technical changes in the Administrative Plan governing our Housing Choice Voucher Program. Neither of these updates require action on the Board’s part.

Please feel free to contact me if you have questions about any item on the agenda or in your board packet, and please let Cindy Ripley know if you need assistance with travel and logistics. We look forward to seeing you on July 23.

THDA.org - (615) 815-2200 - Toll Free: 800-228-THDA

# Celebrating Years of Service

5 Years

Daniel Costa

*Learning Coordinator*
Human Resources
THDA Hire Date: June 16, 2014

5 Years

Dallisa Kilcrease

*Benefits and Recruitment Coordinator*
Human Resources
THDA Hire Date: June 26, 2014

5 Years

Wesley Bunch

*Communications Coordinator*
Communications
THDA Hire Date: August 4, 2014

20 Years

Margaret Donald

*Administrative Assistant*
Internal Audit
THDA Hire Date: August 31, 2013
State Hire Date: August 16, 2001

25 Years

Belinda Williams

*Rental Assistance Specialist*
Section 8 Rental Assistance
THDA Hire Date: August 1, 1994

5 Years

Blake Worthington

*Housing Program Manager – Energy*
Community Programs
THDA Hire Date: June 23, 2014

5 Years

Cecily Nathaniel

*Business Analyst*
Information Technology
THDA Hire Date: December 06, 2015
State Hire Date: July 21, 2014

10 Years

Lori Cannon

*Rental Assistance Specialist*
Section 8 Rental Assistance
THDA Hire Date: February 14, 2016
State Hire Date: August 3, 2009

20 Years

Christy Hollingsworth

*Rental Assistance Manager*
Section 8 Rental Assistance
THDA Hire Date: June 1, 1984

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

**MEMORANDUM**

**TO:** Board of Directors

**FROM:** Don Watt, Director of Community Programs

Lorrie Shearon, Chief Strategy Officer

**DATE:** July 9, 2019

**RE:** THDA Partnership with Department of Mental Health and Substance Abuse Services

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Proposed Board Action

At this time, THDA staff asks for board approval to 1) set aside a one time amount of $3 million for purposes of working with the Department of Mental Health and Substance Abuse Services (DMHSAS) on creating recovery housing under an expanded Creating Homes Initiative; and, 2) work with DMHSAS on a program description for granting these funds to appropriate entities. The program description would come to the Board for consideration at a later date.

Background

In this year's state budget, DMHSAS received a $3 million budget appropriation to be directed toward substance abuse recovery, particularly opioid recovery. DMHSAS has approached THDA about matching this appropriation with $3 million of THDA's funds to provide for "recovery housing", enriched by needed services for this population.

About twenty years ago, DMHSAS (which had a slightly different name at that time) initiated the Creating Homes Initiative (CHI) to create new housing "opportunities" for persons with mental illness in Tennessee. Similar to the present situation, the Department of Mental Health approached THDA about a partnership and THDA responded by setting aside $2 million in a combination of HOME and unrestricted THDA funds. These funds were used for the building component – "bricks and sticks" – of homes dedicated to low income persons with mental illness. The partnership was ultimately extremely successful, surpassing all of its goals.

General Program Features

Due to the prior success of this partnership, staff proposes a model that would function similarly to the previous partnership and builds upon the earlier success. Staff hereby proposes that THDA set aside $3 million from unrestricted THDA funds, on a one time basis, to be used to create housing for people recovering from substance abuse, with a particular focus on opioid addiction. This proposal has the following general features:

- THDA funds would go toward grants to eligible entities involved in property acquisition, development and rehabilitation and/or construction of these housing units; THDA funds would be matched by DMHSAS funds, which would go toward administrative costs and the costs of providing needed services for the residents.
- THDA staff will develop a program description similar to the THTF Competitive Grant Program, working with DMHSAS to identify allowable activities, targeted populations and geographies, size of grants, eligibility, etc. Staff expects to bring this program description to the Board for consideration in September, 2019.
- THDA and DMHSAS will jointly review and score applications received for these funds.
- THDA will be in charge of compliance monitoring of the units while DMHSAS will ensure appropriate services are maintained, thereby allowing each agency to be responsible for the areas where they have expertise.

# Tab # 3

<u>Items:</u>

Meeting Minutes from May 21, 2019

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
May 21, 2019

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Tuesday, May 21, 2019, at 1:00 p.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Board members were present: Kim Grant Brown (Chair); Dorothy Cleaves; Jonathan Rummel for Secretary of State Tre Hargett; Regina Hubbard; John Krenson; Samantha Wilson for Commissioner of Finance & Administration Stuart McWhorter; Austin McMullen; Erin Merrick; John Snodderly; Lynn Tully; Pieter van Vuuren and Katie Armstrong for Comptroller Justin Wilson. Those absent were: Treasurer David Lillard and Daisy Fields.

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

| | | |
|---|---|---|
| Theresa Smith | Single Family | 5 years |
| Fabiola Caferri | Accounting | 5 years |
| Sarita Hafford | Section 8 Rental Assistance | 10 years |
| Gathelyn Oliver | Internal Audit | 20 years |
| Pamela Norris | Single Family | 30 years |
| Lorraine Shearon | Executive | 30 years |
| Shelia White | Section 8 Contract Admin | 35 years |

Mr. Perrey announced the pending retirements of Linda Foulks, Patricia Randolph and Shelia White and thanked each one for their years of service to THDA and the State.

Seeing a physical quorum present, Chair Brown called the meeting to order and offered a time for public comment. With no one wishing to address the Board, Chair Brown called for consideration of the March 26, 2019, minutes. Upon motion by Mr. van Vuuren, second by Ms. Cleaves, the minutes were approved.

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

- Pricing for Bond Issue 2019-2 will be on June 5 and 6, 2019. All market indications look promising at this time.

- Production remains strong and is expected to remain strong throughout the summer. Efforts of THDA staff led to this result.

- HUD recently issued a mortgagee letter to clarify the kinds of entities that can legitimately offer down-payment assistance and this is generally beneficial to housing finance agencies like THDA. The mortgagee letter has been challenged in court. The Washington State housing finance agency has filed a friend of the court brief and THDA expects to join in the brief.

- HUD has extended THDA's project based contract administration agreement to the end of calendar 2020. HUD will assign THDA additional properties to inspect and supervise with a little less money per inspection, but THDA will still be operating in the black on the program.

- The Rural Impact Statement requested by Governor Lee is being finalized and will be circulated to Board members.

- A video regarding the Blight Elimination program was shown to the Board.

- June 4, 2019 will be the mid-year quarterly business review. Staff will invite and host three former Board Chairs along with Kim Grant Brown to reminisce to celebrate THDA's 45th anniversary.

- June 18, 2019 will be the next Women in Leadership Speaker Series date with Ms. Anne Pope.

- Gathelyn (Gay) Oliver provided the following update on Board Compliance Responsibilities:

    - Consumer Financial Protection Bureau ("CFPB"), created by the Dodd Frank Act in response to the Financial Crises in 2007 and 2008, has supervisory and enforcement authority over THDA because THDA services loans.

    - CFPB requires that THDA develop and maintain a sound compliance management system, the components of which include board and management oversight. Board members and, specifically, the Audit & Budget Committee of the Board, along with senior management provide oversight to THDA's compliance management system. In the event of an audit, the CFPB would likely look at Board and senior management oversight and commitment to compliance, effective change management, effective risk management and self-identification and corrective action responses.

    - The Internal Audit Division is responsible for testing compliance for all of THDA. Bruce Balcom, Assistant Chief Legal Counsel, provides legal compliance expertise for single family programs.

    - Components of the compliance program include policies and procedures, training, monitoring and audit, consumer complaint and response

    - Policies and procedures are developed by management within each division, with oversight to ensure regulatory compliance.

    - Internal Audit staff follow an annual audit plan every year, with policies and procedures for audit work. Internal Audit also has a quality control plan for Volunteer Mortgage Loan Servicing.

    - Comprehensive training is provided to all THDA management and staff on regulations, policy and procedures specific to their area of expertise. Training is tracked each year to ensure compliance with training requirements.

- Internal Audit staff complete training for their specific areas of expertise and are involved in professional organizations.

- Internal Audit staff is preparing for conventional lending by developing a quality control plan based on FHA, VA and USDA regulations (for loans made with proceeds from mortgage revenue bonds) and Fannie Mae and Freddie Mac guidelines (for conventional loans).

- Consumers have several options to contact THDA if they are dissatisfied with an action or anything that happens at THDA. Management is responsible for responding to complaints and resolving them appropriately. Internal audit staff regularly reviews complaints and follow up.

- The compliance management system is reviewed each year as part of the financial and compliance audit performed by the Comptroller’s Office. In addition, NCSHA has developed a compliance group and Internal Audit staff participates in monthly calls regarding compliance issues, best practices, questions, and concerns.

- Internal Audit staff is finalizing a vendor management policy and is working on origination quality control.

- Internal Audit will provide regular compliance training to the Board to meet CFPB requirements. Questions or concerns may be addressed to Ms. Oliver at any time.

Chair Brown then called for the Bond Finance Committee report and recognized Lynn Miller, Chief Legal Counsel. Ms. Miller presented the Schedule of Financing for Fiscal Year 2019-2020 (the “Schedule of Financing”) included in the meeting material. She noted the Bond Finance Committee recommended approval and noted that $475 million in bonds is expected to be issued during Fiscal Year 2019-2020, including approximately $445 million for new production and approximately $30 million in anticipated economic refundings. Ms. Miller noted that THDA issued $749 million in bonds during the 2018-2019 fiscal year. Upon motion by Ms. Cleaves, second Ms. Wilson, motion carried to approve the Schedule of Financing.

Chair Brown recognized Ms. Miller who referenced a memo dated May 14, 2019, from her and Lindsay Hall, Chief Operating Officer of Single Family Programs, regarding conventional lending. Ms. Miller explained that, in March 2015, the Board authorized an insured conventional loan product using a master servicer who would pool THDA conventional loans and sell them to the government sponsored entities (GSEs), with THDA holding the resulting mortgage-backed securities as investments. She explained that since THDA now services its loans, a new model is expected that involves a provider to pool and sell THDA conventional loans to GSEs, with THDA retaining servicing on these conventional loans, so additional authorization is needed. She indicated that the Bond Finance Committee and the Lending Committee recommend the following authorizations as specified in the referenced memo:

1. Authorize an insured conventional loan product through a secondary market execution;

2. Authorize staff to engage a provider experienced in packaging, selling and delivering loans to GSE(s) on behalf of housing finance agencies in order to mitigate interest rate risk and who is willing to train THDA staff and lenders in the processes required;
3. Authorize staff to create loan pools to sell to the GSE(s) using best efforts or other methods at the point the Executive Director determines that THDA staff have sufficient knowledge and experience to carry out this function;
4. Authorize staff to apply for and receive a revolving line of credit up to a maximum of $75 million to use to purchase loans from Originating Agents prior to selling them to the GSE(s) through the provider or otherwise, with terms and conditions satisfactory to the Executive Director; and
5. Authorize all appropriate staff to execute all documents and do all things necessary to carry out the authorizations described in #1-#4 above.

Upon motion by Ms. Cleaves, second by Mr. Snodderly, motion carried to approve the five authorizations listed above.

Chair Brown then called for the Grants Committee report and recognized Mr. van Vuuren who noted the Committee is recommending approval of all extension requests for the 2015-2016 HOME Program. Mr. van Vuuren referenced a memorandum from Don Watt, Director of Community Programs, dated May 14, 2019, containing full details. He noted that the grants are currently set to expire on June 30, 2019, but implementation delays, including building codes issues, contractor shortages, and administrator issues, have impacted the 2015-2016 grants. Mr. van Vuuren stated that the extension requests range from October 1, 2019, to June 30, 2020, with the majority requesting an extension to December 31, 2019. Upon motion by Mr. van Vuuren, second by Mr. Rummel, motion carried to approve all the 2015-2016 HOME Grant extensions as specified in the referenced memorandum.

Next, Mr. van Vuuren presented a request from Sevier County to extend their 2017 Rebuild and Recover grant. Mr. van Vuuren referenced a memorandum from Mr. Watt, dated May 15, 2019. He noted that the THDA Board previously approved an extension to May 31, 2019, however, foundation issues were discovered with four of the homes, including one that required acquisition of a new lot. Mr. van Vuuren noted that Appalachia Service Project is administering the grant on behalf of Sevier County, and they anticipate completion of the remaining four homes by August 31, 2019. Upon motion by Mr. van Vuurenl, second by Ms. Tully, motion carried to approve the Committee recommended extension of the 2017 Sevier County Rebuild and Recover grant to August 31, 2019.

Mr. van Vuuren next presented the Committee recommendation for the 2020 Set-Aside Allocation to Habitat for Humanity of Tennessee. Mr. van Vuuren referenced a memorandum from Mr. Watt, dated May 13, 2019, and the attached proposed Tennessee Housing Trust Fund (“THTF”) 2020 Habitat for Humanity of Tennessee Program Description (the “2020 Habitat Program Description”). Mr. van Vuuren stated that since July 2014, THDA has set aside $500,000 annually from the THTF for Habitat for Humanity of Tennessee to support the construction activities of their local affiliates. Mr. van Vuuren also noted minor updates in the 2020 Habitat Program Description recommended by the Committee. Upon motion by Mr. van Vuuren, second by Mr. Krenson, motion carried to approve the $500,000 allocation from the THTF to Habitat for Humanity of Tennessee and to approve the 2020 Habitat Program Description.

Mr. van Vuuren next presented the Committee recommended 2020 Challenge Grant Program Description. Mr. van Vuuren referenced a memorandum from Mr. Watt, dated May 14, 2019, and the attached proposed 2020 Challenge Grant Program Description. Mr. van Vuuren stated that the Committee recommends approval of $500,000 from the THTF for the 2020 Challenge Grant Program, to provide seed funding in support of fundraising efforts by eligible nonprofit organizations to implement housing activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day-to-day activities of the organization. He also noted the following recommended changes to the 2020 Challenge Grant Program Description:

- Reduce the available funds from $1,500,000 to $500,000.
- Provide for a single application deadline and a simultaneous review of proposals.
- Clarify the term “binding commitment” and associated timing.
- Eliminate the Executive Director’s discretion to award a Challenge Grant.

Upon motion by Mr. van Vuuren, second by Mr. McMullen, motion carried to approve the allocation of $500,000 from the THTF for the 2020 Challenge Grant Program and to approve the recommended 2020 Challenge Grant Program Description.

Finally, Mr. van Vuuren presented a Committee recommendation to allocate funds to United Cerebral Palsy of Middle Tennessee to implement the 2019-2020 Home Modifications and Ramps Program as detailed in a memorandum from Mr. Watt, dated May 13, 2019, and to approve the Tennessee Housing Trust Fund 2019 Home Modifications and Ramps (“HMR”) Program Description (“HMR Program Description”). Mr. van Vuuren stated that the Committee recommends a $300,000 set-aside for United Cerebral Palsy of Middle Tennessee to implement a 2-year program for the construction of ramps and accessibility modifications to the homes of disabled households across the whole state. He noted the following recommended changes to the HMR Program Description:

- Increase the cost cap for ramps from $1,200 to $1,500; for other modifications from $6,000 to $7,500.
- Allow HOME resources as an eligible match source (a 50% match is required).
- Clarify that improvements made must meet local building codes and ADA requirements.
- Add standard non-discrimination language.
- Add conflict of interest requirements.

Upon motion by Mr. van Vuuren, second by Mr. Rummel, motion carried to approve the allocation of $300,000 to United Cerebral Palsy of Middle Tennessee for the 2019-2020 HMR Program and to approve the HMR Program Description.

Chair Brown then recognized Ms. Cleaves for the Lending Committee report. Ms. Cleaves noted that Dr. Hulya Arik, THDA Economist, presented proposed changes to household income limits applicable to THDA loan programs as described in her memo dated May 14, 2019. Ms. Cleaves explained that income limits increased for 94 counties and reduced only for Smith County as shown on the chart included with the referenced memo. Upon motion by Ms. Cleaves, second by Ms. Merrick, motion carried to approve the Committee recommended 2019 income limits. to be effective as of May 27, 2019, as shown in the referenced memo.

Chair Brown then recognized Ms. Tully for the Tax Credit Committee report. Ms. Tully referenced a memo to the Board of Directors from Don Watt, Acting Director of Multifamily Programs and Director of Community Programs dated May 21, 2019, and reviewed the following Committee recommended amendments to the 2019-2020 Qualified Allocation Plan and the 2019 Multifamily Tax Exempt Bond Authority Program Description:

1. Increase the non-competitive housing credit per development limit from $1.3 million to $3 million; and
2. Increase the Multifamily Tax Exempt Bond Authority per development limit from $25 million to $35 million; and
3. Maintain the Multifamily Tax Exempt Bond Authority per developer limit at $60 million through June 30 of each year, with an increase to $85 million beginning July 1 of each year.

Upon motion by Ms. Tully, second by Mr. Snodderly, the above amendments were approved and staff was authorized to make non-substantive conforming changes as necessary.

With no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 23st day of July, 2019.

# Tab # 4

Items:

Bond Finance Committee Meeting Materials

# Tennessee Housing Development Agency
# Bond Finance Committee
## July 22, 2019
## 2:00 P.M. Central Time

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AGENDA

1. Call to Order ........................................................................ Hedges
2. Approval of minutes from May 20, 2019, and June 4, 2019, meetings .......... Hedges
3. Issue 2019-3 Authorization ........................................................ Miller
4. Issue 2019-3 Reimbursement Resolution ....................................... Miller
5. Issue 2019-2 State Form CT-0253 ................................................ Miller
6. Adjourn ................................................................................ Hedges

LOCATION

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

COMMITTEE MEMBERS

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

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
May 20, 2019

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Monday, May 20, 2019, at 2:00 P.M. in Conference Room G-11, State Capitol, Nashville, Tennessee. The following members were present: Jonathan Rummel (for Secretary of State Tre Hargett), Samantha Wilson (for Commissioner of Finance & Administration Stuart McWhorter), and Comptroller Justin Wilson *(Secretary)*. Kim Grant Brown *(Chair)* participated by conference call. Treasurer David Lillard did not attend the meeting.

At the request of Chair Brown, Comptroller Wilson chaired the meeting. He noted a physical quorum was present and called the meeting to order. Comptroller Wilson asked for a motion to approve the minutes of the March 25, 2019, meeting. Upon motion by Mr. Rummel, second by Ms. Wilson, and with the following roll call vote, the motion carried to approve the March 25, 2019, minutes:

| | |
|---|---|
| Chairman Brown: | Yes |
| Mr. Rummel for Secretary Hargett: | Yes |
| Ms. Wilson for Commissioner McWhorter: | Yes |
| Comptroller Wilson: | Yes |

Comptroller Wilson recognized Lynn Miller, THDA Chief Legal Counsel, who presented the Schedule of Financing for Fiscal Year 2019-2020 (the "Schedule of Financing") included in the meeting material. She indicated that, based on projections provide by Single Family program staff, the Schedule of Financing provides for four bond issues in a total principal amount of $475 million for Fiscal Year 2019-2020 plus approximately $30 million in anticipated refundings. Upon motion by Comptroller Wilson, second by Mr. Rummel, and with the following roll call vote, the motion carried to recommend the Schedule of Financing to the Board for approval:

| | |
|---|---|
| Chairman Brown: | Yes |
| Mr. Rummel for Secretary Hargett: | Yes |
| Ms. Wilson for Commissioner McWhorter: | Yes |
| Comptroller Wilson: | Yes |

Comptroller Wilson next recognized Ms. Miller to present information regarding conventional lending. She referenced a memo dated May 14, 2019, from her and Lindsay Hall, Chief Operating Officer of Single Family Programs, and noted that, in March 2015, the Board authorized an insured conventional loan product using a master servicer who would pool THDA conventional loans and sell them to the government sponsored entities (GSEs). THDA would hold the resulting mortgage-backed securities as investments. She explained that THDA now services its loan portfolio and would retain servicing rights to these conventional loans and earn servicing revenue monthly. The 2015 authorization does not accommodate this model, so additional authorization is needed. She indicated that THDA staff recommends the following authorizations as specified in the referenced memo:

1. Authorize an insured conventional loan product through a secondary market execution;
2. Authorize staff to engage a provider experienced in packaging, selling and delivering loans to GSEs on behalf of housing finance agencies in order to mitigate interest rate risk and who is willing to train THDA staff and lenders in the processes required;
3. Authorize staff to create loan pools to sell to the GSE(s) using best efforts or other methods at the point the Executive Director determines that THDA staff have sufficient knowledge and experience to carry out this function;

4. Authorize staff to apply for and receive a revolving line of credit up to a maximum of $75 million to use to purchase loans from Originating Agents prior to selling them to the GSE(s) through the provider or otherwise, with terms and conditions satisfactory to the Executive Director; and
5. Authorize all appropriate staff to execute all documents and do all things necessary to carry out the authorizations described in #1-#4 above.

Upon motion by Comptroller Wilson, second by Chair Brown, and with the following roll call vote, the motion carried to recommend the five authorizations listed above and in the referenced memo to the Lending Committee and the Board of Directors for approval:

| | |
|---|---|
| Chairman Brown: | Yes |
| Mr. Rummel for Secretary Hargett: | Yes |
| Ms. Wilson for Commissioner McWhorter: | Yes |
| Comptroller Wilson: | Yes |

Comptroller Wilson asked for the report on the THDA Debt Management Policy review. Ms. Miller indicated THDA staff and staff of the Office of State and Local Finance reviewed the current THDA Debt Management Policy. She indicated that Sandi Thompson noted some additional disclosure items that the Comptroller's office would be requiring of other bond issuing entities, but Ms. Thompson felt the current THDA Debt Management Policy covered those items. Ms. Miller further indicated that staff has no changes to recommend. No changes were recommended by the Committee.

Comptroller Wilson indicated the next item for consideration was the review of the State Form CT-0253, Report on Debt Obligation (the "Report") for Issue 2019-1. He recognized Ms. Miller who explained that the Report is statutorily required for every bond sale and must be submitted to the Board of Directors for review. She indicated the Report was filed with the Comptroller's Office on April 8, 2019, within the 45-day filing period. Ms. Miller noted that her memo dated May 15, 2019, provided a cost comparison of the four most recent bond issues. No action by the Committee was needed.

There being no further business, Comptroller Wilson adjourned the meeting.

Respectfully submitted,

________________________________________

Assistant Secretary

Approved the ____ day of July, 2019.

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
June 4, 2019

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, June 4, 2019, at 4:30 P.M. in Conference Room G-11, State Capitol, Nashville, Tennessee. The following members were present: Jonathan Rummel (for Secretary of State Tre Hargett), Treasurer David Lillard, Samantha Wilson (for Commissioner of Finance & Administration Stuart McWhorter), and Comptroller Justin Wilson *(Secretary)*. Kim Grant Brown *(Chair)* participated by conference call.

At the request of Chair Brown, Comptroller Wilson chaired the meeting. He noted a physical quorum was present and called the meeting to order. Comptroller Wilson indicated the Committee would consider the sale of Issue 2019-2 Bonds. Lynn Miller, THDA Chief Legal Counsel, presented the following documents that were circulated earlier for the Committee's consideration:

- Memo from CSG Advisors Incorporated ("CSG"), financial advisor for THDA, dated June 4, 2019, recommending approval of the described pricing for Issue 2019-2.

- Resolution of the Bond Finance Committee approving the issuance and sale of Issue 2019-2 (Non-AMT) in the aggregate principal amount of $200,000,000 (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 2019-2 Bonds to the underwriting syndicate, led by Citigroup Global Markets Inc. ("Citigroup"), the bookrunning senior manager;
  - Supplemental Resolution for the Issue 2019-2 Bonds; and
  - Final Bond Maturity Schedule showing the maturities and interest rates for the Issue 2019-2 Bonds.

Ms. Miller noted that, in general, the market was better than it was earlier in the year. She indicated that even though the market deteriorated during the day, there was excellent retail demand with over $130 million in retail orders and good institutional demand, although some of the longer maturities were not fully subscribed. She called on Tim Rittenhouse and David Jones, with CSG, who participated by conference call, to provide additional information. Mr. Rittenhouse indicated the retail response was very strong and allowed for a five basis point reduction for all serial bonds from July 2022 through July 2027. He also indicated that the yield on the PAC bond was, generally, better than on any other PAC sold by a housing finance agency this year. He noted that the sale produced over $30 million in new zero participations and a very attractive overall yield of about 3.05%. Mr. Jones indicated that CSG recommended approval of the pricing.

Comptroller Wilson asked if the process to determine whether to accelerate seemed to function properly. Mr. Rittenhouse indicated that it did from CSG's perspective. He noted that the form of the memo fit the process reasonably and allowed CSG to apply the particular circumstances of today's decision into a format that seemed to capture the key details. Ms. Miller added that staff thought it worked well. She also noted that staff appreciated Mr. Rittenhouse working through the list of factors with Citigroup during a conference call.

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

| | |
|---|---|
| Chairman Brown: | Yes |
| Mr. Rummel for Secretary Hargett: | Yes |
| Treasurer Lillard: | Yes |
| Ms. Wilson for Commissioner McWhorter: | Yes |
| Comptroller Wilson: | Yes |

Comptroller Wilson asked if there were any other matters to come before the Committee. Ms. Miller indicated that the Issue 2019-2 reimbursement resolution was for an amount not to exceed $60 million, given the rate of production, that amount may be exceeded by the time the Issue 2019-2 closes on June 27. She noted she confirmed with Bond Counsel that approval of an amended reimbursement resolution was not necessary because none of the purchased loans for which reimbursement was expected were purchased more than 60 days prior to the closing date.

There being no further business, Comptroller Wilson adjourned the meeting.

Respectfully submitted,

______________________________________
Assistant Secretary

Approved the ____ day of July, 2019.

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

**MEMORANDUM**

**DATE:** July 11, 2019

**TO:** THDA Bond Finance Committee and Board

**FROM:** Lynn Miller LBM
Chief Legal Counsel

**SUBJECT:** Authorization of General Residential Finance Program Bonds, Issue 2019-3

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DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

Attached please find the following documents in connection with the requested authorization of the next THDA bond issue, Issue 2019-3:

1. Memo from CSG Advisors Incorporated ("CSG") 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. This bond issue is not expected to include a refunding component. Staff expects this bond issue to be priced in early September 2019, with closing in early October 2019, depending on THDA loan production. The final size and structure will be determined by the Bond Finance Committee closer to pricing.

2. THDA Plan of Financing for Issue 2019-3 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 2019-3, which includes the form of Series Resolution for Issue 2019-3 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 2019-3 in an amount not to exceed $60 million. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2019-3 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2019-3 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 2019-3 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 CSG memo referenced in #1 above includes an analysis of and recommendation for senior bookrunning manager. Based on the CSG recommendation, THDA staff recommends that Raymond James & Associates, Inc. ("Raymond James"), be appointed as the bookrunning senior manager for Issue 2019-3.

ROTATING CO-MANAGER

Based on the CSG recommendation, THDA staff recommends that selling group member Wiley Brothers-Aintree Capital, LLC, be appointed to serve as rotating co-manager for Issue 2019-3 based on their performance, as described by CSG, on Issue 2019-2.

SELLING GROUP

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

LEM/ds

**CSG** | advisors

*Atlanta • Los Angeles • New Jersey • New York • San Francisco*

## MEMORANDUM

**TO:** THDA Board of Directors and THDA Bond Finance Committee

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

**SUBJECT:** Bond Issue Authorization Recommendation

**RE:** Residential Finance Program Bonds, Issue 2019-3

**DATE:** July 10, 2019

### Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a $150 million Issue 2019-3 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 2019-2 closed on June 27, 2019, and THDA expects Issue 2019-2 to be fully committed by late-July 2019, at which time THDA will begin committing against Issue 2019-3.

- Issue 2019-3 is expected to be sold in early-September for a closing in late-September or early-October 2019, providing funding for late summer and fall production.

- For Issue 2019-3, CSG recommends Raymond James & Associates as book-running senior manager (see **Appendix A** for our Underwriter Recommendation Memo).

**Current Market Conditions**

Since THDA's Issue 2019-2 priced on June 4, 2019, interest rates have trended lower, with the 10-year US Treasury bond slipping from 2.12% to 2.06% as of July 9, and the 30-year treasury fell from 2.60% to 2.54% over the same period. High-quality tax-exempt Municipal Market Data Index ("MMD") yields over this period also trended down from their June 4 levels, with the 10- and 30-year yields slightly lower, from 1.64% and 2.33% to 1.61% and 2.28%, respectively. Last week, municipal bonds (based on MMD yields) hit their year-to-date lows as a result of robust demand chasing moderate new issue municipal supply.

Although weaker European and Chinese economies and tariff threats worry investors and drive volatility, the US economy continues to show resilience. Price inflation remains below the Federal Reserve's 2% target and softer manufacturing sector reports have given the Federal Reserve's Open Market Committee

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(FOMC) flexibility in adopting a "wait-and-see" posture toward further rate change decisions and fueled market expectations of multiple rate cuts, starting as soon as the FOMC's July 30-31 meeting.

**Background**

On June 4, 2019, THDA priced its Residential Finance Program Bonds, Issue 2019-2 in the amount of $200 million, of which $192.48 million was available to purchase new mortgage loans (including zeros). As of June 30, 2019, approximately $125.7 million of Issue 2019-2 proceeds were committed.

When the Issue 2019-2 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 2019-3. Beginning in July, THDA anticipates building a pipeline of mortgage loans to be funded with Issue 2019-3. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2019-3 in late-September or early-October 2019.

None of THDA's outstanding bonds will become optionally redeemable at par before January 1, 2020. Since housing bonds may not be refunded prior to 90 days before they are redeemed, no economic refunding is proposed for Issue 2019-3.

**Proposed Sizing and Structure for Issue 2019-3**

Authorizing a bond issue of not to exceed $150 million is expected to allow THDA to continue purchasing mortgage loans into the fourth quarter of 2019. The ultimate size of the issue will depend on mortgage loan demand 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 2019-3 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 frequently 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.

Two alternative bond structures are presented 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, economic refunding component, or overcollateralization. The spread for tax purposes is 0.758%. $14.5 million in zeros would be consumed to increase the issue to a full 1.125% spread. Structuring the bonds without a PAC bond is not optimal or the most efficient structure.

- ***Scenario 2*** includes non-AMT PAC bonds. The lower yield on the PAC reduces the overall bond yield by 0.19% and would result in a spread for tax purposes of 0.949%. $6.5 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 $110 million in zeros that could be used to subsidize new bond issues, such as Issue 2019-3. Each of the scenarios summarized above and listed in Exhibit A assume that THDA continues lending at interest rates of 3.875% and 3.375% for its Great Choice and Brave Choice loan programs, respectively. The amount of zero participation loans that THDA accumulated helps mitigate THDA's risk of higher bond rates on future transactions, particularly with less economic refunding opportunities over the next few years than in the recent past. At the same time, it seems prudent to begin consuming a portion of the zeros, in view of the amount that has built up over the last several years.

As the financing is developed, production needs will be refined, and as 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 assess whether further refinement of the structure could offer improvement in the pricing of Issue 2019-3.

Issuing the Issue 2019-3 Bonds under the 2013 General Resolution avoids a state moral obligation pledge on the 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:

<u>Retail Sales / In-State Selling Group</u> – 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 often amount to 0.05%. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

<u>Market Volatility</u> – 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.

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

Bond Structure – Though Issue 2019-3 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, to add additional maturities or features, or to use bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in a number of THDA's offerings 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 sale and issuance of Residential Finance Program Bonds, Issue 2019-3, with a par amount not to exceed $150 million;
- Delegate to the Bond Finance Committee authority to:
    - Establish the principal amount of Issue 2019-3, with a size not to exceed $150 million;
    - Establish the structure, sub-series and pricing schedule of Issue 2019-3; and
    - Approve fixed rate serial and term bonds in any combination with maturities no longer than 32 years.
- Based on current market conditions and for the reasons described above, authorize Issue 2019-3 via a negotiated sale.
- Underwriter Recommendation (see **Appendix A** for our complete Underwriter Recommendation memo):
    - In view of the continuing value Raymond James & Associates has provided as a member of THDA's underwriting syndicate, we recommend Raymond James serve as book-running senior manager for Issue 2019-3.

## EXHIBIT A: PRELIMINARY STRUCTURING ANALYSIS

# Exhibit A

**Preliminary Structuring Analysis**

| | | | Scenario 1 | | Scenario 2 | |
|---|---|---|---|---|---|---|
| **Structuring Scenario** | | | ***No PAC / No Overcollateralization*** | | ***With PAC / No Overcollateralization*** | |
| Interest Rate Scale as of Date | | | 7/9/2019 | | 7/9/2019 | |
| Including PAC Bonds | | | No | | **Yes** | |
| Average Life of PAC Years (100-400% PSA) | | | Not Applicable | | **5.00** | |
| PAC Structure | | | Not Applicable | | **Throughout Maturity Schedule** | |
| Including Over-Collateralization | | | No | | No | |
| **Issue Amounts** | | | | | | |
| New Money | Non-AMT | | 150,000,000 | | 150,000,000 | |
| TOTAL | | | 150,000,000 | | 150,000,000 | |
| **Bond Structure** | | Coupon / Yield | | | | |
| Serials 2020-2032 | Non-AMT | 1.30 - 2.60 % | 48,085,000 | *32%* | 29,605,000 | *20%* |
| Term 2034 | Non-AMT | 2.800 % | 9,060,000 | *6%* | 5,710,000 | *4%* |
| Term 2039 | Non-AMT | 3.000 % | 25,155,000 | *17%* | 16,065,000 | *11%* |
| Term 2044 | Non-AMT | 3.250 % | 29,485,000 | *20%* | 19,110,000 | *13%* |
| Term 2050 | Non-AMT | 3.350 % | 38,215,000 | *25%* | 25,010,000 | *17%* |
| PAC Term | Non-AMT | 3.75 / 1.95 % | - | *0%* | 54,500,000 | *36%* |
| | | | 150,000,000 | *100%* | 150,000,000 | *100%* |
| **Yields** | | | | | | |
| Mortgage Yield (1) | | | 3.735 % | | 3.735 % | |
| Bond Yield | | | 2.977 % | | 2.786 % | |
| Yield Spread | | | 0.758 | | 0.949 | |
| Zero Percent Loans (Consumed) / Created | | | (14,500,000) | | (6,500,000) | |
| Yield Spread After Zero Participations | | | 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* | *Assumed Origination* | *Mortgage Rate* | *Notes* |
|---|---|---|---|
| *Great Choice* | *147,000,000* | *3.875%* | *[Existing/Future Production}* |
| *Brave Choice* | *3,000,000* | *3.375%* | *[Existing/Future Production}* |

# EXHIBIT A - SUPPLEMENT:
# IMPACT OF CHANGING FUTURE MORTGAGE RATES

## 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**

| | | Scenario 1 | | Scenario 2 | |
|---|---|---|---|---|---|
| **Structuring Scenario** | | ***No PAC / No Overcollateralization*** | | ***With PAC / No Overcollateralization*** | |
| | Interest Rate Scale as of Date | 7/9/2019 | | 7/9/2019 | |
| | Including PAC Bonds | No | | **Yes** | |
| | Including Over-Collateralization | No | | No | |
| | Bond Yields | 2.977 | % | 2.786 | % |
| **Mortgage Rates and Zero Percent Loans Needed** | | | | | |
| A | Mortgage Rate on 'Future' Mortgages | 3.875 | % | 3.875 | % |
| | Mortgage Yield (1)(2) | 3.735 | % | 3.735 | % |
| | Yield Spread | 0.758 | | 0.949 | |
| | Zero Percent Loans (Consumed) / Created for Full Spread | (14,500,000) | | (6,500,000) | |
| B | Mortgage Rate on 'Future' Mortgages to Reduce Zeros by 50% | 4.050 | % | 3.950 | % |
| | Mortgage Yield (1) | 4.102 | % | 3.911 | % |
| | Yield Spread | 1.125 | | 1.125 | |
| | Zero Percent Loans (Consumed) / Created for Full Spread | (7,250,000) | | (3,250,000) | |
| C | Mortgage Rate on 'Future' Mortgages to Reduce Zeros by 100% | 4.250 | % | 4.050 | % |
| | Mortgage Yield (1) | 4.102 | % | 3.911 | % |
| | Yield Spread | 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*

## APPENDIX A:
## ISSUE 2019-3 UNDERWRITER RECOMMENDATION MEMO

CSG advisors

*Atlanta • Los Angeles • New Jersey • New York • San Francisco*

## MEMORANDUM

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

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

**SUBJECT:** Underwriter Recommendation
Residential Finance Program Bonds, Issue 2019-3

**DATE:** July 10, 2019

**Background**

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

**Elevated Selling Group Member**

Excluding the standing THDA managers, the following table shows the retail performance of each selling group member for Issue 2019-2, for which Wiley Bros. – Aintree Capital acted as the third co-manager based on its performance on Issue 2019-1:

**TABLE 1: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2019-2**
***(thousands)***

| Member | Retail Orders | Final Allotments |
|---|---|---|
| **Wiley Bros.-Aintree** | **$ 15,210** | **$ 13,945** |
| Hilliard Lyons | 1,960 | 1,960 |
| Duncan-Williams | 1,500 | 900 |
| R W Baird | 70 | 70 |
| FTN Financial | 0 | 0 |
| TOTAL | $ 18,740 | $ 16,875 |

Whether based on final allotments or retail orders, Wiley Bros. - Aintree Capital qualified as the selling group member to be elevated to co-manager for THDA's Issue 2019-3.

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*41 PERIMETER CENTER EAST, SUITE 615, ATLANTA, GA 30346 | (678) 319-1911 | DJONES@CSGADVISORS.COM*

**Book-Running Senior Manager**

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

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

Raymond James has performed well in each of THDA's last three bond issues, including a very successful book-running performance in Issue 2018-4 in a challenging market, evidenced by strong institutional order flow, as well as in-state and national retail. When senior managing prior issues, the firm has shown a willingness to price bonds aggressively, work the order book diligently, and underwrite unsold bonds when necessary. Since Issue 2018-4, on the two issues that Raymond James has served as a non-bookrunning manager, the firm contributed meaningfully to both transactions, including retail and, even, net designated institutional orders – rarity for a non-bookrunning manager.

<u>In view of the continued value Raymond James has provided as a co-senior manager, we recommend that Raymond James serve as book-running senior manager for Issue 2019-3.</u>

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

| Bond Issue | Amount of Par Bonds Issued ($ millions) | Book-Running Senior Manager |
|---:|---:|---:|
| Issue 2018-1 | $ 99.9 | Raymond James |
| Issue 2018-2 | 160.0 | RBC Capital Markets |
| Issue 2018-3 | 149.9 | Citigroup Global Markets |
| Issue 2018-4 | 225.0 | Raymond James |
| Issue 2019-1 | 175.0 | RBC Capital Markets |
| Issue 2019-2 | 200.0 | Citigroup Global Markets |

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

**EXHIBIT 1: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,**

**LAST THREE (3) BOND ISSUES**

**THDA UNDERWRITER PERFORMANCE SUMMARY -- 2018-4, 2019-1, and 2019-2**

| | 2018-4 (RJ lead, Hilliard co) 225,000,000 | | 2019-1 (RBC lead, Wiley co) 175,000,000 | | 2019-2 (Citi lead, Wiley co) 200,000,000 | | Combined 2018-4, 2019-1&2 600,000,000 | |
|---|---|---|---|---|---|---|---|---|
| | Orders | Allotments | Orders | Allotments | Orders | Allotments | Orders | Allotments |
| Citigroup | | | | | | | | |
| Tennessee Retail | 505 | 250 | 70 | 70 | 29,955 | 24,025 | 30,530 | 24,345 |
| National Retail | 4,290 | 2,020 | 1,220 | 895 | 77,610 | 26,410 | 83,120 | 29,325 |
| Net Designated | 2,815 | 700 | 0 | 0 | 220,545 | 123,230 | 223,360 | 123,930 |
| Member | 28,890 | 815 | 25,020 | 150 | 0 | 0 | 53,910 | 965 |
| Total | 36,500 | 3,785 | 26,310 | 1,115 | 328,110 | 173,665 | 390,920 | 178,565 |
| Raymond James | | | | | | | | |
| Tennessee Retail | 44,990 | 35,385 | 6,025 | 5,875 | 7,325 | 5,575 | 58,340 | 46,835 |
| National Retail | 12,675 | 2,845 | 2,375 | 1,975 | 2,530 | 605 | 17,580 | 5,425 |
| Net Designated | 453,785 | 169,220 | 0 | 0 | 11,000 | 3,445 | 464,785 | 172,665 |
| Member | 350 | 350 | 22,140 | 850 | 31,000 | 0 | 53,490 | 1,200 |
| Total | 511,800 | 207,800 | 30,540 | 8,700 | 51,855 | 9,625 | 594,195 | 226,125 |
| RBC Capital Markets | | | | | | | | |
| Tennessee Retail | 35 | 35 | 23,625 | 22,855 | 1,200 | 1,200 | 24,860 | 24,090 |
| National Retail | 1,545 | 995 | 39,465 | 10,720 | 350 | 100 | 41,360 | 11,815 |
| Net Designated | 0 | 0 | 288,590 | 104,540 | 0 | 0 | 288,590 | 104,540 |
| Member | 43,215 | 0 | 0 | 0 | 34,000 | 0 | 77,215 | 0 |
| Total | 44,795 | 1,030 | 351,680 | 138,115 | 35,550 | 1,300 | 432,025 | 140,445 |
| J.P. Morgan | | | | | | | | |
| Tennessee Retail | 275 | 75 | 480 | 480 | 220 | 220 | 975 | 775 |
| National Retail | 2,480 | 475 | 1,020 | 920 | 245 | 235 | 3,745 | 1,630 |
| Net Designated | 0 | 0 | 1,000 | 1,000 | 0 | 0 | 1,000 | 1,000 |
| Member | 10,000 | 0 | 11,000 | 0 | 300 | 0 | 21,300 | 0 |
| Total | 12,755 | 550 | 13,500 | 2,400 | 765 | 455 | 27,020 | 3,405 |
| Wells Fargo | | | | | | | | |
| Tennessee Retail | 0 | 0 | 400 | 400 | 40 | 40 | 440 | 440 |
| National Retail | 2,170 | 1,575 | 890 | 785 | 375 | 0 | 3,435 | 2,360 |
| Member | 113,885 | 750 | 51,345 | 0 | 40,000 | 0 | 205,230 | 750 |
| Total | 116,055 | 2,325 | 52,635 | 1,185 | 40,415 | 40 | 209,105 | 3,550 |
| Duncan-Williams | | | | | | | | |
| Tennessee Retail | 1,540 | 1,540 | 0 | 0 | 500 | 500 | 2,040 | 2,040 |
| National Retail | 1,050 | 0 | 300 | 0 | 1,000 | 400 | 2,350 | 400 |
| Member | 700 | 250 | 700 | 0 | 0 | 0 | 1,400 | 250 |
| Total | 3,290 | 1,790 | 1,000 | 0 | 1,500 | 900 | 5,790 | 2,690 |
| FTN Financial | | | | | | | | |
| Tennessee Retail | 1,045 | 760 | 0 | 0 | 0 | 0 | 1,045 | 760 |
| Member | 10,000 | 0 | 7,000 | 0 | 7,500 | 0 | 24,500 | 0 |
| Total | 11,045 | 760 | 7,000 | 0 | 7,500 | 0 | 25,545 | 760 |
| J.J.B. Hilliard | | | | | | | | |
| Tennessee Retail | 3,290 | 2,815 | 1,960 | 1,960 | 0 | 0 | 5,250 | 4,775 |
| Member | 600 | 0 | 0 | 0 | 0 | 0 | 600 | 0 |
| Total | 3,890 | 2,815 | 1,960 | 1,960 | 0 | 0 | 5,850 | 4,775 |
| Robert W. Baird & Co. | | | | | | | | |
| Tennessee Retail | 0 | 0 | 825 | 825 | 0 | 0 | 825 | 825 |
| National Retail | 295 | 195 | 200 | 175 | 70 | 70 | 565 | 440 |
| Total | 295 | 195 | 1,025 | 1,000 | 70 | 70 | 1,390 | 1,265 |
| Wiley Bros-Aintree | | | | | | | | |
| Tennessee Retail | 5,440 | 3,950 | 6,435 | 6,150 | 15,210 | 13,945 | 27,085 | 24,045 |
| Total | 5,440 | 3,950 | 6,435 | 6,150 | 15,210 | 13,945 | 27,085 | 24,045 |
| TOTAL | | | | | | | | |
| Tennessee Retail | 57,120 | 44,810 | 39,820 | 38,615 | 54,450 | 45,505 | 151,390 | 128,930 |
| National Retail | 24,505 | 8,105 | 45,470 | 15,470 | 82,180 | 27,820 | 152,155 | 51,395 |
| Net Designated | 456,600 | 169,920 | 289,590 | 105,540 | 231,545 | 126,675 | 977,735 | 402,135 |
| Member | 207,640 | 2,165 | 117,205 | 1,000 | 112,800 | 0 | 437,645 | 3,165 |
| Total | 745,865 | 225,000 | 492,085 | 160,625 | 480,975 | 200,000 | 1,718,925 | 585,625 |

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2019-3
July 22, 2019

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

| | |
|---|---|
| AMOUNT: | The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2019-3 (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").<br><br>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:<br><br>(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<br><br>(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<br><br>(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<br><br>(4) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and<br><br>(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<br><br>(6) the amount of resources (loans and cash) available under the 1985 General Resolution to overcollateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution. |

| | |
|---|---|
| APPLICATION <br>OF PROCEEDS: | Proceeds of the Bonds will be applied to (i) finance Program Loans by the direct purchase thereof; and (ii) other uses as specified below in approximately the following amounts:<br>90% for single-family first lien mortgage loans, refinancing outstanding bonds;<br>8% for bond reserve;<br>1% for capitalized interest; and<br>1% for cost of issuance and underwriter's discount/fee. |
| DATE, METHOD AND <br>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 December 31, 2019. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock. |
| MATURITIES: | The Bonds may be any combination of tax-exempt and/or taxable long and/or short term serial, term, and/or discounted or premium bonds as may be determined by the Bond Finance Committee. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance. |
| BOND INTEREST RATES: | The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum. |
| REDEMPTION TERMS: | The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Bond Finance Committee. |
| LOAN INTEREST RATES AND <br>COST OF ADMINISTRATION: | Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA's costs of administration for the Bonds may be paid. |

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2019-3
July 23, 2019

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the "Act"), the Bond Finance Committee of the THDA Board of Directors (the "Committee"), on July 22, 2019, approved a plan of financing for Residential Finance Program Bonds, Issue 2019-3 (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 29, 2019, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 22, 2019, primary housing costs exceed 25% of an average Tennessee household's gross monthly income; and

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

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

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

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

1. The issuance and sale of the Bonds, in an aggregate par amount not to exceed $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 2019-3A (AMT), and $__________ Issue 2019-3B (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 July 23, 2019.

**TENNESSEE HOUSING DEVELOPMENT AGENCY**

**A Supplemental Resolution**

**Authorizing the Sale of**

**Residential Finance Program Bonds**

**$__________ Issue 2019-3A (AMT)**

**$__________ Issue 2019-3B (Non-AMT)**

Adopted July 23, 2019
as amended and supplemented
by the Bond Finance Committee
of THDA on __________ __, 2019

ARTICLE I
DEFINITIONS AND AUTHORITY



ARTICLE II
TERMS AND ISSUANCE



ARTICLE III
SALE AND DELIVERY



ARTICLE IV
DISPOSITION OF PROCEEDS AND OTHER MONEYS



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



ARTICLE VI
MISCELLANEOUS

**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF**

**RESIDENTIAL FINANCE PROGRAM BONDS**
**$__________ ISSUE 2019-3A (AMT)**
**$__________ ISSUE 2019-3B (Non-AMT)**

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

## ARTICLE I

## DEFINITIONS AND AUTHORITY

**Section 1.01. Short Title**. This resolution may hereafter be cited by THDA as the Issue 2019-3 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 2019-3 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 2019-3 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 2019-3 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 2019-3 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 2019-3 Bonds.

"*Issue 2019-3 Bonds*" means, together, the Issue 2019-3A Bonds and the Issue 2019-3B Bonds.

"*Issue 2019-3A Bonds*" means the Issue 2019-3A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

"*Issue 2019-3B Bonds*" means the Issue 2019-3B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

"*Issue Date*" means the date on which the Issue 2019-3 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on _____ __, 2019.

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

"*Official Statement*" means the Official Statement dated __________ __, 2019 used in connection with the sale of the Issue 2019-3 Bonds.

["*PAC Bonds*" means the Issue 2019-3A Bonds in the aggregate principal of $__________ maturing __________.]

["*PAC Bonds Planned Amortization Amount*" means the cumulative amount of PAC Bonds expected to be redeemed upon the receipt of Excess 2019-3 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

"*Preliminary Official Statement*" means the Preliminary Official Statement dated __________ __, 2019 used in connection with the offering of the Issue 2019-3 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, the THDA bonds listed in Exhibit D hereto.]

"*Resolution*" means this Supplemental Resolution adopted by THDA on July 23, 2019, as amended and supplemented by the Bond Finance Committee on __________ __, 2019.

"*Serial Bonds*" means the Issue 2019-3 Bonds which are not Term Bonds.

"*Term Bonds*" means, collectively, the Issue 2019-3A Bonds maturing __________, and the Issue 2019-3B Bonds maturing __________.

["*Transferred Investments*" means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2019-3 Bonds upon the refunding of the Refunded Bonds.]

["*Transferred Proceeds*" means the sum of $__________ on deposit in the Issue 2019-3 Bond Subaccount of the Loan Fund subsequent to the refunding of the Refunded Bonds.]

["*Transferred Program Loans*" means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2019-3 Bonds upon the refunding of the Refunded Bonds.]

"*Underwriters*" means, collectively, [Citigroup Global Markets Inc., Raymond James & Associates, Inc., and RBC Capital Markets, LLC], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2019-3 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 2019-3 Bonds" shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2019-3 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 2019-3A are hereby authorized to be issued in the aggregate principal amount of $__________, and Residential Finance Program Bonds, Issue 2019-3B are hereby authorized to be issued in the aggregate principal amount of $__________. In addition to the title "Residential

Finance Program Bond," the Issue 2019-3 Bonds will bear the additional designations "Issue 2019-3A (AMT) and "Issue 2019-3B (Non-AMT)," as appropriate. The Issue 2019-3 Bonds shall be issued only in fully registered form. The Issue 2019-3A Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds. The Issue 2019-3B Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds.

**Section 2.02. Purposes**. [The Issue 2019-3A Bonds and [a portion of] the Issue 2019-3B Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans, [Transferred Proceeds] and the Transferred Investments will become allocated to the Issue 2019-3 Bonds.] [A portion of] the Issue 2019-3B Bonds are being issued (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2019-3 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 2019-3 Bonds.

The proceeds of the Issue 2019-3 Bonds [and the [Transferred Proceeds and the] Transferred Investments] shall be applied in accordance with Article IV hereof.

**Section 2.03. Amounts, Maturities and Interest Rates**.

(a) The Issue 2019-3 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, 2020], at the rate set opposite such date in the following tables:

**Issue 2019-3A Bonds**

**<u>Serial Bonds</u>**

| **Maturity Date** | **Principal Amount** | **Interest Rate** | **Maturity Date** | **Principal Amount** | **Interest Rate** |
|---|---|---|---|---|---|
| | $ | % | | $ | % |

**<u>Term Bonds</u>**

| **Maturity Date** | **Principal Amount** | **Interest Rate** |
|---|---|---|
| | $ | % |

**Issue 2019-3B Bonds**

**Serial Bonds**

| Maturity Date | Principal Amount | Interest Rate | Maturity Date | Principal Amount | Interest Rate |
|---|---|---|---|---|---|
| | $ | % | | $ | % |

**Term Bonds**

| Maturity Date | Principal Amount | Interest Rate |
|---|---|---|
| | $ | % |

(b) Whenever the due date for payment of interest on or principal of the Issue 2019-3 Bonds or the date fixed for redemption of any Issue 2019-3 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 2019-3 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 2019-3 Bonds of each series maturing in such year. The Issue 2019-3 Bonds are to be lettered "RA," or "RB," as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2019-3 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2019-3 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2019-3 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 2019-3 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2019-3 Bonds will not receive certificates representing their interest in the Issue 2019-3 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2019-3 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2019-3 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 2019-3 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 2019-3 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 2019-3 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2019-3 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 2019-3 Bonds upon instructions from THDA to that effect.

**Section 2.07. Place of Payment; Record Date**. While the Issue 2019-3 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 2019-3 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2019-3 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2019-3 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2019-3 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2019-3 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 2019-3 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 2019-3 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2019-3 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 2019-3A Term Bonds due __________**

| **Date** | **Amount Due** | **Date** | **Amount Due** |
|---|---|---|---|
| | **$** | | **$** |

*Maturity



4813-9281-9612.2

**Issue 2019-3B Term Bonds due ___________**

| Date | Amount Due | Date | Amount Due |
|---|---|---|---|
| | $ | | $ |

*Maturity

(b) Upon the purchase or redemption of Issue 2019-3 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 2019-3 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 2019-3 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 2019-3 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

**Section 2.09. Optional Redemption**. The Issue 2019-3 Bonds maturing on and after [July 1, 2029] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [January 1, 2029] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

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

| Period | PAC Bond Redemption Price |
|---|---|
| [January 1, 2029] to [___________] | [_____]% |
| [___________] and thereafter | [_____]] |

**Section 2.10. Special Optional Redemption**. The Issue 2019-3 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 2019-3 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 2019-3 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2019-3 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 2019-3 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 Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2019-3 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 2019-3 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 2019-3 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

**Section 2.11. Special Mandatory Redemptions**.

(a) ***Unexpended Proceeds.*** The Issue 2019-3 Bonds are subject to mandatory redemption on _________ in the event and to the extent that there are unexpended proceeds of the Issue 2019-3 Bonds on deposit in the Issue 2019-3 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 2019-3 Bonds are subject to mandatory redemption on ______ __, _____, to the extent any amounts remain on deposit in the Issue 2019-3 Subaccount of the Loan Fund on ______ __, _____.

The redemption price of the Issue 2019-3 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 2019-3 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 2019-3 Bonds then Outstanding.

(b) [***Excess 2019-3 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 2019-3 Principal Payments. Any Excess 2019-3 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, 2020]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2019-3 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2019-3 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 2019-3 Principal Payments shall first be applied to redeem the PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2019-3 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 2019-3 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount (as set forth in "FIRST" above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2019-3 Principal Payments which is in excess of 400% PSA, and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds' proportionate amount of all Issue 2019-3 Bonds then Outstanding.

The PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2019-3 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 2019-3 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 2019-3 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2019-3 Bonds (or the date of original issuance of the bonds refunded by the Issue 2019-3 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2019-3 Bonds on or before the next Interest Payment Date with respect to the Issue 2019-3 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 2019-3 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 2019-3 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 PAC Bonds Planned Amortization Amount only if there are no other Issue 2019-3 Bonds Outstanding.

**Section 2.12. Selection by Lot**. If less than all of the Issue 2019-3 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 2019-3 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 2019-3 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 2019-3 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 2019-3 Bonds to the public is hereby authorized and approved.

(c) The Issue 2019-3 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2019-3 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 2019-3 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2019-3 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 2019-3 Bonds. Amounts on deposit in the Issue 2019-3 Bond Subaccount of the Loan Fund in excess of $__________, [together with the Transferred Proceeds,] shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2019-3 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2019-3 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 2019-3 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2019-3 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2019-3 Bonds shall not exceed 2% of the proceeds of the Issue 2019-3 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2019-3 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 __________ ___, 2020.

The Bond Reserve Fund Requirement with respect to the Issue 2019-3 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 2019-3 Bonds plus the amount on deposit in the Issue 2019-3 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 2019-3A Bonds and Issue 2019-3B Bonds**. Proceeds of the Issue 2019-3A Bonds and Issue 2019-3B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2019-3 Bond Subaccount of the Loan Fund. On the Issuance Date, $__________ of the amount on deposit in the Issue 2019-3 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2019-3A Bonds and the [entire proceeds of the] Issue 2019-3B 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 [and the Transferred Proceeds] shall be credited to the Issue 2019-3 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 2019-3 Bonds [(including the Transferred Proceeds)] unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the fee simple or leasehold estate, of real property located in the State or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

(a) have been pooled into a Program Security; or

(b) have been insured or guaranteed or have a commitment for insurance or guaranty by (i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or

(c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA), or the sale price of the property securing the Program Loan; or

(d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to issue such insurance or guarantee in the State and approved by THDA, and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or sale price of the property securing the Program Loan, whichever is less.

## ARTICLE V

## FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

**Section 5.01. Form of Bonds**. Subject to the provisions of the General Resolution, the Issue 2019-3 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 2019-3 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 2019-3A (AMT)] [Issue 2019-3B (Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ______________________________
Authorized Officer

## ARTICLE VI

## MISCELLANEOUS

**Section 6.01. No Recourse Against Members or Other Persons**. No recourse may be had for the payment of principal of or premium or interest on the Issue 2019-3 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2019-3 Bonds and neither the members of THDA nor any person executing the Issue

2019-3 Bonds may be liable personally on the Issue 2019-3 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 2019-3 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 2019-3 Bonds. The Issue 2019-3 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 2019-3 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 2019-3 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 2019-3 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 2019-3 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 2019-3 Bonds, or other material events affecting the tax status of the Issue 2019-3 Bonds;

(vii) modifications to rights of the holders of the Issue 2019-3 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 2019-3 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;

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

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

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

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

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2019-3 Bonds or defeasance of any Issue 2019-3 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 2019-3 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 2019-3 Bonds whether or not the Rule applies to such Issue 2019-3 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2019-3 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 the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2019-3 Bonds or (B) the holders of the Issue 2019-3 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 2019-3 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 2019-3 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 2019-3 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 2019-3 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2019-3 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 2019-3 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>**PAC Bonds**</u><br><u>**Planned Amortization Amount**</u> |
|---|---|

**[[400]% PSA PREPAYMENT AMOUNTS**
**FOR ISSUE 2019-3 BONDS]**

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

## EXHIBIT C

## FORM OF BOND

**REGISTERED**

**R[A][B][-1]** **$[_________]**

**TENNESSEE HOUSING DEVELOPMENT AGENCY**
**RESIDENTIAL FINANCE PROGRAM BOND**
**ISSUE 2019-3[A][B] [(AMT)][(Non-AMT)]**

| Interest Rate | Dated Date | Maturity Date | Cusip |
|---|---|---|---|
| [___]% | [_____], 2019 | [_____] | 880461[___] |

**REGISTERED OWNER**: CEDE & CO.

**PRINCIPAL SUM**: [_________]

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

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

This bond is one of a series of bonds additionally designated "Issue 2019-3[A][B]" (herein called the "Bonds") issued in the aggregate principal amount of $________ under the General Resolution, a resolution of THDA adopted on July 23, 2019, as amended and supplemented by the Bond Finance Committee of THDA on __________ __, 2019 (collectively with the General Resolution, the "Resolutions"). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the "Trustee") and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

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

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

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

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

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

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

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

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

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

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

[Remainder of page intentionally left blank]

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

TENNESSEE HOUSING DEVELOPMENT AGENCY

By ______________________________
Kim Grant Brown
Chair

[SEAL]

Attest:

By ______________________________
Ralph M. Perrey
Executive Director

## CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2019-3[A][B] [(AMT)][(Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ___________________________________
Authorized Signatory

Dated: ___________ __, 2019

## ABBREVIATIONS

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

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

UNIFORM GIFT MIN ACT - ____________________ Custodian ________________________
(Cust) (Minor)

under Uniform Gifts to Minors

Act ______________________________
(State)

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

## ASSIGNMENT

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

Dated: ____________________________________________

Social Security Number or
Employer Identification
Number of Transferred: ____________________________________________

Signature guaranteed: ____________________________________________

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

# EXHIBIT D

## REFUNDED BONDS

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSMENT OF THDA
FROM PROCEEDS OF ISSUE 2019-3
July 23, 2019

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

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2019-3, 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 $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 Lee**
Governor

**Ralph M. Perrey**
Executive Director

**MEMORANDUM**

**DATE:** July 11, 2019

**TO:** Bond Finance Committee
Board of Directors

**FROM:** Lynn E. Miller, Chief Legal Counsel LEM

**SUBJECT:** Issue 2019-2 State Form CT-0253 DRAFT (the "State Form")

---

Attached please find the draft State Form for Issue 2019-2 that priced on June 4, 2019, and closed on June 27, 2019. All of the invoices have not been received. The State Form must be filed with the Office of the Comptroller no later than August 11, 2019. We will file a final form once all invoices are received and circulate a copy to the full Board.

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 received to date for the current bond issue and the three prior bond issues.

| | 2013 Resolution | | | |
|---|---|---|---|---|
| Fees/Expenses[1] Paid To: | $200,000,000 Issue 2019-2 | $175,000,000 Issue 2019-1 | $225,000,000 Issue 2018-4 | $149,900,000 Issue 2018-3 |
| Financial Advisor | $ 60,000 | $ 70,000 | $ 37,500 | $ 47,500 |
| Bond Counsel | 35,000 | 35,000 | 35,000 | 35,000 |
| Trustee | | 8,750 | 11,250 | 7,495 |
| Bookrunning Underwriter | 1,161,298 | 1,041,754 | 1,327,395 | 913,269 |
| Moody's | | 90,000 | 105,000 | 70,000 |
| Standard & Poor's | | 91,000 | 110,000 | 67,000 |
| i-Deal | | 1,500 | 1,500 | 1,500 |
| General Services Print Shop | | 1,250 | 1,249 | 1,290 |
| Total Fees/Expenses Per Bond Issue | $ | $ 1,339,254 | $ 1,628,894 | $ 1,143,054 |

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

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 2019-2

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

**2. Face Amount:** $

Premium/Discount: $ See Attachment 1

**3. Interest Cost:** 3.0560 %

☑ 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:**

| | % | BRIEF DESCRIPTION |
|---|---|---|
| ☐ General Government | % | |
| ☐ Education | % | |
| ☐ Utilities | % | |
| ☑ Other | 96.24 % | Single Family Housing |
| ☑ Refunding/Renewal | 3.76 % | Refunding of Single Family Housing Bonds |

**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: 06/27/2019 Issue/Closing Date: 06/27/2019

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

# 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 | $ 60,000 | 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 | $ 0 | US Bank, NA |
| Remarketing Agent Fees | $ 0 | |
| Liquidity Fees | $ 0 | |
| Rating Agency Fees | $ 0 | Moody's and S & P |
| Credit Enhancement Fees | $ 0 | |
| Bank Closing Costs | $ 0 | |
| Underwriter's Discount ________% | | |
| Take Down | $ 1,080,581 | Citigroup Global Markets Inc. ("Citigroup") |
| Management Fee | $ 30,000 | Citigroup |
| Risk Premium | $ 0 | |
| Underwriter's Counsel | $ 25,000 | Hawkins Delafield & Wood |
| Other expenses | $ 25,717 | Citigroup |
| Printing and Advertising Fees | $ 0 | i-Deal and TN General Services Printing Division |
| Issuer/Administrator Program Fees | $ 0 | |
| Real Estate Fees | $ 0 | |
| Sponsorship/Referral Fee | $ 0 | |
| Other Costs ____________________ | $ 0 | |
| **TOTAL COSTS** | $ **1,256,298** | |

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

# REPORT ON DEBT OBLIGATION

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

## 12. Recurring Costs:

☑ No Recurring Costs

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

## 13. Disclosure Document / Official Statement:

☐ None Prepared
☐ EMMA link
☑ Copy attached

See Attachment 3: Issue 2019-2 Supplemental Resolution and See Attachment 4: Issue 2019-2 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 ☐ No

If yes to either question, date that disclosure is due 210 days after end of each Fiscal Year

Name 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 ____________ and presented at public meeting held on 07/23/2019

Copy to Director to OSLF: on ____________ either by:

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

OR

☑ Email to:
SLF.PublicDebtForm@cot.tn.gov

## 18. Signatures:

| | AUTHORIZED REPRESENTATIVE | PREPARER |
|---|---|---|
| Name | | Lynn E. Miller |
| Title | Executive Director | Chief Legal Counsel |
| Firm | Tennessee Housing Development Agency | Tennessee Housing Development Agency |
| Email | RPerrey@thda.org | LMiller@thda.org |
| Date | 06/27/2019 | 06/27/2019 |

**2. PREMIUM/DISCOUNT:**

Includes the original issue premium of $6,179,383.00 on the Issue 2019-2 PAC Bonds maturing January 1, 2048; and

## 10. MATURITY DATES, AMOUNTS AND INTEREST RATES

### $200,000,000 Issue 2019-2 (Non-AMT)

**$70,950,000 Serial Bonds**

| Year | Principal Amount Due January 1 | Interest Rate | CUSIP Number[(1)] | Principal Amount Due July 1 | Interest Rate | CUSIP Number[(1)] |
|---|---|---|---|---|---|---|
| 2020 | $ 900,000 | 1.40% | 880461YP7 | $ 2,405,000 | 1.45 % | 880461YQ5 |
| 2021 | 2,480,000 | 1.55 | 880461YR3 | 2,505,000 | 1.60 | 880461YS1 |
| 2022 | 2,530,000 | 1.65 | 880461YT9 | 2,560,000 | 1.65 | 880461YU6 |
| 2023 | 2,590,000 | 1.70 | 880461YV4 | 2,620,000 | 1.75 | 880461YW2 |
| 2024 | 2,655,000 | 1.80 | 880461YX0 | 2,685,000 | 1.80 | 880461YY8 |
| 2025 | 2,720,000 | 1.85 | 880461YZ5 | 2,755,000 | 1.90 | 880461ZA9 |
| 2026 | 2,790,000 | 1.95 | 880461ZB7 | 2,830,000 | 1.95 | 880461ZC5 |
| 2027 | 2,870,000 | 2.00 | 880461ZD3 | 2,910,000 | 2.05 | 880461ZE1 |
| 2028 | 2,885,000 | 2.15 | 880461ZF8 | 2,880,000 | 2.20 | 880461ZG6 |
| 2029 | 2,915,000 | 2.30 | 880461ZH4 | 2,960,000 | 2.35 | 880461ZJ0 |
| 2030 | 2,990,000 | 2.40 | 880461ZK7 | 3,000,000 | 2.45 | 880461ZL5 |
| 2031 | 3,050,000 | 2.50 | 880461ZM3 | 3,100,000 | 2.55 | 880461ZN1 |
| 2032 | 3,155,000 | 2.60 | 880461ZP6 | 3,210,000 | 2.65 | 880461ZQ4 |

**$129,050,000 Term Bonds**

| Maturity Date | Principal Amount Due | Interest Rate | CUSIP Number[(1)] |
|---|---|---|---|
| July 1, 2034 | $ 13,420,000 | 2.80 % | 880461ZR2 |
| July 1, 2039 | 38,270,000 | 3.00 | 880461ZS0 |
| July 1, 2041 | 14,260,000 | 3.10 | 880461ZT8 |
| January 1, 2048 (PAC) | 63,100,000 | 4.00 | 880461ZU5 |

**PRICE OF ISSUE 2019-2 BONDS DUE JANUARY 1, 2048 (PAC): 109.793%**

**PRICE OF ALL REMAINING ISSUE 2019-2 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:**

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# TENNESSEE HOUSING DEVELOPMENT AGENCY

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**A Supplemental Resolution**

**Authorizing the Sale of**

**Residential Finance Program Bonds**

**$200,000,000 Issue 2019-2 (Non-AMT)**

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Adopted March 26, 2019
as amended and supplemented
by the Bond Finance Committee
of THDA on June 4, 2019

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## ARTICLE I
## DEFINITIONS AND AUTHORITY



## ARTICLE II
## TERMS AND ISSUANCE



## ARTICLE III
## SALE AND DELIVERY



## ARTICLE IV
## DISPOSITION OF PROCEEDS AND OTHER MONEYS



## ARTICLE V
## FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION



## ARTICLE VI
## MISCELLANEOUS

**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF**

**RESIDENTIAL FINANCE PROGRAM BONDS**
**$200,000,000 ISSUE 2019-2 (Non-AMT)**

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

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

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

**Section 1.02. Definitions**.

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

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

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

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

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

"*Co-Managers*" means J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and Wiley Brothers–Aintree Capital, LLC.

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

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

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

"*Issue 2019-2 Bonds*" means the Issue 2019-2 Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

"*Issue Date*" means the date on which the Issue 2019-2 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on June 27, 2019.

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

"*Official Statement*" means the Official Statement dated June 4, 2019 used in connection with the sale of the Issue 2019-2 Bonds.

"*PAC Bonds*" means the Issue 2019-2 Bonds in the aggregate principal amount of $63,100,000 maturing January 1, 2048.

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

"*Preliminary Official Statement*" means the Preliminary Official Statement dated May 28, 2019 used in connection with the offering of the Issue 2019-2 Bonds.

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

"*Refunded Bonds*" means the bonds of THDA set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-2 Bonds.

"*Resolution*" means this Supplemental Resolution adopted by THDA on March 26, 2019, as amended and supplemented by the Bond Finance Committee on June 4, 2019.

"*Serial Bonds*" means the Issue 2019-2 Bonds which are not Term Bonds.

"*Term Bonds*" means, collectively, the Issue 2019-2 Bonds maturing July 1, 2034, July 1, 2039, July 1, 2041, and January 1, 2048.

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

"*Transferred Proceeds*" means the amount on deposit in the Issue 2019-2 Bond Subaccount of the Loan Fund subsequent to the refunding of the Refunded Bonds, as set forth in a certificate of THDA to be delivered on or before the date of issuance of the Issue 2019-2 Bonds.

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

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

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

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

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

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

## ARTICLE II

## TERMS AND ISSUANCE

**Section 2.01. Issue Amount and Designation**. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2019-2 are hereby authorized to be issued in the aggregate principal amount of $200,000,000. In addition to the title "Residential Finance Program Bond," the Issue 2019-2 Bonds will bear the additional designation "Issue 2019-2 (Non-AMT)." The Issue 2019-2 Bonds shall be issued only in fully registered form. The Issue 2019-2 Bonds will consist of $70,950,000 principal amount of Serial Bonds and $129,050,000 principal amount of Term Bonds.

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

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

**Section 2.03. Amounts, Maturities and Interest Rates**.

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

**Issue 2019-2 Bonds**

**Serial Bonds**

| Maturity Date | Principal Amount | Interest Rate | Maturity Date | Principal Amount | Interest Rate |
|---|---|---|---|---|---|
| January 1, 2020 | $ 900,000 | 1.40% | July 1, 2026 | $ 2,830,000 | 1.95% |
| July 1, 2020 | 2,405,000 | 1.45 | January 1, 2027 | 2,870,000 | 2.00 |
| January 1, 2021 | 2,480,000 | 1.55 | July 1, 2027 | 2,910,000 | 2.05 |
| July 1, 2021 | 2,505,000 | 1.60 | January 1, 2028 | 2,885,000 | 2.15 |
| January 1, 2022 | 2,530,000 | 1.65 | July 1, 2028 | 2,880,000 | 2.20 |
| July 1, 2022 | 2,560,000 | 1.65 | January 1, 2029 | 2,915,000 | 2.30 |
| January 1, 2023 | 2,590,000 | 1.70 | July 1, 2029 | 2,960,000 | 2.35 |
| July 1, 2023 | 2,620,000 | 1.75 | January 1, 2030 | 2,990,000 | 2.40 |
| January 1, 2024 | 2,655,000 | 1.80 | July 1, 2030 | 3,000,000 | 2.45 |
| July 1, 2024 | 2,685,000 | 1.80 | January 1, 2031 | 3,050,000 | 2.50 |
| January 1, 2025 | 2,720,000 | 1.85 | July 1, 2031 | 3,100,000 | 2.55 |
| July 1, 2025 | 2,755,000 | 1.90 | January 1, 2032 | 3,155,000 | 2.60 |
| January 1, 2026 | 2,790,000 | 1.95 | July 1, 2032 | 3,210,000 | 2.65 |

**Term Bonds**

| Maturity Date | Principal Amount | Interest Rate |
|---|---|---|
| July 1, 2034 | $ 13,420,000 | 2.80% |
| July 1, 2039 | 38,270,000 | 3.00 |
| July 1, 2041 | 14,260,000 | 3.10 |
| January 1, 2048 (PAC) | 63,100,000 | 4.00 |

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

**Section 2.04. Denominations, Numbers and Letters**.

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

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

**Section 2.05. Paying Agent**. The Trustee is hereby appointed as paying agent for the Issue 2019-2 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

**Section 2.06. Execution of Bonds**. The Issue 2019-2 Bonds shall be executed by the manual or facsimile signature of the Chairperson or Vice Chairperson and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2019-2 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of

THDA. The Issue 2019-2 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2019-2 Bonds upon instructions from THDA to that effect.

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

**Section 2.08. Sinking Fund Redemption Provisions**.

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

**Issue 2019-2 Term Bonds due July 1, 2034**

| Date | Amount Due | Date | Amount Due |
|---|---|---|---|
| January 1, 2033 | $3,265,000 | January 1, 2034 | $3,385,000 |
| July 1, 2033 | 3,325,000 | July 1, 2034* | 3,445,000 |

*Maturity

**Issue 2019-2 Term Bonds due July 1, 2039**

| Date | Amount Due | Date | Amount Due |
|---|---|---|---|
| January 1, 2035 | $3,505,000 | July 1, 2037 | $3,855,000 |
| July 1, 2035 | 3,575,000 | January 1, 2038 | 3,930,000 |
| January 1, 2036 | 3,645,000 | July 1, 2038 | 4,010,000 |
| July 1, 2036 | 3,715,000 | January 1, 2039 | 4,085,000 |
| January 1, 2037 | 3,785,000 | July 1, 2039* | 4,165,000 |

*Maturity

**Issue 2019-2 Term Bonds due July 1, 2041**

| Date | Amount Due | Date | Amount Due |
|---|---|---|---|
| January 1, 2040 | $4,245,000 | January 1, 2041 | $3,880,000 |
| July 1, 2040 | 4,185,000 | July 1, 2041* | 1,950,000 |

*Maturity

**Issue 2019-2 Term Bonds due January 1, 2048 (PAC)**

| Date | Amount Due | Date | Amount Due |
|---|---|---|---|
| July 1, 2041 | $ 1,995,000 | January 1, 2045 | $ 4,680,000 |
| January 1, 2042 | 4,025,000 | July 1, 2045 | 4,800,000 |
| July 1, 2042 | 4,130,000 | January 1, 2046 | 4,920,000 |
| January 1, 2043 | 4,235,000 | July 1, 2046 | 5,045,000 |
| July 1, 2043 | 4,340,000 | January 1, 2047 | 5,170,000 |
| January 1, 2044 | 4,450,000 | July 1, 2047 | 5,305,000 |
| July 1, 2044 | 4,565,000 | January 1, 2048* | 5,440,000 |

*Maturity

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

**Section 2.09. Optional Redemption**. Other than the PAC Bonds, the Issue 2019-2 Bonds maturing on and after January 1, 2029, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after July 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 prior to their maturity, either as a whole or in part, at any time or on or after July 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:

| Period | PAC Bonds Redemption Price |
|---|---|
| July 1, 2028 to December 31, 2028 | 102.482% |
| January 1, 2029 to June 30, 2029 | 102.096 |
| July 1, 2029 to December 31, 2029 | 101.694 |
| January 1, 2030 to June 30, 2030 | 101.280 |
| July 1, 2030 to December 31, 2030 | 100.870 |
| January 1, 2031 and thereafter | 100.000 |

**Section 2.10. Special Optional Redemption**. The Issue 2019-2 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2019-2 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans allocated to the Issue 2019-2 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2019-2 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-2 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof and (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the PAC Bonds Planned Amortization Amount.

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

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

**Section 2.11. Special Mandatory Redemptions**.

(a) ***Unexpended Proceeds.*** The Issue 2019-2 Bonds are subject to mandatory redemption on February 1, 2020 in the event and to the extent that there are unexpended proceeds of the Issue 2019-2 Bonds on deposit in the Issue 2019-2 Subaccount of the Loan Fund on January 1, 2020; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.02 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2019-2 Bonds are subject to mandatory redemption on December 1, 2022, to the extent any amounts (other than Transferred Proceeds) remain on deposit in the Issue 2019-2 Subaccount of the Loan Fund on November 1, 2022.

The redemption price of the Issue 2019-2 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2019-2 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-2 Bonds then Outstanding.

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

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

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

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2019-2 Bonds (including the Transferred Program Loans) are in excess of the 400% PSA

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

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

(c) **Ten Year Rule**.

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

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

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

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

## ARTICLE III

## SALE AND DELIVERY

**Section 3.01. Sale**.

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

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

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

## ARTICLE IV

## DISPOSITION OF PROCEEDS AND OTHER MONEYS

**Section 4.01. Proceeds of the Issue 2019-2 Bonds**. Upon receipt of the proceeds of the sale of the Issue 2019-2 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2019-2 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-2 Bonds. On the Issue Date, an amount equal to the principal amount of the Refunded Bonds on deposit in the Issue 2019-2 Bond Subaccount of the Loan Fund (representing a portion of the proceeds of the Issue 2019-2 Bonds) shall be allocated to the refunding of the principal of the Refunded Bonds; interest due on the Refunded Bonds on their redemption date will be paid from funds on deposit in the Redemption Account of the Refunded Bonds. On such date, the Transferred Proceeds and the Transferred Program Loans shall be credited to the Issue 2019-2 Bond Subaccount of the

Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issue Date.

**Section 4.02. Loan Fund; Bond Reserve Fund Requirement**. Subsequent to the refunding of the Refunded Bonds, amounts on deposit in the Issue 2019-2 Bond Subaccount of the Loan Fund (including the Transferred Proceeds) shall be applied to (i) the financing of Program Loans, or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iv) payment of Costs of Issuance and (v) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

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

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2019-2 Bond Subaccount of the Loan Fund in excess of the Transferred Proceeds and which are to be used to finance Program Loans (or other available funds of THDA), shall be made available for owner financing of "targeted area residences" (as defined in Section 143(j) of the Code) until June 27, 2020.

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

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

In addition, the Program Loan must either:

(a) have been pooled into a Program Security; or

(b) have been insured or guaranteed or have a commitment for insurance or guaranty by:

(i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans), or

(ii) any agency or instrumentality of the State authorized by law to issue such insurance; or

(c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA) or the sale price of the property securing the Program Loan; or

(d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to issue such insurance or guarantee in the State and approved by THDA, and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or sale price of the property securing the Program Loan, whichever is less.

## ARTICLE V

## FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

**Section 5.01. Form of Bonds**. Subject to the provisions of the General Resolution, the Issue 2019-2 Bonds in fully registered form shall be in substantially the form attached hereto as

Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

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

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

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

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ______________________________
Authorized Officer

## ARTICLE VI

## MISCELLANEOUS

**Section 6.01. No Recourse Against Members or Other Persons**. No recourse may be had for the payment of principal of or premium or interest on the Issue 2019-2 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2019-2 Bonds and neither the members of THDA nor any person executing the Issue 2019-2 Bonds may be liable personally on the Issue 2019-2 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

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

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

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

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

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

**Section 6.07. Continuing Disclosure Undertaking**.

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

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

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

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

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

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

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

(i) principal and interest payment delinquencies;

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

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

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

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

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

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

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

(ix) defeasances;

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

(xi) rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# EXHIBIT A

## BOND PURCHASE AGREEMENT

## EXHIBIT B

## PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS

| Date | PAC Bonds Planned Amortization Amount |
|---|---|
| January 1, 2020 | $ 625,000 |
| July 1, 2020 | 1,505,000 |
| January 1, 2021 | 3,535,000 |
| July 1, 2021 | 6,605,000 |
| January 1, 2022 | 10,645,000 |
| July 1, 2022 | 15,365,000 |
| January 1, 2023 | 20,085,000 |
| July 1, 2023 | 24,540,000 |
| January 1, 2024 | 28,735,000 |
| July 1, 2024 | 32,675,000 |
| January 1, 2025 | 36,370,000 |
| July 1, 2025 | 39,815,000 |
| January 1, 2026 | 43,025,000 |
| July 1, 2026 | 46,000,000 |
| January 1, 2027 | 48,750,000 |
| July 1, 2027 | 51,270,000 |
| January 1, 2028 | 53,605,000 |
| July 1, 2028 | 55,740,000 |
| January 1, 2029 | 57,665,000 |
| July 1, 2029 | 59,385,000 |
| January 1, 2030 | 60,920,000 |
| July 1, 2030 | 62,265,000 |
| January 1, 2031 | 63,100,000 |

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

| Date | Cumulative Amount | Date | Cumulative Amount |
|---|---|---|---|
| January 1, 2020 | $ 3,361,372 | July 1, 2035 | $ 186,906,743 |
| July 1, 2020 | 10,157,336 | January 1, 2036 | 187,206,488 |
| January 1, 2021 | 21,067,254 | July 1, 2036 | 187,460,547 |
| July 1, 2021 | 35,589,862 | January 1, 2037 | 187,675,562 |
| January 1, 2022 | 52,933,712 | July 1, 2037 | 187,857,239 |
| July 1, 2022 | 71,104,850 | January 1, 2038 | 188,010,476 |
| January 1, 2023 | 87,544,792 | July 1, 2038 | 188,139,478 |
| July 1, 2023 | 101,728,150 | January 1, 2039 | 188,247,847 |
| January 1, 2024 | 113,960,286 | July 1, 2039 | 188,338,673 |
| July 1, 2024 | 124,505,680 | January 1, 2040 | 188,414,598 |
| January 1, 2025 | 133,593,361 | July 1, 2040 | 188,477,904 |
| July 1, 2025 | 141,421,615 | January 1, 2041 | 188,530,677 |
| January 1, 2026 | 148,162,078 | July 1, 2041 | 188,574,577 |
| July 1, 2026 | 153,963,283 | January 1, 2042 | 188,610,971 |
| January 1, 2027 | 158,953,743 | July 1, 2042 | 188,641,027 |
| July 1, 2027 | 163,244,621 | January 1, 2043 | 188,665,737 |
| January 1, 2028 | 166,932,512 | July 1, 2043 | 188,685,950 |
| July 1, 2028 | 170,101,331 | January 1, 2044 | 188,702,385 |
| January 1, 2029 | 172,822,886 | July 1, 2044 | 188,715,657 |
| July 1, 2029 | 175,158,974 | January 1, 2045 | 188,726,284 |
| January 1, 2030 | 177,162,996 | July 1, 2045 | 188,734,709 |
| July 1, 2030 | 178,881,300 | January 1, 2046 | 188,741,305 |
| January 1, 2031 | 180,353,719 | July 1, 2046 | 188,746,387 |
| July 1, 2031 | 181,614,548 | January 1, 2047 | 188,750,223 |
| January 1, 2032 | 182,693,384 | July 1, 2047 | 188,753,036 |
| July 1, 2032 | 183,615,760 | January 1, 2048 | 188,755,015 |
| January 1, 2033 | 184,403,701 | July 1, 2048 | 188,756,318 |
| July 1, 2033 | 185,076,193 | January 1, 2049 | 188,757,079 |
| January 1, 2034 | 185,649,600 | July 1, 2049 | 188,757,406 |
| July 1, 2034 | 186,138,016 | January 1, 2050 | 188,757,468 |
| January 1, 2035 | 186,553,581 | | |

## EXHIBIT C

## FORM OF BOND

**REGISTERED**

**R[-1]** **$[_________]**

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

| Interest Rate | Dated Date | Maturity Date | Cusip |
|---|---|---|---|
| [___]% | June 27, 2019 | [_____] | 880461[___] |

**REGISTERED OWNER**: CEDE & CO.

**PRINCIPAL SUM**: [_________]

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

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

This bond is one of a series of bonds additionally designated "Issue 2019-2" (herein called the "Bonds") issued in the aggregate principal amount of $200,000,000 under the General Resolution, a resolution of THDA adopted on March 26, 2019, as amended and supplemented by the Bond Finance Committee of THDA on June 4, 2019 (collectively with the General Resolution, the "Resolutions"). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the "Trustee") and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

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

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

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner's attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner's attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same 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 2019-2 (Non-AMT) of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ____________________________________
Authorized Signatory

Dated: June 27, 2019

## ABBREVIATIONS

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

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

UNIFORM GIFT MIN ACT - ____________________ Custodian ________________________
(Cust) (Minor)

under Uniform Gifts to Minors

Act ______________________________
(State)

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

## ASSIGNMENT

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

Dated: ____________________________________________

Social Security Number or
Employer Identification
Number of Transferred: ____________________________________________

Signature guaranteed: ____________________________________________

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

## 13. OFFICIAL STATEMENT:

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

**https://thda.org/investors/investors**

# Tab # 5

Items:

Audit & Budget Committee Meeting Materials

# Tennessee Housing Development Agency
# Audit & Budget Committee
## July 23, 2019
## 9:00 a.m. Central Time

---

AGENDA

1. Call to Order ........................................................ Hargett
2. Approval of Minutes from November 13, 2018 ........................ Hargett
3. Fiscal Year 2020 Internal Audit Plan ................................ Oliver
4. Fiscal Year 2019 Budget Recap ........................................ Ridley
5. Adjourn ........................................................ Hargett

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

Secretary Tre Hargett, Chair
Dorothy Cleaves
Treasurer David Lillard
Austin McMullen

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
November 13, 2018

Pursuant to the call of the Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, November 13, 2018, at 9:40 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Committee members were present: Secretary of State Tre Hargett, Kim Grant Brown, and Kevin Bradley (for State Treasurer David Lillard). Committee members Dorothy Cleaves, Austin McMullen and Pieter van Vuuren were absent.

At the request of Treasurer Lillard, Secretary of State Hargett chaired the meeting. Recognizing a quorum present, Secretary of State Hargett called the meeting to order and asked for approval of the minutes for the meeting held on September 25, 2018. Upon motion by Ms. Brown, second by Mr. Bradley, the minutes were unanimously approved.

Secretary of State Hargett recognized Gay Oliver, THDA Director of Internal Audit, to discuss the disclosure analysis reports for THDA Board members and THDA staff. Ms. Oliver noted that THDA's enabling legislation, the THDA Conflict of Interest Policy, the Board Disclosure Policy and the Staff Disclosure Policy require Board members, their representatives and all THDA staff to disclose annually any direct or indirect involvement in activities that do or could involve THDA or THDA programs including the federally funded programs. She added that (1) disclosure forms were received from all Board members with the exception of Commissioner Larry Martin, all Board designees and all THDA staff; (2) the original Board disclosure forms are located at THDA offices and are available for public inspection upon request; and (3) staff disclosures were completed electronically and are available for public inspection upon request.

Ms. Oliver noted that she and Lynn Miller, THDA Chief Legal Counsel, reviewed all Board and staff disclosures and their analysis revealed incidental and indirect interests, but no prohibited interests or prohibited conflicts of interest. Ms. Oliver explained that even if no conflict of interest exists, the Code of Conduct applies and Board members and THDA staff should refrain from any activity that would give the appearance of impropriety or a conflict of interest. The consensus of the Committee was to accept the reports and recommend that the Board approve them for inclusion into the minutes.

Secretary of State Hargett recognized Bruce Balcom, Assistant Chief Legal Counsel, to present proposed public records rules. Mr. Balcom noted that the Committee received information about the proposed rules at the September meeting, and, subsequently, a public hearing was held regarding the proposed rules. He noted that the public hearing minutes and staff's responses to the public comments were included in the Board packet. Upon motion by Secretary of State Hargett, second by Ms. Brown, the Committee recommended Board approval of the proposed public records rules and authorization for staff to make other changes as may be required by the Attorney General and the Secretary of State.

Secretary of State Hargett recognized Ms. Oliver to present updates of the Enterprise Risk Management (ERM) analysis. Ms. Oliver pointed out that the Financial Integrity Act requires that a system of internal controls be established and maintained. She noted that the ERM Report documents whether THDA's system of accounting and administrative controls complies with the statute. She explained that each THDA division director conducted a self-assessment of the division, listing the objectives, identifying any risks and assessing the risks in terms of likelihood and magnitude of impact on THDA, if the risks were to occur. She also noted that if a control activity was not in place or not efficient, the division director developed a Management Action Plan to mitigate the risk and ensure controls operate effectively. She further explained that Internal Audit staff also conducted face-to-face meetings with each THDA division director to discuss their risk assessments and to assess any potential risks associated with future projects. She indicated that the Director of Internal Audit and the Executive Director reviewed each division's ERM. Ms. Oliver added that necessary documentation will be presented to the Commissioner of Finance and Administration and the Comptroller by December 31.

The next agenda item was the Fiscal Year 2018 Internal Audit Summary. Ms. Oliver noted that the report highlights the monitoring and investigative activities of the Internal Audit Division conducted during the fiscal year ended June 30, 2018. She explained that the THDA audit plan is submitted to the Comptroller's office each year and that staff submits copies of audit reports to the Committee as they are completed. Ms. Oliver indicated that for the last fiscal year, Internal Audit issued 26 review reports, 20 investigative reports on various issues, 3 compilation reports and 10 mortgage servicing quality control reports.

Secretary of State Hargett recognized Trent Ridley, THDA Chief Financial Officer, to present a summary of the Five Year Financial Plan. Mr. Ridley referenced the memo from Mr. Wayne Beard, Director of Finance, included in the Board packet. He noted that the Five Year Financial Plan is a liquidity analysis of THDA's cash position in terms of cash available and the amount of debt and investments over the next five years based on specific assumptions related to bond issuance, loan production, net withdrawals from the general bond resolutions (primarily for bond related expenses), bond reserve fund, operating costs and cost of programs approved by the Board. He added that it is utilized to make decisions and should not be used externally for financial reporting. Mr. Ridley indicated that in FY 2018, $24.5 million of bonds were refunded; the debt that carries the State's moral obligation continued to be reduced; over $448 million in mortgages were purchased; and the overall program asset-to-debt ratio across all THDA Bond Resolutions at June 30, 2018, was 1.23. Looking ahead, he noted that there is $841 million in tax-exempt bond authority for single family bonds available; annual average mortgage loan production is estimated at approximately $367 million per year; approximately $101 million of bond proceeds are available to be used at 0% interest; and less than $25 million of THDA bonds that carry the States moral obligation will be outstanding at June 30, 2023. He indicated that the Plan provides for net withdrawals of $54.6 million for down payment assistance, $39 million for the THDA Housing Trust Fund, and $22.5 million for New Start loans over the next five years. No Board action was required.

Secretary of State Hargett next called for Mr. Ridley to present the Fiscal Year 2018 Financial Statement Summary. Mr. Ridley referenced the Financial Statement Summary included in the Board packet. He noted the total assets of $2.740 billion and total liabilities of $2.235 billion are increases of approximately $164.7 million (6.4%) and $164.8 million (8.0%), respectively, when compared to FY17, with new loan purchases of $463.4 million a 42.2% increase over FY17 purchases. Mr. Ridley indicated operating income of $14.0 million (Operating Income less Increase or Decrease in Fair Value of Investments) is a slight decrease over FY17 operating income of $15.0 million. Mr. Ridley indicated that the unaudited draft copy of THDA's financial statements have been submitted to the State Auditors, but the audit opinion letter has not been issued. No action from the Board is required.

Secretary of State Hargett called for consideration of the annual performance evaluation for the Director of Internal Audit. After Ms. Oliver left the room, Secretary of State Hargett noted that the Committee is charged with determining the employment and salary of THDA's Director of Internal Audit. He added that all Committee members participated in an evaluation survey for Ms. Oliver and he read some of the comments provided Committee members. He noted that the average overall evaluation was outstanding performance. Upon motion by Secretary of State Hargett, second by Mr. Bradley, the Committee approved the outstanding performance rating for Ms. Oliver, and a recurring salary adjustment and one-time bonus to be the same as provided to THDA staff who receive the same rating, effective

January 1, 2019. No action by the Board is required as annual evaluation of the Director of Internal Audit is within the sole purview of the Audit and Budget Committee.

Secretary of State Hargett called for consideration of the performance evaluation of the Executive Director. After Mr. Perrey left the room, Secretary of State Hargett read a few comments made by Committee members in their evaluation. Upon motion by Secretary of State Hargett, second by Ms. Brown, the Committee recommended an advanced performance rating for Mr. Perrey, with a recurring salary adjustment and one-time bonus to be the same as provided to THDA staff who received the same rating, effective January 1, 2019.

With no other issues or business to come before the Committee, the meeting adjourned.

Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit

Approved this ____ day of _____ 2019.

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

**MEMORANDUM**

TO: Ms. Deborah V. Loveless, CPA, Director
Office of the Comptroller, Division of State Audit

GO

FROM: Ms. Gathelyn Oliver, CPA
Director of Internal Audit

DATE: July 2, 2019

SUBJECT: Audit Projects in Progress and Internal Audit Plan

According to TCA Section 4-3-304(7), copies of all reports issued during the fiscal year are filed with your office at the time of completion. We have enclosed a copy of our annual Internal Audit Plan (IAP) for the fiscal year ended June 30, 2020 and a listing of all internal audits, reviews and investigations currently in progress as of July 1, 2019.

The Internal Audit Plan (IAP) outlines the priorities of the Internal Audit Division. The 2020 Fiscal Year priorities were derived primarily from the results of the Internal Audit risk assessment. The Internal Audit risk assessment was developed in consultation with Senior Management and the THDA Audit and Budget Committee to obtain a current understanding of the Department's key programs/process areas. The risk assessment was conducted by assigning risk scores to criteria for each key program/process area identified within the Department. The criteria included, but were not limited to, strategic, operational, financial, regulatory/compliance, and reputational risks. Utilizing the average risk scores assigned to the criteria, program/process areas were identified/prioritized for audit plan inclusion, with consideration for the limited resources within Internal Audit. Detailed risk assessment documentation is on file with Internal Audit and is available for review upon request.

In addition to the priorities identified from the risk assessment, the IAP also includes reviews, audits, and other activities as required by statute, rules, and Department policies. The IAP may also include reviews, assessments, or audits resulting from external audit(s) recommendations or findings. The IAP may include consulting engagements and other activities designed to help improve the management of risk, add value to the Department, and/or improve departmental operations. The IAP may be modified throughout the year, based on changes in the organization, audit resources, and/or additional risk considerations.

Audit reports are provided to the Audit and Budget Committee of the THDA Board of Directors after audit engagements are completed. Hopefully, these items will enable the Division of State Audit to adequately coordinate audit efforts for the State.

If you have any questions or need additional information, please feel free to contact me.

Enclosures

C: Audit and Budget Committee Members and Representatives of the THDA Board of Directors
Mr. Ralph M. Perrey, Executive Director

**TENNESSEE HOUSING DEVELOPMENT AGENCY**
**INTERNAL AUDIT PROJECTS IN PROCESS**
As of July 1, 2019

Blight Elimination Program QCR 10/1/2018 through 12/31/2018
Reinstatement Only Program QCR 10/1/2018 through 12/31/2018
Principal Reduction with Recast Program or Lien Extinguishment QCR 10/1/2018 through 12/31/2018
CGI HQS Inspection QCR 7/1/2018 through 12/31/2018
Hardest Hit Fund Allegation
Clarksville Subrecipient Monitoring Review
Blight Elimination Program QCR 1/1/2019 through 3/31/2019
Down Payment Assistance QCR 1/1/2019 through 3/31/2019
Keep My Tennessee Home QCR 1/1/2019 through 3/31/2019
Reinstatement Only Program QCR 1/1/2019 through 3/31/2019
Principal Reduction with Recast Program or Lien Extinguishment QCR 1/1/2018 through 3/31/2019
Section 8 Rental Assistance OIG Allegation
Quality Review of THDA's Administration of Weatherization Assistance Program
Mid-Cumberland Community Action Agency Subreceipient Monitoring
Metropolitan Development and Housing Agency Subreceipient Monitoring

# Tennessee Housing Development Agency
## Internal Audit Plan
### For The Fiscal Year Ended June 30, 2020

Based on an assessment of risk of all THDA activities and programs, and on discussions with THDA management, the following audits are planned for the Fiscal Year Ended June 30, 2020.

1. **Single Family Quality Control Review** – The objective of this review is to examine a sample of THDA mortgage loan processes to determine the validity of the loan and to determine compliance with HUD, CFPB, USDA and VA guidelines.

2. **Repurchase Agreement Collateral Monitoring Review** – Ensure that THDA repurchase investments are appropriately collateralized in accordance with Finance division guidelines including a review of historical value, factor changes and market prices.

3. **Financial Integrity Act/Enterprise Risk Management Assessment** – Lead THDA in the preparation of the self-assessments and compilation of the reports required to comply with the Financial Integrity Act due by December 31, 2019.

4. **Financial Integrity Act/Enterprise Risk Management Assessment Evaluation** Perform testwork on a sample of controls identified by agency management to determine efficiency and effectiveness.

5. **Hardest Hit Fund (HHF) Review** – This project will involve a limited review of the internal controls established for THDA programs funded by the Hardest Hit Fund, including review of loan documentation, funding process and follow-up activities performed by the Single Family Special Programs division staff to ensure compliance with US Department of Treasury and THDA requirements. This review is generally performed on a quarterly basis.

6. **Subrecipient Monitoring** – This project involves a review of internal controls, expenditure of awards and delivery of services by subrecipients of federal and State awards in accordance with Central Procurement Office Grant Management and Subrecipient Monitoring Policy and Procedures.

7. **Quality Review of THDA's Administration of the Tennessee Housing Trust Fund** – This project will involve a review of internal controls and agency performance relative to programs funded from the Tennessee Housing Trust Fund.

8. **Quality Review of THDA's Administration of the Weatherization Assistance Program (WAP)** – This project will involve a review of internal controls and agency performance relative to WAP program requirements.

9. **Staff and Board Disclosure Analysis** – This project will involve a review of annual disclosure forms submitted by all THDA staff, board members and representatives for compliance with the disclosure policy and THDA's enabling legislation.

10. **Quality Review of Development District** – This project involves a review of internal controls, expenditure of awards and delivery of services by one development district that has been awarded funds by THDA.

11. **Section 8 HQS Inspection Quality Control Review** - This project involves a regular review of internal controls, quality and delivery of services by the contractor performing HQS inspections for the Housing Choice Voucher program.

12. **Section 8 Contract Administration Quality Control Review** - This project involves a regular review of internal controls, and selected activities performed by Section 8 Contract Administration staff.

13. **Administer the Compliance Management System for Mortgage Loan Servicing** – To ensure compliance with federal regulators and THDA policy, this responsibility includes reviewing all aspects of servicing THDA mortgages, as specified in the Quality Control Plan for Mortgage Loan Servicing.

14. **Administer the Compliance Management System for THDA's Conventional Mortgage Loan Operations** – To ensure compliance with regulatory requirements and THDA policy, this responsibility includes reviewing all aspects of THDA conventional mortgages, as specified in the Quality Control Plan for Mortgage Loan Originations.

15. **Various Audit and Investigative Projects** – As THDA programs have increased in size and complexity over the years, additional items arise that require either audit or investigative attention. THDA takes these items seriously with the intent to maintain the utmost transparency and integrity throughout our organization. Therefore, we will continue to spend an increased amount of our time and resources in performing reviews and investigations of potential fraud, waste, and abuse situations, or other matters requiring audit attention as they may arise during the period.

# Audit & Budget Committee

Agenda Item No. 4

4. Fiscal Year 2019 Budget Recap
   ⇨ Verbal Updates

# Tab # 6

Items:

Grants Committee Meeting Materials

# Tennessee Housing Development Agency
# Grants Committee
## July 23, 2019
## 9:15 a.m. Central Time

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AGENDA

1. Call to Order ........................................................................................................ McMullen
2. Approval of Minutes for March 26, 2019 and May 21, 2019 Meetings .............. McMullen
3. 2020 Fall Round Tennessee Housing Trust Fund Competitive Grants Program
   Description ........................................................................................................ Shaw
4. 2016 Spring Round Tennessee Housing Trust Fund Competitive Grants Extension Request – Brownsville Housing Authority ........................................................................ Shaw
5. 2019 Spring Round Tennessee Housing Trust Fund Competitive Grants
   Award Summary ................................................................................................. Shaw
6. 2019 National Housing Trust Fund Program Description ............................................ Lord
7. 2018 National Housing Trust Fund Award Summary ................................................. Lord
8. Amendment to the 2017, 2018 and 2019 HOME Program Descriptions –
   Reconstruction Requirement .................................................................................. Lord
9. 2019 HOME Award Summary .................................................................................... Lord
10. 2019 Emergency Solutions Grant Award Summary .................................................. Watt
11. 2020 Low Income Home Energy Assistance Program Annual Plan Authorization ....... Watt
12. Adjourn ............................................................................................................. McMullen

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

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

TENNESSEE HOUSING DEVELOPMENT AGENCY
GRANTS COMMITTEE
March 26, 2019

Pursuant to the call of the Chair, the Grants Committee of the Tennessee Housing Development Agency Board of Directors met in regular session on Tuesday, March 26, 2019, at 10:00 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: Lynn Tully, Katie Armstrong (for Comptroller Justin Wilson), and Jonathan Rummel (for Secretary of State Tre Hargett). Austin McMullen, John Krenson, and Pieter van Vuuren were absent. Other Board members present were Kim Grant Brown, Dorothy Cleaves, Regina Hubbard, Erin Merrick, and Samantha Wilson (for Treasurer David Lillard).

Lynn Tully chaired the meeting and called the meeting to order. She called for consideration of the minutes from the January 29, 2019 meeting. Upon motion by Ms. Armstrong, second by Ms. Merrick, the minutes were approved.

Ms. Tully next called on Don Watt, Director of Community Programs, to present information about the 2019 Weatherization Assistance Program ("WAP") Model Plan. Mr. Watt referenced his memorandum dated March 18, 2019, for details about the Program Year 2019 Weatherization Assistance Program. He noted that the program provides resources to assist low-income households make energy efficiency improvements at their homes, with the goal of lowering the overall energy burden for the household. Mr. Watt announced that for Program Year 2018, to date, 545 houses have been completed or that have work orders underway, representing a 70% increase YTD over Program Year 2017, and that number is expected increase as more work orders come in before June 30, 2019. He acknowledged the leadership of Blake Worthington, Housing Program Manager-Energy, for his work in implementing and improving the program. Mr. Watt then stated that THDA is required to submit a model plan annually to the U.S. Department of Energy as part of an application for WAP funding. He indicated that the plan is due May 3, 2019, for the program year that will begin on July 1, 2019, for slightly over $5M in funding, with 10% for administration, $832,000 for training and technical assistance, and the remaining funds for energy efficiency improvements at the units. Mr. Watt explained the following proposed changes to the 2019 WAP Model Plan:

1) Increase the maximum cap per household from $7,371 to $7,541.
2) Allow sub-grantees to use in-house crews to implement improvements with THDA approval.
3) Add activities under the training & technical assistance component, including:
    a) build an additional training house to train energy auditors around the state, and
    b) develop data to show actual energy savings and the health impact of weatherization activities.
4) Require all HVAC unit replacements to be Energy Star certified (or equivalent).

Upon motion by Mr. Rummel, second by Ms. Brown, the Committee recommended approval of the 2019 WAP Model Plan for submission, with authority for the Executive Director to make any additional changes as may be required or to not submit the 2019 WAP Model Plan if deemed appropriate.

Next, Ms. Tully recused herself and Ms. Brown acted as Chair. Ms. Brown called upon Mr. Watt to present a grant extension request from Kingsport Housing and Redevelopment Authority ("KHRA") for a Tennessee Housing Trust Fund ("THTF") 2016 Spring Round Competitive Grants award. Mr. Watt referenced his memorandum dated March 18, 2019, and the attached request letter from KHRA. Mr. Watt noted that THDA awarded $500,000 to KHRA under the 2016 Spring Round of the Competitive Grants program to rehabilitate Charlemont Apartments in Kingsport, TN. He reported that KHRA has expended 80% of the project funds to purchase the building, complete the tenant relocation process, gut the inside of the building, and initiate the rehabilitation work, however, the grant will expire on June 30th, 2019. He noted that KHRA has secured the remaining finances for the project, including a 2016 National Housing Trust Fund ("NHTF") grant and an allocation of bonds and 4% tax credits. He indicated that due to the delays in securing these remaining funds, KHRA has requested a 6-month extension to December 31, 2019, in order to complete the project. Upon motion by Ms. Merrick, second by Mr. Rummel, the Committee recommended approval for an extension to December 31, 2019, for the KHRA 2016 THTF Spring Round Competitive Grants award. Ms. Tully recused herself from the vote.

Next, Ms. Tully called upon Mr. Watt to present several grant extension requests for the HOME Program. Mr. Watt referenced his memorandum dated March 18, 2019, and the attached request letters. He stated that, citing issues with the procurement of contractors as well as staff turnover associated with the grant administration, all of the following 2015-2016 HOME grantees had requested an extension to June 30, 2020: the Town of Benton, Bledsoe County, the City of Bolivar, the City of Cleveland, and the City of Oak Ridge. Mr. Watt also stated that the Rutherford County Area Habitat for Humanity ("Habitat") requested an additional one-year extension of their 2014 HOME grant to June 30, 2020. He explained that in this current request, Habitat cited issues with procuring a vendor to complete the required environmental review as well as the inability to secure the 8-acre parcel for their proposed subdivision, so they were required to build at scattered sites, which slowed down the work progress. Mr. Watt stated that Habitat will return $64,206.53 of their grant to THDA, which will be reallocated under the 2019 HOME program. Upon motion by Mr. Rummel, second by Ms. Brown, the Committee recommended approval of extensions of the indicated 2015-2016 HOME grants to June 30, 2020, and the extension of the 2014 Habitat grant to June 30, 2020.

Next, Ms. Tully called upon Mr. Ralph Perrey, Executive Director of THDA, and Mr. Watt to present information on the proposed 2019 Building Trades Demonstration Program. Mr. Perrey deferred to Mr. Watt, who referenced his memorandum dated March 18, 2019, and the attached proposal. Mr. Watt noted that the rationale for the proposal is that the construction industry across the state is facing a severe shortage of skilled labor as younger generations are not considering the construction trade as viable career path. He noted that THDA's housing development programs have been consistently impacted by this shortage—as evidenced by increased numbers of grant extension requests—and in part because federal and state programs have a higher regulatory burden and are slower to pay than non-subsidized housing sectors. He explained that, to help impact this issue, the Tennessee Builders Education Foundation and Shelby County Schools are proposing a vocational training program in the school system on the building trades. Mr. Watt stated that in support of this initiative, THDA is proposing to reallocate $450,000 from its existing allocation of Rebuild & Recover Program funds to provide one-time support of the start-up costs of this program in Shelby County. Don Glaze, Executive Director of the West TN Home Builders Association addressed the Committee, provided additional program details, and addressed questions from Committee members. Upon motion by Ms. Merrick, second by Mr. Rummel, the Committee recommended authorization of $450,000 from the Rebuild and Recover fund for a one-time grant to the Tennessee Builders Education Foundation to support the start-up of this partnership with the Shelby County School System for the construction trades vocational training program. Ms. Grant Brown recused herself from the vote.

Finally, Ms. Tully called upon Ms. Megan Webb, THDA Research Analyst, to present the HOME Beneficiary Report. Ms. Webb referenced the "THDA HOME Investment Partnerships Program Beneficiary Report" dated July 1, 2017-June 30, 2018 included in the Board packet and provided highlights. She stated that the report is a snapshot of outcomes from the fiscal year 2018 HOME program that highlights the number of units completed, number of households assisted, and further information on funding and particular awards.

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 ___________, 2019.

TENNESSEE HOUSING DEVELOPMENT AGENCY
GRANTS COMMITTEE
May 21, 2019

Pursuant to the call of the Chair, the Grants Committee of the Tennessee Housing Development Agency Board of Directors met in regular session on Tuesday, May 21, 2019, at 10:02 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: Pieter van Vuuren, Jonathan Rummel (for Secretary of State Tre Hargett), John Krenson, Lynn Tully, and Katie Armstrong (for Comptroller Justin Wilson). Austin McMullen was absent. Other Board members present were Kim Grant Brown, Regina Hubbard, Erin Merrick, John Snodderly, and Samantha Wilson (for Treasurer David Lillard).

Chair van Vuuren called the meeting to order. He called for consideration of the minutes from the March 26, 2019, meeting. Upon motion by Ms. Armstrong, second by Ms. Merrick, the minutes were approved.

Chair van Vuuren next called on Don Watt, Director of Community Programs, to present several grant extension requests for the 2015-2016 HOME Program. Mr. Watt referenced his memorandum dated May 14, 2019, for further details. He noted that the grants are currently set to expire on June 30, 2019, but implementation delays, including building codes issues, contractor shortages, and administrator issues, have impacted the 2015-2016 grants. Mr. Watt stated that the extension requests range from October 1, 2019, to June 30, 2020, with the majority requesting an extension to December 31, 2019. Upon motion by Mr. Rummel, second by Ms. Armstrong, the Committee recommended approval of all the 2015-2016 HOME Grant extensions as specified in the referenced memorandum.

Next, Chair van Vuuren called upon Mr. Watt to present a request from Sevier County to extend their 2017 Rebuild and Recover grant. Mr. Watt referenced his memorandum dated May 15, 2019. He noted that the THDA Board approved an extension to May 31, 2019, at the January 29, 2019, Board meeting, however, foundation issues were discovered with four of the homes, including one that required acquisition of a new lot. He noted that Appalachia Service Project is administering the grant on behalf of Sevier County, and they anticipate completion of the remaining four homes by August 31, 2019. Upon motion by Mr. Rummel, second by Mr. Krenson, the Committee recommended approval of an extension of the 2017 Sevier County Rebuild and Recover grant to August 31, 2019.

Next, Chair van Vuuren called upon Mr. Watt to present a recommendation for the 2020 Set-Aside Allocation to Habitat for Humanity of Tennessee. Mr. Watt referenced his memorandum dated May 13, 2019, and the attached proposed Tennessee Housing Trust Fund ("THTF") 2020 Habitat for Humanity of Tennessee Program Description (the 2020 Habitat Program Description"). Mr. Watt stated that since July 2014, THDA has set aside $500,000 annually from the THTF for Habitat for Humanity of Tennessee to support the construction activities of their local affiliates. In addition to the recommendation to continue this allocation for 2020, Mr. Watt noted minor updates in the 2020 Habitat Program Description. John Besser with Habitat for Humanity gave a brief presentation to the Committee to thank them and highlight the accomplishments of the program. Upon motion by Mr. Krenson, second by Ms. Tully, the Committee recommended approval to the Board to allocate $500,000 from the THTF for the 2020 Habitat for Humanity of Tennessee Program and to approve the 2020 Program Description.

Next, Chair van Vuuren called upon Mr. Watt to present a request for the approval of the 2020 Challenge Grant Program Description. Mr. Watt referenced his memorandum dated May 14, 2019, and the attached proposed 2020 Challenge Grant Program Description. Mr. Watt stated that staff recommends approval of $500,000 from the THTF for the 2020 Challenge Grant Program, which provides initial seed funding to support the fundraising efforts of eligible nonprofit organizations to implement housing activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day-to-day activities of the organization. He noted the following proposed changes to the 2020 program:

- Reduce the available funds from $1,500,000 to $500,000.
- Provide for a single application deadline and a simultaneous review of proposals.
- Clarify the term "binding commitment" and associated timing.
- Eliminate the Executive Director's discretion to award a Challenge Grant.

Upon motion by Mr. Rummel, second by Ms. Tully, the Committee recommended Board approval of $500,000 from the THTF for the 2020 Challenge Grant Program and approval of the proposed 2020 Challenge Grant Program Description.

Finally, Mr. van Vuuren called upon Mr. Watt to present the request to allocate funds to United Cerebral Palsy of Middle Tennessee to implement the 2019-2020 Home Modifications and Ramps Program. Mr. Watt referenced his memorandum dated May 13, 2019, and the attached proposed Tennessee Housing Trust Fund 2019 Home Modifications and Ramps ("HMR") Program Description ("HMR Program Description"). Mr. Watt stated that staff is recommending a $300,000 set-aside for United Cerebral Palsy of Middle Tennessee to implement a 2-year program for FY 2019-2020. He explained that the program provides for the construction of ramps and accessibility modifications to the homes of disabled households across the whole state. He noted the following proposed changes to the HMR Program Description:

- Increase the cost cap for ramps from $1,200 to $1,500; for other modifications from $6,000 to $7,500.
- Allow HOME resources as an eligible match source (a 50% match is required).
- Clarify that improvements made must meet local building codes and ADA requirements.
- Add standard non-discrimination language.
- Add conflict of interest requirements.

Mr. Watt then introduced Ms. Deana Claiborne, Executive Director of United Cerebral Palsy of Middle Tennessee. Ms. Claiborne thanked the Board for their support and gave a brief presentation to highlight the accomplishments and impact of the program. Upon motion by Ms. Tully, second by Mr. Krenson, the Committee recommended approval to the Board of the allocation of $300,000 to United Cerebral Palsy of Middle Tennessee for the 2019-2020 HMR Program and approval of the HMR Program Description.

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 __________, 2019.

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director


## MEMORANDUM

**TO:** Grants Committee and Board of Directors

**FROM:** Don Watt, Director of Community Programs

**DATE:** July 3, 2019

**RE:** 2020 Fall Round of the Tennessee Housing Trust Fund (THTF) Competitive Grants Program Description

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THDA has available approximately $1.8 million for the construction and rehabilitation of affordable rental housing through the 2020 Fall Round of the THTF Competitive Grants Program. Staff is proposing the attached program description for the 2020 Fall Round (the "Program Description"). No changes are proposed from the 2020 Fall Round Program Description beyond updated spend down requirements for prior year grant recipients and application due dates.

To implement the 2020 Spring Round, THDA will observe the following schedule:

- Early August 2019 – Application Workshops
- September 26, 2019, 4:00 PM – Application Due Date
- By December 1, 2019 – Application Award Announcement
- January 1, 2020 – December 31, 2022 - Effective dates of all Award Agreements

Staff recommends adoption of the attached 2020 Fall Round Program Description and authorization of the Executive Director or a designee to award 2020 Fall Round THTF Competitive Grants Program funds to applicants for 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 awards made under the 2020 Fall Round of the THTF Competitive Grants Program at the meeting that immediately follows the date of the awards.

**TENNESSEE HOUSING TRUST FUND**

**2020 FALL ROUND**

**COMPETITIVE GRANTS PROGRAM**

**Program Description and Application Package**

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The Tennessee Housing Development Agency (THDA) is seeking creative and innovative proposals for a FY 2020 Fall Round of Competitive Grants under the Tennessee Housing Trust Fund (THTF). The amount available for the FY 2020 Fall Round is approximately $1.8 million. The purpose of this Program Description is to explain program requirements and the application process.

Applications for the FY 2020 Fall Round must be received by THDA on or before 4:00 PM CDT on Thursday, September 26, 2019. THDA anticipates notifying successful applicants by December 1, 2019. The Fall Round Competitive Grants contracts will begin January 1, 2020 and will end December 31, 2022. Applicants should be aware that there is no cure period. Submission of a complete application is a threshold criterion.

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The application package follows this Program Description. The Program Description and application in WORD-format are available at www.thda.org. At the THDA website, click on BUSINESS PARTNERS, then GRANT ADMINISTRATORS for links to the THTF Competitive Grants page and the FY 2020 Fall Program Description and application. If you have questions please call (615) 815-2034.

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## A. ELIGIBLE APPLICANTS

THDA will accept applications for the FY 2020 Fall Round from cities, counties, development districts, public housing authorities, other Departments within State Government, and private, non-profit organizations, that each meet the requirements of this Program Description ("Applicant").

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The Applicant selected for a THTF Competitive Grant ("Grantee") must be the owner of the proposed rental project at award. If the Grantee is a non-profit including those involved in a low income housing tax credit project, the non-profit must be the sole general partner or the sole managing member of the ownership entity or own 100% of the stock of a corporate ownership entity.



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

All private, non-profit Applicants must demonstrate at least two years of experience providing affordable housing or affordable housing related services in the state of Tennessee.

Additionally, Applicants seeking funding for transitional housing targeted to ex-offenders shall demonstrate good standing with the Tennessee Department of Corrections (TDOC) as of the date of submission of the 2020 Fall THTF application. All such Applicants shall be listed on TDOC's List of Approved Transitional Housing Providers.

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Competitive Grant funds will be awarded to successful Applicants in the form of a grant. Applicants with prior Competitive Grants must also have *requested* the following percentages of their prior grants by September 19, 2019 to be eligible for the FY 2020 Fall Round Competitive Grants program:

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

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

## B. ELIGIBLE ACTIVITIES

All housing financed using THTF Competitive Grant resources must be affordable rental housing and must address the housing needs of households who are low, very low, and/or extremely low income as defined in Section F (1).

The following rental housing activities are eligible:

- New construction of rental housing units.
- Acquisition of rental housing units.
- Rehabilitation of rental housing units.

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- Conversion of non-residential units to residential units.
- Combinations of the above.

The rental housing provided may be either permanent or transitional as defined below:

- "Permanent Housing" is community-based housing with a tenant on a lease (or a sublease) for an initial term of at least one year that is renewable and is terminable only for cause.
- "Transitional housing" is housing that is designed to provide individuals and families with interim stability and support for up to 24 months in order to assist the household successfully move to and maintain permanent housing. Transitional housing must include a lease, sublease, or occupancy agreement.

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

## C. TARGET POPULATIONS

### 1. Low, very low and extremely low income households

Rental housing for households at or below 80% of Area Median Income (AMI) is eligible. THDA will provide a preference for applications with a 25% set-aside of units for households who are extremely low income (0-30% AMI) or with a 50% set-aside of units for very low income (0 – 50% AMI) households.

### 2. Housing for Individuals with Disabilities

Housing for Individuals with Disabilities is rental housing for adult persons with a disability. All households must have incomes equal to or less than 80% of AMI.

All housing must provide access to flexible support services designed to help the individual stay housed and live a more productive life in the community. However, services must not be mandated or a condition of housing the individual.

A "*person with disabilities"* is a person, who has a physical, mental or emotional impairment that is expected to be of long-continued and indefinite duration; substantially impedes his or her ability to live independently; and is of such a nature that such disability could be improved by more suitable housing.

A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability that is attributable to a mental or physical impairment or combination of mental and physical impairments; is manifested before the person attains age 22; is likely to continue indefinitely; results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and reflects the person's need for a combination and sequence



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of special interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated.

Housing funded for this population must meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:

> https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider.

The final rule requires that all home and community-based settings meet certain qualifications, including:

- The setting is integrated and supports full access to the greater community;
- Is selected by the individual from among setting options;
- Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint;
- Optimizes autonomy and independence in making life choices; and,
- Facilitates choice regarding services and who provides them.

Additionally for provider owned or controlled residential settings, the following additional requirements apply:

- The individual has a lease or other legally enforceable agreement providing similar protections;
- The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit;
- The individual controls his/her own schedule, including access to food at any time;
- The individual can have visitors at any time; and,
- The setting is physically accessible.

### 3. Housing for Youth Transitioning Out of the State's Foster Care System

Rental housing for youth transitioning out of the foster care system is eligible and is prioritized in the program's scoring matrix. All households must have incomes equal to or less than 80% of AMI. The head of the household must be at least 18 years of age and no more than 24 years of age at time of application for tenancy. All housing must provide flexible support services designed to help the individual stay housed and live a more productive life in the community.

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## 4. Housing for the Elderly

Elderly populations are households where all household members are at least 62 years of age. All households must have incomes equal to or less than 80% of AMI. Housing for the elderly does not include hospices, nursing homes, or convalescent facilities.

## 5. Housing for Ex-Offenders

Rental housing for ex-offenders who are either homeless or at risk of homelessness and for those who are eligible for release by the Tennessee Board of Probation and Parole but who remain in custody due to having no other residential options is eligible. Housing for elderly offenders who are eligible for release by the Tennessee Board of Probation and Parole but who remain in custody due to no other residential options is encouraged. Housing for ex-offenders is prioritized in the program's scoring matrix.

All housing must provide support services designed to help the individual stay housed and live a more productive life in the community.

Certain ex-offenders, as described below, may not be eligible to reside in housing of this type developed with Competitive Grants. All households must have incomes equal to or less than 80% of AMI. Housing providers must abide by all TDOC rules and regulations and all State and Federal statutes and laws as applicable to the populations being served.

## 6. Housing for Veterans who are Homeless

Rental housing set-aside for veterans who are homeless. To be eligible, an individual or family must meet one of the categories of homeless and the head of household or their spouse must meet the definition of "veteran" as defined below:

- As defined by the U.S. Department of Housing and Urban Development under the Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH) at 24 CFR 91.5, "Homeless" includes:
    (1) *Category 1*: An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:
        (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport or camping ground;
        (ii) An individual or family living in a supervised publicly or privately operated shelter designed to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or

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(iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;

(2) *Category 2*: An individual or family who will imminently lose their primary nighttime residence, provided that:

(i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;

(ii) No subsequent residence has been identified; and

(iii) The individual or family lacks the resources or support networks, e.g., family friends, faith-based or other social networks, needed to obtain other permanent housing;

(3) *Category 3*: Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:

(i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637 of the Head Start Act (42 U.S.C. 9832), section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), SECTION 17(b) or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434A);

(ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing the 60 days immediately preceding the date of application for assistance;

(iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and

(iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or

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(4) *Category 4*: Any individual or family who:

(i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;

(ii) Has no other residence; and

(iii) Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing.

- As defined by the U.S. Interagency Council on Homelessness, a "Veteran" is an adult who served on active duty in the armed forces of the United States, including persons who served on active duty from the military reserves or the National Guard.

## D. PROHIBITED ACTIVITIES

A Grantee may not use the Competitive Grant for any of the following:

1. Pledge Competitive Grant funds as support for tax exempt borrowing by local grantees.
2. Provide off-site improvements or neighborhood infrastructure or public facility improvements.
3. Provide any portion of the THTF Competitive Grant or the required local match for administrative expenses by local governments.
4. Provide assistance to private, for-profit owners of rental property.
5. Implement homeowner rehabilitation projects.
6. Implement homeownership activities, including down payment assistance programs and the development of units for homeownership.
7. Acquire, rehabilitate or construct rental housing that is a treatment, hospice, nursing home, or convalescent facility.
8. Project Operating Reserves
9. Developer Fees
10. Cover costs incurred prior to the THTF contract start date.



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## E. MATCH

Proposals must include a 50% match of the THTF development dollars awarded. THTF administrative funds allocated to the project are not required to be matched.

**Eligible Sources of Match Include:**

1. Grants from other agencies.

2. Federal sources such as the Community Development Block Grant (CDBG) program or USDA Rural Development.

3. Cash Contributions by local church groups, local agencies, or contributions by individuals.

4. Bank loans.

5. A funding pool established by a local lender for the applicant.

6. Supportive services provided for projects serving individuals with disabilities, homeless veterans, ex-offenders, the elderly, or youth transitioning out of the foster care system. The value of supportive services may be counted over the length of the applicable compliance period.

7. Rental assistance tied to the property. To be eligible, the commitment of rental assistance must extend beyond the end of the grant term. For purposes of application scoring, THDA will only count that value of rental assistance that extends beyond the grant term.

8. The value of property already owned by the Applicant upon which the proposed housing will be rehabilitated or constructed.

9. HOME grants from local participating jurisdictions to non-profit applicants.

**Ineligible Sources of Match:**

1. THDA program funds, including federal funding sources, made available to Applicants will not be an eligible source of the matching funds.

2. In-kind donations, services, or labor will not be an eligible source of matching funds.

THDA will prioritize applications with a firm match commitment, the value of which is clearly documented in the application by the entity providing the match source.

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## F. PROGRAM REQUIREMENTS

### 1. INCOME LIMITS

Competitive Grants for rental projects may be used to benefit low-, *very low- or extremely low income* households.

A. “Low income household” means an individual or family unit whose gross annual income does not exceed 80% of the area median income, adjusted for family size;

B. "Very low income household" means an individual or family unit whose gross annual income does not exceed 50% of the area median income, adjusted for family size.

C. “Extremely low income household” means an individual or family unit whose gross annual income does not exceed 30% of the area median income, adjusted for family size.

The income limits apply to the incomes of the tenants, not to the owners of the property.

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

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

### 2. CRIMINAL BACKGROUND

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

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

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## 3. COMPLIANCE PERIOD

All rental housing projects for which Competitive Grants funds are used shall have a compliance period that begins on the date of issuance of the certificate of occupancy for the final building within the project. If a certificate of occupancy is not issued, the compliance period will begin on the date of recordation of the notice of completion for the project. Prior to drawing down Competitive Grants funds, Grantees shall sign a grant note, deed of trust and restrictive covenant to enforce the compliance period. The Competitive Grant is forgiven at the end of the compliance period if full compliance was achieved throughout the compliance period.

The length of the compliance period will be determined based on the amount of Competitive Grants funds invested per unit:

| Average Per Unit HTF Competitive Grants Investment | Compliance Period |
|---|---|
| < $15,000 | 5 Years |
| $15,000 – $40,000 | 10 Years |
| > $40,000 | 15 Years |

## 4. PROPERTY STANDARDS

Property standards must be met when Competitive Grants funds are used for a project. Any rental units constructed or rehabilitated with Competitive Grants funds must meet THDA Design Standards for New Construction or Rehabilitation, as applicable. Additionally, all housing must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion.

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

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

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

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

*Visitability.* Additional points will be awarded to Applicants proposing single-family rental or multi-family new construction projects that include design features to make the units visitable by individuals with physical disabilities. These options include a step-free entrance, free passage of 32-36” for interior/exterior doorways, and easy use by individuals confined to a wheelchair. Further information about visitability may be found at www.visitability.org.

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

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

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

*Building Permits.* Building permits must be pulled on all new construction and rehabilitation projects as required by the state or local jurisdiction, including mechanical, plumbing, and or electrical permits.

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

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

If the work is exempted by the state or local code and a permit is not required, then a qualified inspector may be used.

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A “qualified inspector” is defined as an individual with credentials appropriate for the type of work being performed, such as inspectors licensed by the State of Tennessee as Building, Mechanical, Plumbing, or Electrical Inspectors. For activities in which a building permit is not issued, a qualified inspector may include home inspectors as appropriate for the work performed; individuals certified by a national organization such as the International Code Council, the National Fire Protection Association, or the Standard Building Code Congress as a Housing Inspector; or individuals qualified as FHA Fee Inspectors. Other qualifications may be accepted on a case by case basis, and require THDA approval before the inspector may perform inspections.

**5. RENT LEVELS**

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

However, Grantees are encouraged, but not required, to charge tenants in a rental property assisted with Competitive Grant funds no more than 30% of gross monthly income for rent. See *Attachment Four: HOME Program Rents*.

Rents are controlled for the length of the compliance period, and are determined on an annual basis by HUD. The published rents include utilities. *The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published HOME rents to determine the maximum allowable rents.*

Each Grantee should be aware of the market conditions of the area in which the project is located. The High HOME rents are maximum rents which can be charged. Each project should show market feasibility not based upon the High HOME rents, but rather upon area housing markets and THTF occupancy requirements which require occupancy by low-, very-low-, or extremely low-income tenants. Rents shall not exceed the published High HOME rents, adjusted for utility arrangements and bedroom size. However, because these rents must also be attractive to *low-, very low-, or extremely low- income* tenants, actual rents may be lower than the High HOME rents to keep within 30% of the tenant’s monthly income. Programs should be designed so they take into consideration the market feasibility of projects funded.

A Competitive Grant may assist with the development of a group home, a housing unit that is occupied by two or more single persons or families. A group home consists of common space and/or facilities for group use by the occupants and, except in the case of a shared one-bedroom unit, a separate private space for each individual or family. Group homes often house the elderly or persons with disabilities who require accompanying supportive services. The calculation of the applicable rent and tenant contributions must follow the following requirements:

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- A THTF-assisted group home is treated as a single THTF-assisted housing unit with multiple bedrooms. The THTF rent limit for a group home is the HUD-published Fair Market Rent (FMR) rent limit for the total number of bedrooms in the group home.

- However, the bedrooms of live-in supportive service providers or other non-client staff are not included when calculating the total number of bedrooms for the purpose of establishing the rent. For example, if one bedroom in a four-bedroom home is occupied by a service provider, the maximum rent for the group home is the HUD-published FMR Limit for a three-bedroom unit.

- The HUD-published FMR Limit is the maximum combined rent that can be charged to all income eligible tenants residing in the group home. Each tenant pays a pro-rata share of the total rent.

- When group home tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published FMR limit in order to determine the maximum combined rent that can be charged to all tenants.

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

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

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

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

- Utility costs are included in the maximum published HOME or FMR SRO rent. If SRO tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published HOME rent limit or FMR limit in order to determine the maximum rent that can be charged for the SRO unit.

- SRO units may not include food costs or the costs of any supportive services. Costs for such services must be billed as separate charges. For SRO units that are developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose the service provider.

- Each SRO tenant's lease must clearly state whether the fee-based services are optional or required and must also identify the amount of additional fees or surcharges separately from the basic THTF rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

### 6. GRANTEE'S ON-GOING OBLIGATIONS FOR RENTAL PROPERTY

During the compliance period, a Grantee shall:

A. Conduct initial and annual income certification of tenants;

B. Adhere to the THTF rent limits;

C. Comply with THDA Property Standards;

D. Comply with fair housing and affirmative marketing requirements and,

E. Report to THDA as THDA may require;

F. Take other actions as THDA may require

## G. PROCUREMENT

It is important to keep the solicitation of bids for goods and services, materials, supplies and/or equipment open and competitive. Grantees shall develop and follow their procurement policies. At a minimum, there must be an established selection procedure. Grantees shall obtain at least three bids, and the purchase should be made from the lowest or best bidder. There must be a written rationale for selecting the successful bid or proposal.

## H. MARKETING REQUIREMENTS

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

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**I. FAIR HOUSING AND EQUAL OPPORTUNITY**

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

In particular, owners and program administrators will need to be aware of discrimination issues with regard to: housing opportunities; employment opportunities; business opportunities; and benefits resulting from activities funded in full or in part by a Competitive Grant.

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

**J. TN HOUSING SEARCH.ORG**

Beginning at the start of initial lease-up through the end of the compliance period, all Grantees shall list units available for occupancy on TNHousingSearch.org or any subsequent affordable rental housing locator system sponsored by THDA and, as permitted by the locator system for the type of housing funded.

**K. APPLICATION AND EVALUATION PROCEDURE**

Applications for Competitive Grants should be limited only by imagination, availability of matching funds, availability of support services, and a demonstrated need for the proposed project in a given area.

Proposals for funding in the FY 2019 Spring Round are limited to a maximum of $500,000. There is no minimum grant amount. THDA expects that the combination of Competitive Grant funds and the required matching funds will be sufficient to allow the proposed project to be completed in a timely manner.

Applicants may request up to 7% of the grant request in administrative funds. Administrative funds may be used to pay administrative costs incurred by the grantee in the performance of program activities. Administrative funds are not subject to the match requirement.

Proposals that address the housing needs of very low or extremely low income households, including youth transitioning from foster care, homeless veterans, and ex-offenders, especially elderly offenders who are eligible for release by the Tennessee Board of Probation and Parole but who remain in custody due to no other residential options and who meet other requirements specified in the Program Description, will receive additional points in the scoring matrix. Proposals with an identified, firm commitment for the matching funds are preferred and those proposals with a firm commitment for match resources which exceeds the 50% requirement will be highly preferred.



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THDA will evaluate each application to determine if the proposal meets program criteria, including, without limitation, submission of a complete application; proposal of an eligible activity serving eligible populations, proposal of a project that is ready to get underway except for the gap in financing to be provided by the Competitive Grant; and proposal of a project that in the opinion of THDA, in its sole discretion, is physically, financially and administratively feasible.

Applications will not be considered if the following threshold items are not submitted to THDA by the application due date:

- Application signed by the Chief Executive of the organization or the President/Chairman of the Board of Directors.
- Copy of the latest audit or audited financial statement of the organization.
- Copy of a current resolution by the Board of Directors or governing body approving the submission of the application under the 2019 Spring Housing Trust Fund Competitive Grants Program Description.
- If a non-profit organization, a Certificate of Existence or Certificate of Authorization from the Tennessee Secretary of State, as applicable, dated within 30 days of the application date. If the non-profit organization is organized in a state other than Tennessee, a Certificate of Existence from the Secretary of State in which the organization was organized must also be submitted.
- If a nonprofit organization, documentation of an IRS designation under Section 501(c)3 or Section 501(c)4 of the federal tax code.
- If a nonprofit organization, copy of the Charter and By-laws of the organization.

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

Additionally, as a threshold requirement, organizations seeking funding for transitional housing targeted to ex-offenders shall demonstrate approval and good standing with the Tennessee Department of Corrections (TDOC) as of the application due date. All such organizations shall be listed on TDOC's List of Approved Transitional Housing Providers.

As a threshold requirement for consideration, applications from organizations seeking Competitive Grants to provide rental housing for ex-offenders shall provide a copy of the policies and procedures guiding the operation of their program and a copy of the program's application for tenancy.

A Review Committee will score and rank all applications meeting the threshold criteria, as determined by the Review Committee in its sole discretion. Applications will be ranked in descending numerical order based on the categories in the THTF Competitive Grant Matrix.



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In the event of a tie score, THDA first will select the application with the highest total Innovation score and then, if a tie still remains, the highest total Need score. If a tie still remains, THDA will prioritize funding for the application with the greatest number of HTF funded units as the final determinant.

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

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

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| THTF COMPETITIVE GRANT MATRIX | Up to 100 Points |
|---|---|

**1. CAPABILITY** **Up to 70 points**

- The program design is complete, and all necessary components are identified in the application. Up to 35 points
  - The proposal demonstrates adherence to program guidelines, is well designed for the targeted population, and demonstrates an effective use of THDA resources.
  - Sites have been identified and the applicant has site control of the parcel(s) on which the housing will be developed or the applicant can demonstrate a consistent and successful history for securing ownership control of property in each of the past five consecutive years that is either (1) at least double the number of single family units proposed in this THTF application or (2) if multifamily housing is proposed, at least double the number of sites proposed for acquisition in this THTF application.
  - The project is physically, administratively, and financially feasible with sufficient revenue for the on-going operation of the housing during the compliance period.
  - The feasibility worksheet is complete, correct, and demonstrates a need for a Competitive Grant.
  - The proposed rents charged to tenants are reasonable given the income of the targeted population or rental assistance is committed to lower the contribution of the tenant toward rent and utilities.
  - If new construction, the housing will include design features that meet Universal Design standards, Visitability standards, and Energy code standards.
  - For projects targeting special populations, including individuals with disabilities, homeless veterans, or youth aging out of foster care, a firm commitment for the delivery of supportive services is in place.
  - For projects targeting ex-offenders, a plan for the screening of ex-offenders and a plan for the provision and funding of support services are in place.
  - For projects targeting individuals with disabilities, the proposed housing meets the goals of the Final Rule for the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that have been established by the Centers for Medicare and Medicaid Services (CMS) on January 16, 2014. Point deductions will be assessed if the CMS qualities of settings are not met based on THDA's sole determination.
  - The applicant demonstrates the likelihood and feasibility to secure matching funds. Firm commitment letters are included in the application.

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- The Applicant demonstrates sufficient capacity to successfully carry out the proposed project. — Up to 35 points
  - The Applicant and its staff have experience in providing housing to the targeted population.
  - The Applicant and its staff have a demonstrated capacity to manage rental housing.
  - The Applicant's organizational budget reflects multiple sources of funding.
  - If the Applicant has previous experience with Competitive Grants or other programs, point deductions will be assessed if the Applicant has not demonstrated success in:
    - drawing down funds;
    - completing a project in a timely manner;
    - operating a program within THDA guidelines; and,
    - responding timely to client concerns or complaints, contractor concerns or complaints, and THDA requests for information and/or client stories.

**2. NEED** **Up to 20 points**

| | |
|---|---|
| *Income Targeting* | *Up to 4 points* |
| → The Applicant will set aside 25% of the units for individuals at 30% of AMI or less | 3 points |
| → The Applicant will set aside 50% of the units for individuals at 50% of AMI or less | 1 point |
| *Targeted Populations in THDA Strategic Plan* | *Up to 7 points* |
| → THDA will award up to 7 points based on the proportion of units set-aside for youth transitioning out of foster care as prioritized in the THDA Strategic Plan | Up to 7 points |
| → THDA will award up to 7 points based on the proportion of units set-aside for ex-offenders, particularly elderly ex-offenders as prioritized in the THDA Strategic Plan | Up to 7 points |
| → THDA will award up to 4 points based on the proportion of units set-aside for homeless veterans as prioritized in the Tennessee State Plan to End Homelessness | Up to 4 points |

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| *Larger Community Need* | *Up to 4 points* |
|---|---|
| → The project meets a larger need in the community or region beyond providing housing for the targeted population, such as (but not limited to):<br>(1) The project removes a major blight in the community<br>(2) The project ties into a larger community or regional effort outside the specific project scope | 2 points |
| → The application provides a written commitment that at least 50% of the sites on which the THTF funded housing will be constructed are sites which meet one of the following criteria:<br>(1) The site will be acquired through the land bank authority established within the community<br>(2) The site will be acquired and the nuisance abated through THDA's Blight Elimination Program<br>(3) The site was acquired and the nuisance abated as a demolition activity under the NSP1 or NSP3 programs and no NSP eligible use has been established on the property | 2 points |

| *Prior Funding* | *Up to 5 Points* |
|---|---|
| A Competitive Grant has not been awarded since July 1, 2014, for a project located in the county in which the proposed housing will be located | 5 points |

**3. INNOVATION** **Up to 10 points**

The housing proposed in the application demonstrates a creative approach to affordable rental housing for low, very low income, or extremely low income households through unique partnerships, a variety of funding sources, use of alternative energy sources or energy conservation measures, inclusion of universal design elements in housing that will be rehabilitated, the addition of design elements to make the unit to be rehabilitated visitable for individuals with physical disabilities, the targeting of individuals who are homeless through a housing first approach, a commitment for the provision of services for populations other than individuals with disabilities, youth transitioning from foster care, ex-offenders, and homeless veterans, and other innovative means to address housing needs.

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# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

## MEMORANDUM

**TO:** Grants Committee and Board of Directors

**FROM:** Don Watt, Director of Community Programs

**DATE:** July 3, 2019

**RE:** Request for Approval of 2016 Spring THTF Competitive Grants Program Grant Extension for HTF-16S-01 – Brownsville Housing Authority

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Recommendation

Staff recommends approval of the extension request for HTF-16S-01 with the Brownsville Housing Authority to October 31, 2019 as further described below.

Background

THDA awarded a $215,136 grant (HTF-16S-01) to the Brownsville Housing Authority (BHA) under the 2016 Spring Round of the Tennessee Housing Trust Fund (THTF) Competitive Grants Program. BHA is using the funds to construct four units of rental housing for extremely low income households that include a senior or a person with a disability.

To date, BHA has not expended any of its grant award; however, construction is currently underway. As noted in the attached extension request, project implementation was delayed due to inadequate building design based on the site and subsequent failure to obtain design approval by local code officials. Further construction delays occurred due to the record-setting rainfall in the community.

The existing grant expired on June 30, 2019. BHA has requested a 12-month extension to allow for the completion of the remaining construction activity.

**Brownsville Housing Authority**
254 Anderson Avenue
P.O. Box 194
Brownsville, TN 38012-0194

Executive Director: Brenda Lonon

CONTACT

Office: (731)-585-0143

Mobile: (731)-780-7052

Fax: (731)-772-5767

Email: blonon@brownsvilleha.org



June 5, 2019

Hanna Henscheid
Sr. Housing Program Coordinator
Tennessee Housing Development Agency
502 Deaderick St., 2nd Floor
Nashville, TN 37243

RE: TIME EXTENSION FOR BROWNSVILL HOUSING AUTHORITY QUAD-PLEX CONCTRUCTION

Dear Ms Henscheid:

We are requesting a time extension for the construction of the Quad-Plex being constructed in our Summer Oaks development with the use of the Tennessee Housing Trust Fund Grant funds. Beyond normal construction delays, the following circumstances have created unexpected and extended delays:

1. The property needed to be built up approximately 2 feet, which was already known. Unfortunately, our Architect/Engineer did not do their due diligence to design the building pad accordingly. Nor, unbeknownst to us, did they have their design approved by the local building codes as required. This circumstance created a battle to get their work properly designed and approved and subsequently required us to procure additional engineering services. Once the new engineering was received, we had to go through the approval process (again) through code enforcement as well.
2. Brownsville has experienced record setting rain over the course of 2018. The excessive rain not only causes delay while it is raining, but the drying time required to be able to use equipment on the property has created challenges as well. For several months, it was rare that the ground would properly dry before more rainfall would occur. This has been a scheduling nightmare for the contractor and caused delays with the engineering as well.

Construction has progressed well now that all the encumbrances are behind us. The newly engineered building pad, the footings, block and under slab plumbing have been installed with the slab scheduled to be poured this week. Once the slab is poured, weather will have a much more minimal effect on schedule/production. It is anticipated that construction can be substantially complete within approximately 90 days so we are requesting a 120 day extension.

We sincerely appreciate the time extension and give assurances, as has the contractor to us, that time will be of the essence as we move forward in completing the project.

Sincerely,

Brenda Lonon

Brenda Lonon, Executive Director
Brownsville Housing Authority

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

## MEMORANDUM

**TO:** Grants Committee and Board of Directors

**FROM:** Don Watt, Director of Community Programs

**DATE:** July 3, 2019

**RE:** 2019 Spring Round Tennessee Housing Trust Fund Competitive Grants Program Awards Summary

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Attached is the funding matrix for the 2019 Spring Competitive Grants of the Tennessee Housing Trust Fund ("THTF"). THDA made $2,200,660 available for award and received 16 eligible applications requesting over $5.9 million. THDA awarded $1,942,630 to the following applicants, which will create 222 units of affordable housing benefitting 220 households:

- **<u>Chattanooga Housing Authority</u>** – (East TN) – Redevelopment of Cromwell Hills Apartments, a 200-unit development that will include project-based assistance for all residents. The housing authority will set-aside 5% of the units for homeless veterans and an additional 5% for participants in Hamilton County's FUSE Initiative, which assists persons with severe and persistent mental illness, identified as frequent users of the county's jail, area hospitals, and homeless system. CHA will set aside 25% of the units for extremely low income households.

- **<u>Community Housing Partnership of Williamson County</u>** – (Middle TN) – Rehabilitation of a four unit building in Franklin into a single group home for up to 8 female ex-offenders. Oak Cottage for Women will provide support services to the residents. All units will be set aside for extremely low income households.

- **<u>Gallatin Housing Authority</u>** – (Middle TN) – New construction of eight one-bedroom duplexes for the elderly. The housing authority will construct 16 total units. 25% of the units will be set-aside for extremely low income households and 50% will be set-aside for very low income households.

- **<u>The Restoration House of East Tennessee</u>** – (East TN) – New construction of five units of transitional housing for single parent families who are extremely low income or very low income. These THTF units are part of a 24-unit mixed income, transitional housing development in West Knoxville. Supportive services will include case management, mentoring, life skills training, and youth development.

# TENNESSEE HOUSING TRUST FUND COMPETITIVE GRANTS PROGRAM
## 2019 SPRING ROUND

| | APPLICANTS | COUNTY | E M W | THTF CG Program Request | THTF CG Admn Request | TOTAL THTF CG Request | THTF CG Award | MATCHING FUNDS (Cash) | MATCHING SERVICES / PROPERTY / DONATIONS | # of HHs | # of THTF Units | ACTIVITY | POPULATION | PROGRAM DESIGN 35 Pts | CAPACITY 35 Pts | NEED 20 Pts | INNOVATION 10 Pts | TOTAL SCORE | TOTAL BALANCE OF FUNDS AVAILABLE $2,200,660 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Applicants Passing Threshold: | | | | | | | | | | | | | | | | | | | |
| 1 | Chattanooga Housing Authority | Hamilton | E | $500,000 | $0 | $500,000 | $500,000 | $34,735,304 | | 200 | 200 | Rehab | Homeless Veterans, <30% and <50% AMI Households | 29 | 35 | 17 | 5 | 86 | $1,700,660 |
| 2 | Community Housing Partnership of Williamson County | Williamson | M | $460,000 | $32,200 | $492,200 | $492,200 | $591,000 | $180,000 | 8 | 1 | Acquisition, Rehab | Female Ex-Offenders | 29 | 35 | 12 | 9 | 85 | $1,208,460 |
| 3 | Gallatin Housing Authority | Sumner | M | $500,000 | $0 | $500,000 | $500,000 | $1,500,000 | | 16 | 16 | New Construction | Elderly | 33 | 35 | 9 | 6 | 83 | $708,460 |
| 4 | The Restoration House of East Tennessee | Knox | E | $420,963 | $29,467 | $450,430 | $450,430 | $625,000 | | 5 | 5 | New Construction | Transitional housing for extremely low- and very low-income single parents and their children | 35 | 34 | 4 | 9 | 82 | $258,030 |
| 5 | Dawn of Hope Foundation | Washington | E | $330,250 | $23,117 | $353,367 | $0 | $85,000 | $491,160 | 6 | 2 | New Construction | Adults with IDD | 33 | 35 | 6 | 5 | 79 | -$95,337 |
| 6 | Franklin Housing Authority | Williamson | M | $500,000 | $0 | $500,000 | $0 | $6,871,371 | | 64 | 64 | Rehab | Low Income Seniors | 30 | 35 | 5 | 7 | 77 | -$595,337 |
| 7 | Volunteer Behavioral Health | Hamilton | E | $230,000 | $16,000 | $246,000 | $0 | $60,000 | $123,340 | 8 | 4 | Rehab | Ex-Offenders with Severe Mental Illness/Substance Abuse Disorders | 24 | 33 | 11 | 8 | 76 | -$841,337 |
| 8 | Helen Ross McNabb Center | Knox | E | $500,000 | $0 | $500,000 | $0 | $5,060,483 | | 50 | 50 | Rehab, NC | Low Income Seniors | 27 | 35 | 4 | 6 | 72 | -$1,341,337 |
| 9 | CrossBridge, Inc. | Davidson | M | $500,000 | $0 | $500,000 | $0 | $175,000 | $325,000 | 48 | 9 | New Construction | Transitional housing for homeless individuals, including ex-offenders | 23 | 32 | 8 | 8 | 71 | -$1,841,337 |
| 10 | Sertoma Center, Inc. | Knox | E | $329,099 | $24,000 | $353,099 | $0 | $329,099 | | 6 | 2 | New Construction | Adults with Intellectual Disabilities | 26 | 35 | 4 | 5 | 70 | -$2,194,436 |

5/24/19

# TENNESSEE HOUSING TRUST FUND COMPETITIVE GRANTS PROGRAM
## 2019 SPRING ROUND

| | APPLICANTS | COUNTY | E M W | THTF CG Program Request | THTF CG Admn Request | TOTAL THTF CG Request | THTF CG Award | MATCHING FUNDS (Cash) | MATCHING SERVICES / PROPERTY / DONATIONS | # of HHs | # of THTF Units | ACTIVITY | POPULATION | PROGRAM DESIGN 35 Pts | CAPACITY 35 Pts | NEED 20 Pts | INNOVATION 10 Pts | TOTAL SCORE | TOTAL BALANCE OF FUNDS AVAILABLE $2,200,660 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 11 | Omni Community Services, Inc. | Davidson | M | $150,000 | $0 | $150,000 | $0 | $150,000 | | 10 | 10 | Acquisition, Rehab | Youth Aging Out of Foster Care | 18 | 31 | 11 | 6 | 66 | -$2,344,436 |
| 12 | Carey Counseling Center, Inc. | Henry | W | $277,370 | $20,877 | $298,247 | $0 | | $162,000 | 4 | 4 | Acquisition, Rehab | Adults with Disabilities | 17 | 35 | 9 | 3 | 64 | -$2,642,683 |
| 13 | The Fifteenth Avenue Baptist Community Development Corporation | Davidson | M | $310,317 | $18,619 | $328,936 | $0 | $30,000 | $160,000 | 4 | 4 | New Construction | Youth Aging Out of Foster Care | 22 | 28 | 11 | 3 | 64 | -$2,971,619 |
| 14 | Eastern Eight Community Development Corporation | Washington | E | $116,250 | $16,750 | $133,000 | $0 | $117,000 | $8,000 | 2 | 2 | New Construction | Special Needs, Elderly | 23 | 34 | 3 | 2 | 62 | -$3,104,619 |
| **Applicants Not Passing Threshold Due to Insufficient Score:** | | | | | | | | | | | | | | | | | | | |
| 1 | Tennessee Children's Home | Maury | M | $500,000 | $0 | $500,000 | $0 | $201,595 | $4,109,535 | 17 | 7 | Acquisition | Youth Aging Out of Foster Care, Displaced Families | 15 | 19 | 15 | 5 | 54 | |
| 2 | Aid to Distressed Families of Appalachian Counties | Anderson | E | $175,000 | $12,000 | $187,000 | $0 | $42,200 | $45,300 | 2 | 2 | New Construction | Low Income Families | 6 | 22 | 7 | 2 | 37 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Funds Recommended for Award: | $1,880,963 | $61,667 | $1,942,630 | Total Recommended for Award: | 229 | 222 |
| Total Funds for which Scored Applications Received: | $5,799,249 | $193,030 | $5,992,279 | Total Eligible Applications: | 450 | 382 |

Approved: [signature]

Ralph M. Perrey, Executive Director

5/24/19

Date

| | OTHER APPLICANTS NOT PASSING THRESHOLD | County | Threshold Issue |
|---|---|---|---|
| 1 | Community Health of East Tennessee | Campbell | Certificate of Existence dated more than thirty days prior to the application due date |
| 2 | Project Return | Davidson | Insufficient draw down of previously awarded THTF funds |
| 3 | Keystone Development | Washington | Insufficient draw down of previously awarded THTF funds |

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

**<u>MEMORANDUM</u>**

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: July 3, 2019

RE: 2019 National Housing Trust Fund Program Description

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THDA has received an allocation of $3,377,390 under the 2019 National Housing Trust Fund (NHTF) to make available for the development of affordable rental housing for extremely low income households. These funds are the fourth allocation received under this federal program. Staff is proposing only very limited changes to the program description for this new program year.

In accordance with its allocation plan approved by HUD, THDA will set-aside 10% of these funds, or $337,739, for its administrative costs, with the remaining $3,039,651 made available competitively to preserve or expand rental housing options for this targeted income group. In accordance with NHTF requirements, all funded applicants must maintain these units in accordance with program requirements for a 30-year affordability period.

All funds will continue to be made available as a grant ranging between $250,000 - $900,000. Entities may seek funding to acquire and rehabilitate existing units or to newly construct rental housing. In accordance with federal requirements and to enhance the financial stability of the project, applicants may also seek NHTF funds to establish an operating reserve account for the project. All funds will be secured by a note, deed, and restrictive covenant on the property.

Eligible applicants include public housing authorities and nonprofit entities with at least two years of experience in Tennessee in the development, ownership, and management of affordable rental housing. The 2019 Program Description removes for-profit entities as an eligible applicant. No for-profit organizations have been awarded funding through the first funding cycles. Program requirements, including the 30-year compliance period, coupled with the need for project-based rental assistance are most readily addressed by entities with a long-term mission of serving extremely low income households.

Additional changes proposed in the Program Description include:

- Clarification on the recordation of the note, deed of trust, and restrictive covenants.
- Updates to the maximum per-unit subsidy limits in accordance with changes in federal limits.
- Clarification of cost eligibility associated only with units or buildings in which fixed or floating NHTF units will be located.
- Description of the fixed and floating designation of NHTF-assisted units.
- Reduced the Need and Opportunity Score points from 15 points to 10 points for each category.
- Added a Rural Designation category to encourage the development of NHTF units in rural areas of Tennessee. Applications that will create housing in counties designated as "rural" will receive 5 points. The "rural" designation follows the definition used by THDA for the HOME program.
- Added a Designated Distress Counties scoring category to encourage the development of affordable rental housing in those counties designated by Governor Lee through Executive Order on January 23, 2019, including: Lake, Lauderdale, Hardeman, McNairy, Perry, Jackson, Clay, Grundy, Van Buren, Bledsoe, Fentress, Morgan, Scott, Hancock, and Cocke. Applications that propose rental housing development in one of the designated counties will receive 5 points.

THDA proposes to evaluate applications based on the following criteria:

- Project Design
- Applicant's Capacity and Experience
- County Rental Housing Need
- Census Tracts Identified as Areas of Opportunity
- Leverage

As with the 2018 Program Description, THDA will score and rank all applications meeting program threshold requirements by Grand Division. THDA will first select for funding the highest scoring application from each Grand Division. THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than that needed for the next highest scoring application. Given the limited funding available statewide and in order to distribute NHTF funding across Tennessee, THDA will reserve the right to limit funding to only one award per county. THDA will also reserve the right to offer partial funding depending on availability of additional financing or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant. In the event of tie scores, THDA will prioritize the application with the highest combined total of the Need and Opportunity Score. If a tie remains, THDA will prioritize the application with the highest Opportunity Score.

THDA will open the application round by August 15, 2019 with applications due on October 3, 2019. THDA will hold an application workshop in late August 2019. Funding awards are anticipated to be made on or about December 15, 2019. Contracts will be effective February 1, 2020 – January 31, 2023.

Staff recommends adoption of the proposed 2019 National Housing Trust Fund Program Description attached to this memo (the "Program Description") and authorization of the Executive Director or a designee to award funds to applicants for applications scored by staff based on the rating scale and allocation procedure contained in the approved Program Description, subject to all requirements and provisions in the approved Program Description. Staff will provide information to the Committee and Board regarding awards made under the 2019 National Housing Trust Fund Program Description at the meeting that immediately follows the date of the awards.

**NATIONAL HOUSING TRUST FUND 2019**

**PROGRAM DESCRIPTION**

**Tennessee Housing Development Agency**

The Tennessee Housing Development Agency (THDA) administers the federally funded National Housing Trust Fund (NHTF) which is designed for the production and preservation of affordable rental housing through the acquisition, new construction, or rehabilitation of affordable housing for households with extremely low incomes. The purpose of this Program Description is to explain the program requirements and application process.

NHTF grants are awarded through a competitive application process to Public Housing Authorities and non-profit entities. Applications for the NHTF program must be received by THDA on or before 4:00 PM CDT on Thursday, October 3, 2019. THDA anticipates notifying successful applicants on or about December 15, 2019. NHTF grant agreements will begin on February 1, 2020 and will end on February 28, 2023.

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

## DEFINITION OF TERMS

For purposes of the NHTF program, the following definitions shall apply.

**Developer Fee:** Means the sum of the Developer's overhead and Developer's profit. Consulting fees and guarantor fees are also considered part of the total Developer Fee calculation.

**Housing for the Elderly:** Means housing intended for, and solely occupied by, individuals sixty two (62) years of age or older.

**Housing for Older Persons**: Means housing intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is fifty five (55) years of age or older; and where the Owner publishes and adheres to policies and procedures which demonstrate an intent by the Owner and manager to provide housing for individuals fifty five 55 years of age or older.

**Extremely Low Income:** Means an individual or household whose income does not exceed thirty percent (30%) of the area median income, adjusted for household size or households with incomes at or below the poverty line (whichever is greater).

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**Family Housing:** Means housing designed for families which does not meet the definition of "Elderly Housing" or "Housing for Older Persons".

**Grantee:** Means the state entity that prepares the NHTF Allocation Plan, receives the NHTF dollars from HUD, and administers the NHTF in the state. THDA is the NHTF grantee for the State of Tennessee.

**Layering:** Means the combining of more than one governmental resource on a NHTF-assisted project.

**Leverage:** Means a contribution of value in the form of cash, materials or labor in a pre-approved form and method toward the hard development costs of a project.

**Modular Housing:** Means housing as defined in Tennessee Code Annotated Title 68 -126-202 & 303

- *"Modular Building Unit"*: Means a structural unit, or preassembled component unit, including the necessary electrical, plumbing, heating, ventilating and other service systems, manufactured off-site and transported to the point of use for installation or erection, with or without other specified components, as a finished building. "Modular building unit" does not apply to temporary structures used exclusively for construction purposes, nonresidential farm buildings, or ready-removables that are not modular structures;
- *"Ready-removable"*: Means a structure without any foundation, footings, or other support mechanisms that allow a structure to be easily relocated but which may include electrical wiring. Ready-removable structures include, but are not limited to, stadium press boxes, guard shelters, or structures that contain only electrical, electronic, or mechanical equipment that are solely occupied for service or maintenance of such equipment; and
- *"Structure"*: Means any building or improvement and its components, systems, fixtures, and appurtenances at the time of completion or construction.

**Manufactured Housing:** Means housing as defined in Tennessee Code Annotated Title 68 -126-202 & 303

- *"Manufactured Home"*: Means a structure, transportable in one (1) or more sections, which, in the traveling mode, is eight (8) body feet or more in width, or forty (40) body feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained in the structure; except that "manufactured home" includes any structure that meets all the requirements of this subdivision (2), except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the secretary;
- *"Manufacturer"*: Means any person engaged in manufacturing or assembling new manufactured homes.
- *"Mobile Home"*: Means a structure manufactured before June 15, 1976, that is not constructed in accordance with the National Manufactured Home Construction and Safety

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Standards Act of 1974, compiled in 42 U.S.C. § 5401 et seq. It is a structure that is transportable in one (1) or more sections that in the traveling mode is eight (8) body-feet or more in width and forty (40) body-feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet and that is built on a chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities and includes any plumbing, heating, air conditioning and electrical systems contained in the structure;

**Multifamily Housing:** Means any building or group of buildings totaling more than four permanent residential rental units operated as a single housing project.

**NHTF-Assisted Unit:** Means a housing unit which meets the NHTF eligibility requirements and benefits from financial assistance from the NHTF.

**Period of Affordability**: Also, "Affordability Period". Means the thirty (30) year timeframe beginning at time of Project Completion as defined at 24 CFR §93.2 during which projects receiving NHTF assistance will be required to maintain affordability to households at or below 30% AMI and must maintain compliance with NHTF regulations.

**Proforma:** Means a cash flow projection for a specific period of time that takes into account expected income and expenses of a rental property and projects financial viability and affordability over the period.

**Recipient:** Means an organization, agency or other entity (including a public housing authority, a for-profit entity or a nonprofit entity) that receives NHTF assistance from THDA and is the owner of a NHTF–assisted project.

**Rent Restricted:** Means rent, including utilities and tenant-based rental assistance that does not exceed the published Maximum NHTF Rent Limit, which is affordable to households at 30% AMI and based on an assumed (1.5) persons per bedroom (single person in an efficiency).

**Single Family Housing:** Means a structure that contains at least one but no more than four permanent residential units.

**Stabilized Occupancy:** Means occupancy of at least ninety percent (90%) of the units in the property for a continuous period of at least ninety (90) calendar days.

**Substantial Rehabilitation:** Means the rehabilitation of a project in which the rehabilitation costs will be seventy five percent (75%) or more of the replacement cost.

**Total Development Cost:** Means the all-in cost of developing the project including acquisition, predevelopment costs, hard and soft construction or rehab costs, financing costs, developer fees, and reserve account capitalization.

**Uniform Physical Condition Standards (UPCS):** Means the standardized inspection code created by HUD and Congress in 1998 as a way of establishing a dynamic inspection code that could satisfy the diverse housing stock monitored by the U.S. Department of Housing and Urban

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Development (HUD). The inspection code predominately provides a set of minimum standards for components found in real estate.

## THE NATIONAL HOUSING TRUST FUND

The NHTF was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289). Section 1131 of HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) (Act) to add a new section 1337, entitled "Affordable Housing Allocation" and a new section 1338, entitled "Housing Trust Fund."

This program is governed by Title 24 Code of Federal Regulations, Parts 91 and 93; Interim Rule. Those regulations are incorporated by reference in this Program Description. In cases of conflicting requirements, the more stringent requirement will apply.

Tennessee operates a THDA-funded Housing Trust Fund commonly known as the “Housing Trust Fund”, “HTF”, or the “Tennessee Housing Trust Fund” While all references in this program description and other related documentation refer to this funding as the “National HTF” or “NHTF”, all federal requirements will identify this resource as the "Housing Trust Fund” or “HTF”. Applicants and recipients of NHTF funding must maintain awareness of this distinction in all program documentation.

### 1) ALLOCATION OF FUNDS

a. The total allocation for this round of NHTF funding under this program description will be $3,377,390. THDA will award ninety percent (90%) of the allocated amount in NHTF grants to successful applicants though a competitive application process. Each award will be a minimum of two hundred fifty thousand dollars ($250,000) and a maximum of nine hundred thousand dollars ($900,000).

b. NHTF funding will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. THDA will use ten percent (10%) of the NHTF allocation for its own administrative expenses.

### 2) ELIGIBLE RECIPIENTS

a. THDA will accept applications for the NHTF program from public housing authorities, and non-profit entities that will be the owner of the proposed rental project. If the Applicant is involved in a partnership associated with a low income housing tax credit project, the Applicant must be the sole general partner or the sole managing member of the ownership entity or own 100% of the stock of a corporate ownership entity. The Applicant must

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materially participate (regular, continuous, and substantial on-site involvement) in the development and operation of the development throughout the compliance period.

b. To be eligible the entity must meet the following criteria:
   i) Be organized and existing to do business in the State of Tennessee, or if organized in another state, must be qualified to do business in the State of Tennessee.

   ii) Demonstrate at least two years of related housing experience in Tennessee. For the purposes of this program, "related housing experience" means the development, ownership and management of affordable rental housing.

   iii) Demonstrate the financial capacity necessary to undertake, complete, and manage the proposed project, as demonstrated by its ability to own, construct, or rehabilitate and manage and operate affordable rental housing. THDA will evaluate the experience of the entire proposed team with owning, developing and managing projects of similar size and scope serving the intended population proposed. Applicants and their development team must undergo an evaluation by THDA of their capacity before the applicant may qualify as an eligible Recipient.

   iv) Have demonstrated understanding of the Federal, State and local housing programs used in conjunction with NHTF funds to ensure compliance with all applicable program requirements and regulations.

   v) Not be debarred or excluded from receiving federal assistance or THDA assistance prior to selection or entering into the written agreement with THDA.

   vi) Certify that housing units assisted with the NHTF will comply with NHTF program requirements during the entire period that begins upon selection and ending upon the conclusion of all NHTF-funded activities.

## 3) FORM OF ASSISTANCE

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

   i) Grantee will be required to record a note, deed of trust and restrictive covenants during the construction phase prior to requesting any draws.

   ii) Final legal documents including a grant note, deed of trust and restrictive covenants must be recorded at time of final closing. A copy of all recorded final legal documents must be submitted to THDA within 30 days of final closing.

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## 4) LEVEL OF SUBSIDY

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

i) Minimum NHTF Funds: $1,000 per unit

ii) Maximum NHTF Funds Per Unit:

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

## 5) DEVELOPER FEE

a. A Developer Fee of up to fifteen percent (15%) of the NHTF development costs, net of the development fee, acquisition costs and any permanent financing costs may be charged as a project soft cost.

## 6) ELIGIBLE ACTIVITIES

a. NHTF funds must be used to produce or preserve affordable, permanent rental housing that addresses the needs of extremely low-income households. The housing may be stick built or Modular Housing, provided that the housing meets all the applicable state and local codes. NHTF funds may only be charged to NHTF units or residential buildings where NHTF fixed or floating units are located per the allocation formula in HUD's final rule for the "National" Housing Trust Fund. Eligible housing activities include:

i) New construction of rental housing units.

ii) Acquisition and/or rehabilitation of existing rental housing units.

iii) Funding of an operating cost reserve associated with the new construction or acquisition and rehabilitation of housing assisted with NHTF funds

## 7) UNIT DESIGNATION

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

b. This designation will be required in the application and must be included in the written agreement between THDA and the recipient.

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## 8) PROHIBITED ACTIVITIES

a. Providing tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act.

b. Assisting or developing emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, dormitories, including those for farm workers or housing for students.

c. Providing any form of housing that is considered short term or transitional.

d. Providing NHTF assistance to rental units that require reconstruction.

e. Providing NHTF assistance to rental units that are Manufactured Housing and/or Manufactured Housing lots.

f. Using NHTF funds to refinance existing debt.

g. Using NHTF funds for the acquisition and rehabilitation or new construction of housing for sale to home buyers.

h. Providing non-federal matching contributions required under any other Federal program.

i. Providing assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing).

j. Carrying out activities authorized under 24 CFR Part 968 (Public Housing Modernization).

k. Providing assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages).

l. Providing assistance to a project previously assisted with NHTF funds during the period of affordability established by HUD and THDA in the written agreement with the Recipient as stated in § 93.205(a) except as permitted for renewal of funds committed to operating cost assistance.

   i) Additional NHTF funds may be committed to a project up to one year after project completion, but the amount of NHTF funds in the project may not exceed the maximum per-unit subsidy amount as determined by HUD. HUD has prescribed the use of the Section 234 – Condominium Housing Limits from the Annual Indexing of Basic

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Statutory Mortgage: Limits for Multi-Family Housing Programs as described in the Interim Rule; (See Paragraph 4 above)

m. Using NHTF funds for political activities; advocacy; lobbying, whether directly or through other parties; counseling services; travel expenses; and preparing or providing advice on tax returns.

n. Using NHTF funds for administrative, outreach, or other costs of the Recipient, or any other Recipient of such grant amounts, subject to the exception in Section 1338(c)(10)(D)(iii) of the Act,

o. Paying for any cost that is not eligible under 24 CFR 92.730 through 93.200.

## 9) LAYERING

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

b. THDA will review each project to ensure that only the minimum amount of NHTF assistance needed is allocated to the project.

c. Total NHTF resources allocated to any project cannot exceed the current maximum per unit subsidy limit.

## 10) LEASE-UP AND INITIAL OCCUPANCY

a. Projects must be fully occupied by income eligible tenants within six (6) months of issuance of a certificate of occupancy for the completed units. If all units are not fully occupied by income eligible tenants within six (6) months of completion of construction or acquisition and rehabilitation, the grant Recipient must report to THDA on current marketing efforts in a form and with substance as required by THDA.

b. If a rental project has not achieved initial occupancy within eighteen (18) months of Completion, all NHTF funds invested in the rental project must be repaid to THDA.

## 11) LEVERAGE

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

b. In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the applicant and grants from other sources. The value of land acquired through non-NHTF resources may be counted as leverage when the appraised value is documented and proof of ownership at the time of application is

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demonstrated. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage when properly documented. Administrative funds, anticipated fund-raising revenues and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. All proposed leverage must be thoroughly supported by appropriate back-up documentation, including firm commitment letters, award letters, and warranty deeds.

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

**12) MARKET**

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

**13) MIXED INCOME TENANCY**

a. For the purpose of the NHTF Program, a "mixed income" project contains at least one residential unit that is set aside for an extremely low income household and one or more other residential units available to tenants in other higher income designations as defined by HUD; very low income, low income, moderate income and/or above.

b. NHTF funds may only be used for NHTF qualifying residential units.

**14) MIXED USE PROJECTS**

a. For purposes of the NHTF Program, a "mixed-use" project contains, in addition to at least one residential unit, other non-residential space which is available to the public. If laundry and/or community facilities are for use exclusively by the project tenants and their guests, then the project is not considered mixed-use. Neither a leasing office nor a maintenance area will trigger the mixed-use requirements. No NHTF funds can be used to fund the commercial or non-residential portion of a mixed-use project. Therefore, if a NHTF-assisted project contains such commercial or non-residential space, other sources of funding must be used to finance that space. In order to be eligible for NHTF funding, a mixed-use project must meet the following conditions:

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i) Residential living space in the project must constitute at least fifty one percent (51%) of the total project space.

ii) Each building in the project must contain residential living space

b. NHTF funds can only be used to fund the residential portion of the mixed-use project which meets the NHTF rent limits and income requirements. If the rental project will contain a model apartment that will be shown to potential renters, the model apartment will be considered a non-residential area subject to the mixed-use requirements, unless the model apartment will be rented in the event of high occupancy.

## 15) RENT LEVELS AND UTILITY ALLOWANCES

a. Every NHTF assisted unit is subject to rent limits designed to make sure that rents are affordable to extremely low income households. These maximum rents may be referred to as NHTF rents. Available at https://thda.org/business-partners/nhtf.

b. Rents are limited for the length of the Period of Affordability. These rents are determined on an annual basis by HUD. The Recipient/Owner will be provided with these rents, which include all utilities.

c. The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published NHTF rents to determine the maximum allowable rents.

d. THDA must annually review and approve the rents for each NHTF-assisted rental project. In addition, THDA must determine individual utility allowances for each rental project either by using the HUD Utility Schedule Model or determining the utility allowance based on the specific utilities used at the project. Utility allowances are reviewed and updated annually. Use of utility allowances provided by public housing authorities is not permitted.

e. NHTF rents are not necessarily representative of market conditions and NHTF rents may increase or decrease from year to year. Regardless of changes in fair market rents and in median income over time, the NHTF rents for a project are not required to be lower than the NHTF rents for the project in effect at the time of Commitment as defined at 24 CFR §93.2

f. Each Recipient must be aware of the market conditions of the area in which the project is located. Rents shall not exceed the published NHTF rents, adjusted for utility arrangements and bedroom size.

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g. If the NHTF-assisted unit receives project-based rental subsidy, and the tenant pays a contribution toward rent of not more than 30% of the tenant's adjusted income, then the maximum rent for the NHTF-assisted unit (only and specifically for the unit in which the project based rental subsidy is designated) is the rent allowable under the project-based rental subsidy program, also known as the payment standard.

## 16) LONG TERM OCCUPANCY REQUIREMENTS

a. Tenants whose annual incomes increase to over 30% of median may remain in occupancy but must pay no less than thirty percent (30%) of their adjusted monthly income for rent and utilities.

## 17) INCOME LIMITS

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

b. The income limits apply to the incomes of the tenants, not to the owners of the property. 100% of the tenant households in NHTF-assisted units must be Extremely Low Income. Households must meet the NHTF Income Limit established by HUD and effective at the time of application for occupancy of a NHTF-assisted unit.

c. Income Determination: To ensure that the income targeting requirements are met, a Recipient must verify that each household occupying an NHTF-assisted unit is income-eligible by determining the household's annual income. When determining eligibility, the Recipient must calculate annual income as defined at 24 CFR 5.6091. The method for determining and calculating annual income for tenants are also addressed in the full text of the interim rule.

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

e. Current limits are in available at https://thda.org/business-partners/nhtf.

   i) Median income for an area of the state shall be that median income value established by HUD.

   ii) Median incomes change when HUD makes revised estimates.

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**18) HOUSING SET-ASIDES FOR INDIVIDUALS WITH DISABILITIES**

a. Applications that propose housing in which more than twenty percent (20%) of the assisted units will be set-aside for individuals with disabilities must meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:

   https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider.

b. The final rule requires that all home and community-based settings meet certain qualifications, including:

   i) Is integrated and supports full access to the greater community.

   ii) Is selected by the individual from among setting options.

   iii) Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint.

   iv) Optimizes autonomy and independence in making life choices.

   v) Facilitates choice regarding services and who provides them.

c. For provider owned or controlled residential settings, the following additional requirements apply:

   i) The individual has a lease or other legally enforceable agreement providing similar protections.

   ii) The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit.

   iii) The individual controls his/her own schedule, including access to food at any time.

   iv) The individual can have visitors at any time.

   v) The setting is physically accessible.

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## 19) PROPERTY AND DESIGN STANDARDS

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

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

c. NHTF funded units must also conform to the THDA Minimum Design Standards for New Construction of Single Family and Multifamily Units or to the THDA Design Standards for Rehabilitation of Single Family and Multifamily Housing Units, as applicable. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.

d. Additional design standards include:

   i) Energy Code. New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.

   ii) Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (HERS) rater.

   iii) Broadband Infrastructure. THDA requires that newly constructed rental units and those which are substantially rehabilitated must be wired for broadband internet access.

   iv) Modular Housing must be certified by the state of Tennessee

e. Section 504

   i) Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to

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ensure accessibility for qualified individuals with disabilities to these programs and activities.

ii) For new construction of Multifamily Housing (five or more units), a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and at a minimum, an additional two percent (2%) of the units (but not less than one unit) must be accessible to individuals with sensory impairments. The total number of units in a NHTF-assisted project, regardless of whether all units are NHTF-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are NHTF-assisted, the accessible units may be either NHTF-assisted or non-NHTF-assisted.

iii) The Section 504 definition of substantial rehabilitation for Multifamily Housing includes construction in a project with fifteen (15) or more units for which the rehabilitation costs will be seventy five percent (75%) or more of the replacement cost. In such projects, a minimum of five percent (5%) of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two (2%), at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the total number of units in a NHTF-assisted, regardless of whether they are all NHTF-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all of the units are NHTF-assisted, the accessible units may be either NHTF-assisted or non-NHTF-assisted.

iv) When rehabilitation less extensive than Substantial Rehabilitation is undertaken in projects of fifteen (15) or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with a disability, until a minimum of five percent (5%) of the units (but not less than one (1) unit) are accessible to people with mobility impairments. For this category of rehabilitation, the additional two percent (2%) of unit's requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible.

f. Fair Housing Act of 1968, as amended. In buildings that are ready for first occupancy after March 13, 1991, and that have an elevator and four or more units, the public and common areas must be accessible to persons with disabilities; doors and hallways must be wide enough for wheelchairs; and all units must have the following:

i) An accessible route into and through the unit.

ii) Accessible light switches, electrical outlets, thermostats and other environmental controls.

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iii) Reinforced bathroom walls to allow later installation of grab bars; and kitchens and bathrooms that can be used by people in wheelchairs.

iv) If a building with four or more units has no elevator and will be ready for first occupancy after March 13, 1991, these standards apply to ground floor units.

v) These requirements for new construction do not replace any more stringent standards in State or local law.

g. Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131–12189) implemented at 28 CFR parts 35 and 36, as applicable.

**20) UNIVERSAL DESIGN AND VISITABILITY**

a. THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the units constructed or rehabilitated with federal NHTF funds through the use of Universal Design and Visitability.

b. Universal Design

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

(1) Make the unit usable by the greatest number of people.
(2) Respond to the changing needs of the resident.
(3) Improve the marketability of the unit.

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

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

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

c. Visitability

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

(1) One zero-step entrance.
(2) Doors with thirty two (32) inches of clear passage space.
(3) One bathroom on the main floor that is accessible to a person using a wheelchair.

ii) More information on Visitability can be found at: http://www.visitability.org.

## 21) ENVIRONMENTAL REVIEW

a. In implementing the NHTF program, regulations establish specific property standards for units assisted with NHTF funds. These standards include Environmental Provisions for projects involving new construction and rehabilitation. The NHTF Environmental Provisions for new construction and rehabilitation under the Property Standards at 24 CFR § 93.301(f)(1) and (2) are similar to HUD's Environmental Regulations at 24 CFR Parts 50 and 58. NHTF projects are subject to the same environmental concerns to which HUD-assisted projects are subject. The main difference is that the NHTF Environmental Provisions are outcome based, and exclude consultation procedures that would be applicable if NHTF project selection was a Federal action. Parts 50 and 58 are process based, and include consultation procedures for several laws and authorities where there may be environmental impacts.

b. THDA and the Recipient will be responsible for carrying out environmental reviews in accordance with HUD Notice CPD-16-14. Each Recipient will be responsible for gathering the information required for the environmental reviews. NHTF funds cannot be committed until the environmental review process has been completed. The Environmental Review covers the entire project, not just the portion funded by NHTF.

## 22) LEAD-BASED PAINT

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

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or by contacting 1-Fthe lead-based paint requirements apply to all units and common areas in the project.

**23) FLOOD PLAINS**

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

**24) PROCUREMENT**

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

   i) At a minimum all Recipients must comply with 24 CFR 200.318 - 326.

   ii) All Recipients must have adopted procurement policies and procedures that meet state and federal requirements.

   iii) Recipients must seek to obtain three (3) to five (5) quotes or bids using formal advertising or requests for proposals for the procurement of professional or construction services.

   iv) There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

**25) CONFLICT OF INTEREST**

a. In the procurement of property and services by THDA and Recipients, the conflict of interest provisions in 2 CFR 200.318 apply. In all cases not governed by 2 CFR 200.318, the provisions described in this Section 24 apply.

b. The NHTF conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA or the Recipient. No person listed above who exercise or have exercised any functions or responsibilities with respect to activities assisted with NHTF funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a NHTF-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the NHTF-assisted activity, or the proceeds from such activity, either for themselves or those with

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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.

c. No owner of a project assisted with NHTF funds (or officer, employee, agent, elected or appointed official, board member, consultant, of the owner or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, board member, consultant, of the owner) whether private, for profit or non-profit may occupy a NHTF-assisted affordable housing unit in a project during the required period of affordability. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person. This provision does not apply to an employee or agent of the owner of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

d. Recipients shall avoid conflicts of interest associated with their NHTF funded project. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Recipients shall repay that portion of the NHTF grant related to the conflict of interest or may have all or some portion of the NHTF grant rescinded, all as determined by THDA in its sole discretion.

**26) DEBARMENT AND SUSPENSION**

a. On all NHTF funded projects, Recipients shall certify that no vendor, its principals or managers are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction or listed on the “Excluded Parties List System” found at www.SAM.gov.

**27) PROFORMA**

a. All Applicants shall complete Thirty (30) Year Affordability Proforma included in the application. The applicant must demonstrate a need for the NHTF funds. If the project development costs require additional financing, including other grant source funding, prior to making any NHTF draws documentation must be provided by Recipient that all other financing or grant funding has been identified and secured.

b. If the project can support debt, other financing is required and will be a threshold requirement.

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## 28) PROJECT SOFT COSTS

a. In planning their programs, Applicants may include, as a project soft costs, the reasonable and customary costs for work write-up and inspections. In addition, the costs for inspections and work write-ups, the costs for lead-based paint inspections, environmental reviews, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. All project soft costs count toward the maximum per unit subsidy limit.

## 29) REPLACEMENT RESERVE ACCOUNTS

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

b. The replacement reserve requirement for new construction properties and the substantial rehabilitation of Housing for the Elderly shall, initially, be two hundred fifty dollars ($250) per unit per year, inflated at three percent (3%) annually.

c. The replacement reserve requirement for the substantial rehabilitation of Housing for Older Persons shall, initially, be two hundred fifty dollars ($250) per unit, inflated at three percent (3%) annually.

d. The replacement reserve requirement for all properties designed for families as well as all rehabilitation developments shall, initially, be three hundred dollars ($300) per unit per year, inflated at three percent (3%) annually.

e. This account shall be used only for capital improvements and the replacement of long-lived capital assets, and not for routine maintenance and upkeep expenses.

f. The replacement reserve shall be, and shall remain, an asset of the project, and shall not be distributed to the Owner or any entity or person affiliated with the Owner at any time during or after the Period of Affordability.

g. Owners shall provide THDA with a record of all activity associated with the replacement reserve account during the prior fiscal year in conjunction with submission of the project's annual compliance monitoring materials.

h. The replacement reserve account must be maintained in a separate account in a federally insured financial institution.

i. Reserve accounts must also be separate from the project's ordinary operating account.

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## 30) OPERATING RESERVE ACCOUNT

a. All projects shall establish and maintain, until the project has achieved a minimum of five (5) years of Stabilized Occupancy, an operating reserve equal to a minimum of six (6) months of projected operating expenses plus must-pay debt service payments and annual replacement reserve payments.

b. This requirement can be met with an up-front cash reserve; a guarantee from the owner with a surety bond to stand behind the guarantee; or partnership documents specifying satisfactory establishment of an operating reserve.

c. The operating reserve account must be maintained in a separate account in a federally insured financial institution.

d. If operating cost assistance is provided as part of a project's NHTF award, the Owner must submit annual audited financial statements, specific to the project.

e. Based on an analysis of the financial statements, THDA will determine the amount of operating cost assistance that is eligible to be disbursed from the operating reserve account for the previous fiscal year.

f. The analysis will determine the deficit remaining after the annual rent revenue of the NHTF-assisted units is applied to the NHTF-assisted units' share of eligible operating costs.

g. For purposes of this paragraph, eligible operating costs are limited to insurance, utilities, real property taxes, maintenance, and replacement reserve payments.

## 31) REPAYMENT

a. All NHTF awards will be structured as a grant to a Recipient with a Period of Affordability of 30 years. Repayment of NHTF funds may be required in the event that the final total development costs were such that NHTF assistance provided by THDA exceeds established program limits, or exceeded that which was necessary to make the project financially feasible.

b. Compliance with income requirements, rent restrictions, design standards and UPCS requirements is required for the entire Period of Affordability for each project. Failure to comply with any of these requirements may trigger repayment of the NHTF grant.

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c. A NHTF assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and the Recipient must repay any NHTF funds invested in the project to THDA.

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

**32) COMPLIANCE**

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

b. Recipients/Owners of rental property shall maintain occupancy of NHTF assisted units by Extremely Low Income Persons for the Period of Affordability.

c. During the Period of Affordability, the Recipient shall:

   i) Certify annually the income of tenants.

   ii) Adhere to the NHTF rent and income guidelines.

   iii) Comply with all applicable adopted housing codes and the Uniform Physical Condition Standards (UPCS).

   iv) Report to THDA in a form and with substance as required by THDA.

d. Prior to drawing down NHTF funds, Owners of projects with NHTF assisted units shall sign a grant note, deed of trust and restrictive covenant to enforce the NHTF Affordability Period.

e. Once NHTF funds are awarded to a Recipient, THDA will monitor compliance by reviewing certain records related to the NHTF-assisted project. THDA will monitor compliance by conducting desk and/or on-site reviews of the project.

f. THDA will conduct an on-site inspection at project completion in order to confirm that the project meets the Rehabilitation Standards listed in the NHTF Allocation Plan and THDA's Minimum Design Standards for New Construction or THDA's Minimum Design Standards for Rehabilitation, as applicable.

g. At a minimum THDA will conduct desk compliance reviews annually.

h. THDA will conduct on-site property inspections during the Period of Affordability in order to determine compliance with income and rent requirements, tenant selection, affirmative

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marketing requirements, and property and design standards and to verify any information submitted by the Recipient to THDA.

i) THDA will perform onsite inspection of all NHTF assisted projects no less than every three (3) years during the Period of Affordability.

ii) For NHTF assisted projects of four (4) NHTF assisted residential units or less, THDA will perform an on-site inspection of one hundred percent (100%) of the units no less than every three (3) years during the Period of Affordability.

iii) For NHTF assisted projects consisting of five (5) or more units, THDA will inspect a minimum of 20% of the NHTF assisted units no less than every three (3) years during the Period of Affordability.

iv) The on-site inspection may include a review of records for all or a sample of the income and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations.

v) The on-site review may also include a review of any local health, safety, or building code violation reports or notices and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety, and building codes, applicable THDA Design Standards, and UPCS standards as prescribed by HUD.

vi) Any reports made by state or local government units of violations, with documentation of correction, will be reviewed.

i. Each year during the Period of Affordability, the Recipient shall submit to THDA, within one hundred twenty (120) days after the end of the project's fiscal year, each of the following:

i) Audited financial statements for the Owner.

ii) Audited financial statements for the project.

iii) Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.

iv) Proof of sufficient property and liability insurance coverage with THDA listed as mortgagee.

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v) Documentation to show the current utility allowance is being used (i.e. a copy of the utility allowance table).

vi) For projects that received points at initial NHTF application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project's population during the fiscal year must be provided by the provider(s) of such services.

vii) Compliance monitoring fees from previous years re-inspections if applicable.

viii) Such other information as may be requested in writing by THDA in its sole discretion.

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## 33) MONITORING FEES

a. THDA charges a monitoring fee for all NHTF assisted units. NHTF Recipients shall pay the entire fee covering the 30-year Period of Affordability as indicated in the current NHTF Operating Manual - Schedule of Monitoring Fees; but no less than $600 per NHTF assisted unit.

   i) The monitoring fee must be paid prior to the Recipient making the request for Developer Fees to be drawn from the NHTF grant.

b. Additional fees may be charged when follow-up is required due to non-compliance findings. Failure to pay these fees will be considered an administrative noncompliance issue.

   i) The fee will be the current approved fee as published in the NHTF manual and the most current program description at the time the fee is incurred but no less than:

      (1) Reinspection of a file or reinspection of a 1-4 unit property: Two Hundred Dollars ($200) per unit inspected
      (2) Reinspection of a NHTF project with five (5) or more units:
         (a) Two hundred dollars ($200) per unit inspected;
         (b) Standard mileage rate in effect under the current State of Tennessee travel regulations at the time of the reinspection from Nashville to the property and back to Nashville;
         (c) Applicable state allowed per-diem for one staff person;
         (d) Lodging expenses as allowed under then current State of Tennessee travel regulations;
         (e) Any other expenses incurred by THDA relating to the project reinspection.

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c. Fees for reinspections will be due to THDA prior to issuance of reinspection results or release of any additional NHTF-funded operating subsidy.

**34) RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN**

a. Recipients shall replace all occupied and vacant habitable low income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with NHTF funds.

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

      (1) A description of the proposed assisted project;

         (a) 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.
         (b) A time schedule for the commencement and completion of the demolition or conversion.
         (c) 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.
         (d) The source of funding and a time schedule for the provision of the replacement housing.
         (e) The basis for concluding that the replacement housing will remain lower income housing for at least ten (10) years from the date of initial occupancy.
         (f) Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

**35) NHTF RELOCATION REQUIREMENTS**

a. 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.

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i) A Displaced person is any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with NHTF funds. Relocation requirements apply to all occupants of a project/site for which NHTF assistance is sought even if less than one hundred percent (100%) of the units are NHTF assisted.

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

(2) After Application displacement is triggered when a tenant moves permanently from the project after submission of the application, or, if the applicant does not have site control, the date THDA or the Recipient approves the site because:

(a) The owner requires the tenant to move permanently; or

(b) The owner fails to provide timely required notices to the tenant; or

(c) 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.

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

b) A Displaced person is not:

(1) A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations.

(2) A person with no legal right to occupy the project under State or local law (e.g., squatter).

(3) A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project.

(4) A person, after being fully informed of their rights, waives them by signing a Waiver Form.

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

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

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

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

g) URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between THDA and the Recipient and when rehabilitation is completed. Treatment of displaced



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persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or household; (3) has income above or below the Section 8 Lower Income Limit.

**31) SITE AND NEIGHBORHOOD STANDARDS**

a) Housing provided through the NHTF program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities.

b) New construction rental housing. In carrying out the site and neighborhood requirements for new construction, the Recipient shall provide documentation as THDA may require, in THDA's sole discretion, to determine that proposed sites for new construction meet the requirements in 24 CFR 93.150 with cross reference to 983.6(b) which places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas.

c) Rehabilitation of rental housing. Site and neighborhood standards do not general apply to rehabilitation projects funded under NHTF unless project-based vouchers are used in an NHTF rehabilitation unit. In such case, the site and neighborhood standards for project-based vouchers will apply as determined by the issuing authority for the project-based vouchers.

**32) EQUAL OPPORTUNITY AND FAIR HOUSING**

a) No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by NHTF funds.

b) The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to NHTF projects:

   i) Fair Housing Act (24 CFR Part 100)

   ii) Executive Order 11063, as amended (24 CFR Part 107 - Equal Opportunity in Housing)

   iii) Title VI of the Civil Rights Act of 1964 (24 CFR Part 1 - Nondiscrimination in Federal programs)

   iv) Age Discrimination Act of 1975 (24 CFR Part 146)

   v) Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8)



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vi) Section 109 of Title I of the Housing and Community Development Act of 1974 (24 CFR Part 6)

vii) Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.

viii) Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity 24 CRF Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982

ix) Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135

(1) Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.

x) Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)

xi) Executive Order 11625, as amended (Minority Business Enterprises)

xii) Executive Order 12432, as amended (Minority Business Enterprise Development)

xiii) Executive Order 12138, as amended (Women's Business Enterprise)

xiv) Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that Recipients prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Recipients must also develop acceptable policies and procedures if their application is approved by THDA.

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

i) Architectural Barriers Act of 1968 42 U.S.C. §4151 et seq.

ii) Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)

iii) Executive Order 12898

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iv) Executive Order 13166 (Limited English Proficiency)

v) Executive Order 13217 (Community-based living arrangements for persons with disabilities)

d) In addition to the above requirements, the Recipient must assure that its Equal Opportunity and Fair Housing policies in the NHTF Program are consistent with the State's current Consolidated Plan.

**33) AFFIRMATIVE MARKETING**

a) Prior to beginning a NHTF project, Recipients must adopt affirmative marketing procedures and requirements for all NHTF rental projects with five or more units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. The Recipient must also identify and take steps to attract populations that are least likely to apply for the housing to be created. Requirements and procedures must include:

i) Methods for informing the public, owners and potential tenants about fair housing laws and the Recipient's policies;

ii) A description of what the Recipient will do to affirmatively market housing assisted with NHTF funds;

iii) A description of what the Recipient will do to inform persons not likely to apply for housing without special outreach;

iv) Maintenance of records to document actions taken to affirmatively market NHTF-assisted units and to assess marketing effectiveness; and

v) Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

b) All projects that receive NHTF grants must advertise all vacant units on the www.TNhousingsearch.org website.

**34) APPLICATION AND EVALUATION PROCEDURE**

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

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i) Submission by an eligible applicant of a complete application, including any documentation required to be submitted through THDA's Participant Information Management System (PIMS).

ii) Proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements of 24 CFR Parts 91 and 93, as amended.

iii) Submission of a 30-Year Proforma demonstrating a need for the NHTF funds.

iv) Proposals that will set-aside more than 20% of the units for individuals with disabilities must demonstrate that the project will meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:
   https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider.

v) Receipt of a score that equals at least 60% of the total points available.

b) Applications meeting the threshold requirements will be scored and ranked by Grand Division, as defined in Tennessee Code Annotated Title 4, Chapter 1, Part 2, in descending numerical order based on the scoring matrix provided in #2 of this section.

c) THDA will first select the highest scoring application from each Grand Division of Tennessee.

d) If additional funding is available, THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than the need for the next highest scoring application.

e) Given the limited funding available statewide and in order to distribute NHTF funding across Tennessee, THDA reserves the right to limit funding to only one award per county.

f) When the amount of funds available is less than the request for funding identified in the application, THDA reserves the right to offer partial funding pending the applicant's ability to secure additional financing within a timeframe established by THDA or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant.

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1. When the applicant is not able to secure additional financing within THDA's identified timeline, THDA, subsequently and at its sole discretion, may move to the next lower scoring application(s) in order to meet its commitment obligations under the NHTF program.
2. When THDA opts to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant, THDA may move to the next lower scoring project (s) in order to meet its commitment obligations under the NHTF program.

In the event of a tie score between applications, THDA will prioritize that application with the highest combined total of the Need and Opportunity Score. In the event that a tie still remains, the application with the highest Opportunity Score will be selected.

**35) NHTF RENTAL HOUSING SCORING MATRIX   Up to 100 Points**

a) PROJECT DESIGN - Up to 30 points

i) The proposed project demonstrates exceptional planning, readiness to proceed, and administrative capability. All necessary components to accomplish the project have been identified in the application. The applicant has site control of the proposed site to be developed.

ii) Firm financial commitments for non-NHTF resources have been secured, are current, and are demonstrated within the application.

iii) The extent to which the project has a binding commitment for Federal, State, or local project-based rental assistance so rents are affordable to extremely low income families and sufficient funds support the project's operation. Projects that preserve existing housing with project-based rental assistance are preferred.

iv) The project's proforma demonstrates sufficient cash flow to supports the project's operation without a contribution of NHTF funds by THDA to an operating reserve account for the project.

v) The extent to which the proposed project fills the need demonstrated by the neighborhood market conditions.

vi) The extent to which the design of the proposed project is appropriate and meets the needs of the targeted population to be served.

vii) The extent to which formal partnerships have been established and demonstrated within the application to provide voluntary and appropriate support services for the targeted population.

viii) The extent to which the proposed project provides easy access to community living, including retail, employment, transportation, medical, education, recreation, and government services.

ix) The extent to which the proposed project integrates the NHTF-assisted households with households of higher incomes within the project. These will be determined using

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the standard HUD definitions of extremely Low Income, very Low Income, Low Income, and incomes above 80% AMI.

x) The extent to which universal design and visitability features will be included in the design of the projects.

xi) The extent to which energy efficiency features exceed the requirements of THDA's Design Standards for New Construction or Rehabilitation, as applicable.

b) APPLICANT'S CAPACITY AND EXPERIENCE - Up to 30 points

i) The applicant's experience with owning, developing and managing rental units of similar size and scope serving the intended population proposed.

ii) The capacity of the applicant and its development and management team to carry out the proposed project within the schedule proposed.

iii) The past experience of the applicant and its development and management team to successfully develop or manage rental housing in compliance with all Federal, state or local program requirements.

iv) The past experience of the applicant and its development and management team to undertake THDA rental development projects in a timely manner.

v) The past history of the applicant in serving the community in which the proposed project is to be located.

vi) The past history of the applicant and its development and management team to comply with THDA funding requirements and processes.

vii) The applicant's financial statements and audit indicate a healthy financial position and include diverse funding sources.

c) NEED - Up to 10 points

THDA has determined rental housing need factors for households who are extremely low income. The county need factors are the percentage of extremely low income tenant households that are cost burdened; projected 10-year population growth rate; county's projected 10-year population growth as a percent of the state's overall growth; prior allocation amount per extremely low income household; prior allocation; rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the Low Income Housing Tax Credit Program under construction and in lease-up. Scores to be used in the evaluation of rental projects are available at https://thda.org/business-partners/nhtf.

d) AREAS OF OPPORTUNITY SCORE - Up to 10 Points

THDA has determined factors which indicate census tracts of high opportunity. These factors include areas of high median gross rent, high cost burden, proximity to employment, high workforce participation, low levels of abandoned housing, rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the Low Income Housing Tax Credit Program under construction and in lease-up.

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Scores to be used in the evaluation of areas of opportunity are available at https://thda.org/business-partners/nhtf.

e) LEVERAGE - Up to 10 points

THDA may award up to 10 points to applications that include the use of non-THDA resources towards the development costs of the project. Rental assistance and permanent financing resources will not be considered in this category. THDA will award points based on the percentage of non-THDA resources in the project against the total development cost for the project. In order to receive points, there must be written documentation in the application supporting the contribution of the non-THDA leveraged funds to the project.

f) RURAL DESIGNATION – 5 points

THDA will award up to 5 points for application with projects located in designated rural areas of Tennessee. For this program description, "rural" is defined as all Tennessee counties except the following: Anderson, Blount, Bradley, Carter, Coffee, Davidson, Dyer, Gibson, Hamilton, Hamblen, Haywood, Knox, Loudon, Madison, Maury, Montgomery, Putnam, Roane, Rutherford, Shelby, Sumner, Unicoi, Williamson and Wilson. All other counties are considered Rural.

g) DESIGNATED DISTRESSED COUNTIES – 5 points

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

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// Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

# Tennessee Housing Development Agency

## MEMORANDUM

**TO:** Grants Committee and Board of Directors

**FROM:** Don Watt, Director of Community Programs

**DATE:** July 3, 2019

**RE:** 2018 National Housing Trust Fund Program Awards

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THDA made $3,319,660 available for award under the 2018 National Housing Trust Fund Program Description. THDA received five eligible applications requesting nearly $5.4 million. THDA awarded full funding for the top scoring applicants in the East and Middle Grand Divisions, and full funding for the next two highest overall scoring applications. A full breakout of scores and funding is shown on the attached funding matrix. Those applications recommended for a full funding award include:

- **Helen Ross McNabb Center** – (East TN) – Rehabilitation of an existing building to include 32 units of housing and new construction of 18 units of housing, creating a total of 50 units of permanent, independent housing for elderly households in Knox County. To be known as Mineral Springs Manor, the development will set aside 13 units for extremely low income households. Supportive services will be available, including two daily meals, weekly cleaning, laundry assistance, and case management. Knoxville's Community Development Corporation has committed 50 project-based vouchers to the development.

- **Metropolitan Development and Housing Agency** – (Middle TN) – New construction of 101 units of mixed income housing at the Boscobel II development site, with four units set-aside for NHTF eligible households. All NHTF units will have a set aside of project-based rental assistance. The project originally received a commitment of Low Income Housing Tax Credits in the 2016 Round. The Boscobel II development is part of the Envision Cayce Master Plan.

- **Franklin Housing Authority** – (Middle TN) – New construction of the Chickasaw Senior Community development in Franklin that will include 48 total units, with 12 units set-aside as NHTF funded housing. RAD project-based vouchers will be set-aside for 22 units, including all 12 of the

NHTF units. The project has received an allocation of 9% Low Income Housing Tax Credits in the 2017 Round.

- **Chattanooga Housing Authority** – (East TN) –Redevelopment of Missionary Heights, a 44-unit family development that will include 10 units set aside for NHTF eligible tenants. All units in the development will be assisted with RAD project-based vouchers. The project includes bond financing and 4% Low Income Housing Tax Credits as part of the development financing.

The total funding award of $3,117,433 will create 39 units of housing for households at incomes not to exceed 30% of Area Median Income. THDA will reallocate the remaining $202,227 to the 2019 National Housing Trust Fund program.

# 2018 NATIONAL HOUSING TRUST FUND PROGRAM

| | Applicants Passing Threshold | COUNTY | E M W | NHTF Eligible Development Request | NHTF Operating Reserve Request | Total NHTF Request | Total Project Cost | # of NHTF Units | # of Total Units | Activity | Project Design 30 Pts | Capacity & Experience 30 Pts | Leverage 10 Pts | Need 15 Pts | Areas of Opportunity 15 Pts | Total Score | Total NHTF Funding Award | TOTAL FUNDS AVAILABLE $3,319,660 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Top Regional Scores** | | | | | | | | | | | | | | | | | | |
| 1-E | Helen Ross McNabb Center | Knox | E | $900,000 | $0 | $900,000 | $6,460,483 | 13 | 50 | Rehabilitation | 26 | 29 | 1 | 11 | 10 | 77 | $900,000 | $2,419,660 |
| 1-M | Metropolitan Development Housing Agency | Davidson | M | $474,433 | $0 | $474,433 | $34,228,805 | 4 | 101 | New Construction | 30 | 27 | 3 | 13 | 6 | 79 | $474,433 | $1,945,227 |
| **Ranking of Remaining Applications** | | | | | | | | | | | | | | | | | | |
| 1 | Franklin Housing Authority | Williamson | M | $843,000 | $0 | $843,000 | $11,967,701 | 12 | 48 | New Construction | 28 | 29 | 1 | 10 | 7 | 75 | $843,000 | $1,102,227 |
| 2 | Chattanooga Housing Authority | Hamilton | E | $900,000 | $0 | $900,000 | $6,662,437 | 10 | 44 | Rehabilitation | 20 | 28 | 0 | 12 | 9 | 69 | $900,000 | $202,227 |
| 3 | ECG Martin Mill, LP | Knox | E | $515,116 | $0 | $515,116 | $29,958,090 | 5 | 172 | New Construction | 27 | 15 | 0 | 11 | 7 | 60 | $0 | $202,227 |

NOTE:

1. In the event of a tie in the Total Score, priority for funding is determined based on that application with the highest total points received under the Need & Areas of Opportunity categories.
2. Unallocated funds will be reallocated under the 2019 National Housing Trust Fund Program Description.

| | NHTF Eligible Development Funds | NHTF Operating Reserve Funds | Total NHTF Funds | Total Project Cost | # of NHTF Units | # of Total Units |
|---|---|---|---|---|---|---|
| Total Applications Recommended for Award: | $3,117,433 | $0 | $3,117,433 | $59,319,426 | 39 | 243 |
| Total Funds for which Eligible Applications Received: | $5,375,549 | $0 | $5,375,549 | $89,277,516 | 44 | 415 |

Approved: ____________________ 5/30/19
Ralph M. Perrey, Executive Director Date

| | Applicants Not Passing Threshold | County | Threshold Issue |
|---|---|---|---|
| 1 | Rhyan Ridge of Byrdstown | Pickett | Proposal does not demonstrate financial feasibility for 30 Year Compliance Period. |
| 2 | Kingsport Housing and Redevelopment Authority | Sullivan | NHTF funds request exceeds maximum allowed based on per unit subsidy limits. Development has gap in financial resources making the proposal financially infeasible. |
| 3 | Bluff City CDC | Shelby | Application was not signed. |

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

## MEMORANDUM

**TO:** Grants Committee and Board of Directors

**FROM:** Don Watt, Director of Community Programs

**DATE:** July 3, 2019

**RE:** Amendment to the 2017, 2018, and 2019 HOME Program Descriptions – Reconstruction Requirement

---

The HOME Program Descriptions from 2017, 2018 and 2019 currently require that a house must be reconstructed when the rehabilitation hard costs will exceed 75% of the after-rehabilitated appraised value of the house. Our experience has found that cases exist when the homeowner does not want to lose their original house due to sentimental reasons or replacement of the unit with a modern home would be aesthetically incongruent to the neighborhood, and the existing house also is structurally sound and could be rehabilitated to meet all THDA standards within the program's subsidy limits.

Staff is requesting the Board's approval to provide staff with flexibility to address such instances, at THDA's determination, while also remaining within the program subsidy limits. In such cases, staff is proposing to increase the compliance period in such cases from five to fifteen years. To address this issue, staff is requesting modifications to the 2017, 2018, and 2019 Program Descriptions as follows:

1. Replace the current paragraph in Section C, Item 1 – Eligible Activities – Homeowner Rehabilitation as follows (added language underlined):

   For all homeowner rehabilitation activities, the value of the HOME assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area.
   If the proposed HOME investment for hard construction costs into a unit to be rehabilitated exceeds 75% of the after rehabilitation appraised value of the unit, the unit must be reconstructed. Hard construction costs exclude those for building inspections, lead-based paint inspections, energy related inspections, and work write-ups, but includes all remaining costs associated with addressing lead-based paint hazards for the unit. On a case-by-case basis, THDA may waive this requirement and allow the unit to be rehabilitated at its sole discretion.

2. Modify Section H, Item 3 – Compliance Period as follows (added language underlined):

   *Homeowner rehabilitation*. Grants for homeowner rehabilitation projects that do not include reconstruction and where the hard construction costs into a unit to be rehabilitated is equal to or less than 75% of the after rehabilitation appraised value of the unit shall have a compliance period of five years with a forgiveness feature of 20% annually. In order to enforce the compliance period, THDA will require that grant recipients obtain a grant note and a recorded deed of trust executed by the homeowners.

   Grants for homeowner rehabilitation projects where the hard construction costs into a unit to be rehabilitated is greater than 75% of the after rehabilitation appraised value of the unit shall have a compliance period of fifteen years with a forgiveness feature of 6.67% annually. In order to enforce the compliance period, THDA will require that grant recipients obtain a grant note and a recorded deed of trust executed by the homeowners.

   Grants for homeowner rehabilitation projects that include reconstruction shall have a compliance period of fifteen years with a forgiveness feature of 6.67% annually. In order to enforce the compliance period, THDA will require that grant recipients obtain a grant note and a recorded deed of trust executed by the homeowners.

   If the homeowner of a property that has been rehabilitated dies during the compliance period and the property is inherited by heirs, the property may be rented without repaying the unforgiven portion of the HOME subsidy to THDA. However, if the house is sold by the heirs during the affordability period, the remaining unforgiven portion must be repaid to THDA. This policy may be applied retroactively to prior HOME projects as needed.

All other program requirements would remain unchanged.

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

**MEMORANDUM**

**TO:** Grants Committee and Board of Directors

**FROM:** Don Watt, Director of Community Programs

**DATE:** July 3, 2019

**RE:** 2019 HOME Program Awards

---

THDA received 27 applications from local governments and nonprofits that requested $12.78 million to implement homeowner rehabilitation programs under the 2019 HOME Program Description. THDA awarded $7.25 million to 17 local governments that project to assist 147 homeowners. A full listing of the funding awards made and applications received are provided on the 2019 HOME Urban Funding Matrix and 2019 HOME Rural Funding Matrix.

THDA also received five applications under the 2019 HOME Program Description seeking funding under the over $2.3 million set-aside for Community Housing Development Organizations (CHDOs). THDA awarded over $2.2 million in total to four organizations that will create 20 units of housing for sale to low and moderate income homebuyers as noted on the 2019 HOME CHDO Funding Matrix.

To initiate the program year, THDA held a grantee workshop on June 11, 2019. All grant awards were effective on July 1, 2019 and will conclude on June 30, 2022.

Minimum Score = 95

## 2019 HOME Urban Funding Matrix

**Total Urban Project Funds:** **$5,294,243.71**

| Applicant | Eligibility Status for Scoring | Grand Division | County | Project Funds Requested | Administrative Funds Requested | Total | Activity | Units | Program Design | Need | Not Served | Match | Leverage | Disaster | Energy | Growth | Total | Project Funds Remaining |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Hamblen County** | **Eligible** | **E** | **Hamblen** | **$470,000** | **$30,000** | **$500,000** | **Homeowner Rehabilitation** | **15** | **45** | **14** | **18** | **0** | **0** | **0** | **10** | **10** | **97** | **$4,824,243.71** |
| **Town of Erwin** | **Eligible** | **E** | **Unicoi** | **$235,000** | **$15,000** | **$250,000** | **Homeowner Rehabilitation** | **6** | **33** | **36** | **7** | **0** | **0** | **0** | **10** | **10** | **96** | **$4,589,243.71** |
| City of Brownsville | Eligible | W | Haywood | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 5 | 31 | 38 | 2 | 0 | 0 | 0 | 10 | 10 | 91 | $ - |
| City of Lebanon | Eligible | M | Wilson | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 12 | 24 | 1 | 33 | 0 | 0 | 0 | 10 | 10 | 78 | $ - |
| City of Milan | Ineligible | W | Gibson | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 10 | 44 | 27 | 13 | 0 | 0 | 0 | 10 | 10 | 104 | $ - |
| City of Morristown | Ineligible | E | Hamblen | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 15 | 45 | 14 | 18 | 0 | 1 | 0 | 0 | 10 | 88 | $ - |
| Habitat For Humanity Williamson-Maury | Ineligible | M | Williamson, Maury | $200,000 | $12,000 | $212,000 | Homeownership DPA Only | 14 | 33 | 2 | 17 | 0 | 0 | 0 | 0 | 0 | 52 | $ - |

| | | | | |
|---|---|---|---|---|
| Total Requested by All Applicants: | 7 applications | $2,785,000 | $177,000 | $2,962,000 |
| Total Awarded: | 2 applications | $705,000 | $45,000 | $750,000 |

* Applications determined to be ineligible for scoring did not submit an audit by the application due date.

Ralph M. Perrey
Executive Director

5/31/19
Date

## 2019 HOME Rural Funding Matrix

Minimum Score for Funding Consideration = 95

**Total Rural Project Funds:** **$6,470,742.31**

| Applicant | Eligibility Status for Scoring | Grand Division | County | Project Funds Requested | Administrative Funds Requested | Total | Activity | Units | Program Design | Need | Not Served | Match | Leverage | Disaster | Energy | Growth | Total | Project Funds Remaining |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| City of Spencer | Eligible | M | Van Buren | $352,500 | $22,500 | $375,000 | Homeowner Rehabilitation | 9 | 44 | 13 | 40 | 0 | 0 | 0 | 10 | 10 | 117 | $6,118,242.31 |
| Henderson County | Eligible | W | Henderson | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 5 | 43 | 28 | 30 | 0 | 0 | 0 | 0 | 10 | 111 | $5,648,242.31 |
| Van Buren County | Eligible | M | Van Buren | $352,500 | $22,500 | $375,000 | Homeowner Rehabilitation | 10 | 36 | 13 | 40 | 0 | 0 | 0 | 10 | 10 | 109 | $5,295,742.31 |
| Claiborne County | Eligible | E | Claiborne | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 15 | 42 | 23 | 23 | 0 | 0 | 0 | 10 | 10 | 108 | $4,825,742.31 |
| Town of Maury City | Eligible | W | Crockett | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 5 | 31 | 18 | 37 | 0 | 0 | 0 | 10 | 10 | 106 | $4,355,742.31 |
| Town of Mount Carmel | Eligible | E | Hawkins | $235,000 | $15,000 | $250,000 | Homeowner Rehabilitation | 6 | 32 | 16 | 35 | 0 | 0 | 0 | 10 | 10 | 103 | $4,120,742.31 |
| Clay County | Eligible | M | Clay | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 10 | 35 | 34 | 12 | 0 | 0 | 0 | 10 | 10 | 101 | $3,650,742.31 |
| Union County | Eligible | E | Union | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 15 | 44 | 33 | 3 | 0 | 0 | 0 | 10 | 10 | 100 | $3,180,742.31 |
| Town of Samburg | Eligible | W | Obion | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 5 | 32 | 21 | 24 | 0 | 0 | 0 | 10 | 10 | 97 | $2,710,742.31 |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Town of Gates** | **Eligible** | **W** | **Lauderdale** | **$470,000** | **$30,000** | **$500,000** | **Homeowner Rehabilitation** | **5** | **32** | **39** | **6** | **0** | **0** | **0** | **10** | **10** | **97** | **$2,240,742.31** |
| **City of Sneedville** | **Eligible** | **E** | **Hancock** | **$235,000** | **$15,000** | **$250,000** | **Homeowner Rehabilitation** | **5** | **34** | **40** | **1** | **0** | **0** | **0** | **10** | **10** | **95** | **$2,005,742.31** |
| Hancock County | Eligible | E | Hancock | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 7 | 33 | 40 | 1 | 0 | 0 | 0 | 10 | 10 | 94 | $0.00 |
| Cocke County | Eligible | E | Cocke | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 5 | 32 | 35 | 7 | 0 | 0 | 0 | 10 | 10 | 94 | $0.00 |
| City of Luttrell | Eligible | E | Union | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 5 | 33 | 33 | 3 | 0 | 0 | 0 | 10 | 10 | 89 | $0.00 |
| Jefferson County | Eligible | E | Jefferson | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 15 | 45 | 8 | 10 | 0 | 0 | 0 | 10 | 10 | 83 | $0.00 |
| Cheatham County | Eligible | M | Cheatham | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 12 | 25 | 4 | 20 | 0 | 0 | 0 | 10 | 10 | 69 | $0.00 |
| Dickson County | Eligible | M | Dickson | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 12 | 24 | 11 | 11 | 0 | 0 | 0 | 10 | 10 | 66 | $0.00 |
| Robertson County | Eligible | M | Robertson | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 12 | 24 | 8 | 13 | 0 | 0 | 0 | 10 | 10 | 65 | $0.00 |
| City of Erin | Ineligible | M | Houston | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 9 | 45 | 22 | 38 | 0 | 0 | 0 | 10 | 10 | 125 | $0.00 |
| Houston County | Ineligible | M | Houston | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 9 | 45 | 22 | 38 | 0 | 0 | 0 | 10 | 10 | 125 | $0.00 |

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Meigs County | Ineligible | E | Meigs | $470,000 | $30,000 | $500,000 | Homeowner Rehabilitation | 8 | 32 | 28 | 39 | 0 | 0 | 0 | 10 | 10 | 119 | $0.00 |
| Hickman County Long Term Recovery Committee | Ineligible | M | Hickman | $300,000 | $18,000 | $318,000 | Homeowner Rehabilitation | 20 | 30 | 21 | 16 | 0 | 0 | 0 | 0 | 0 | 67 | $0.00 |

| | | | | |
|---|---|---|---|---|
| Total Requested by All Applicants: | 22 applications | $9,700,000 | $618,000 | $10,318,000 |
| Total Awarded: | 11 applications | $4,465,000 | $285,000 | $4,750,000 |

* Applications determined to be ineligible for scoring did not submit their Financial Audit by the application due date.

Ralph M. Perrey
Executive Director

5/31/19
Date

## 2019 HOME CHDO Funding Matrix

**Total CHDO Project Funds Available:** **$2,332,854**

| Applicant | Status | County | Project Funds Requested | Operating Funds Requested | Total | Activity | Units | Capacity | Design | Not in PJ | Disaster | Match | Leverage | Energy | Total | Project Funds Remaining |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Neighborhood Housing, Inc. | Eligible | Sevier | $440,000 | $33,118 | $473,118 | New Construction | 4 | 64 | 12 | 5 | 0 | 0 | 0 | 0 | 81 | $1,892,854 |
| Clinch-Powell Resource Conservation & Development Council | Eligible | Claiborne, Grainger, Jefferson | $697,500 | $52,500 | $750,000 | New Construction Acquisition and Rehabilitation | 7 | 65 | 9 | 5 | 0 | 0 | 0 | 0 | 79 | $1,195,354 |
| Creative Compassion, Inc. | Eligible | Cumberland, Fentress | $442,048 | $30,944 | $472,992 | New Construction | 4 | 70 | 2 | 5 | 0 | 0 | 0 | 0 | 77 | $753,306 |
| East TN Housing Development Corporation | Eligible | Knox | $540,000 | $37,800 | $577,800 | Acquisition and Rehabilitation | 5 | 65 | 7 | 0 | 0 | 0 | 0 | 0 | 72 | $213,306 |
| Aid to Distressed Families of Appalachian Counties (ADFAC)* | Ineligible | Anderson | $317,243 | $22,207 | $339,450 | New Construction | 3 | 50 | 12 | 5 | 0 | 0 | 0 | 0 | 67 | |

Minimum Score Required for Funding Consideration = 60

* Applicant determined to not meet CHDO eligibility requirements.

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Requested by All Applicants | 5 applications | $2,436,791 | $176,569 | $2,613,360 | Total Units - Requested: | 23 |
| Total Awarded: | 4 applications | $2,119,548 | $154,362 | $2,273,910 | Total Units - Awarded: | 20 |

Ralph M. Perrey
Executive Director

5/30/19
Date

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director


**MEMORANDUM**

**TO:** Grants Committee and Board of Directors

**FROM:** Don Watt, Director of Community Programs

**DATE:** July 3, 2019

**RE:** 2019 Emergency Solutions Grants Program Awards

---

THDA received 32 applications from nonprofit organizations and local governments that requested over $3.7 million through the 2019 ESG competitive round to provide assistance to individuals and families who are homeless or threatened with homelessness. THDA awarded $2,239,821 through its competition to 23 nonprofit organizations. Eligible ESG activities include shelter operations, rapid re-housing assistance, homelessness prevention assistance, outreach, and data collection.

Additionally, THDA awarded $600,000 in program funds and $45,000 in administrative funds to four set-aside communities, including Clarksville, Knoxville, Johnson City, and Murfreesboro. These communities will contract with local providers to implement ESG-eligible activities.

To initiate the program year, THDA held a grantee workshop on June 10, 2019. All contracts were effective on July 1, 2019.

## 2019 Emergency Solutions Grants Funding Recommendations

| | Name of Applicant to Competitive Round | County of Agency Main Location | E M W | Street Outreach | Shelter | Prevention | Rapid Rehousing | Data Collection | Total Program Award | Admn $ Award | CAPABILITY | | | Past Perfor-mance | CoC Rating | Housing First Model | Cure Deduction | Total Score | Available Balance: |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | PROG DESIGN | AGENCY | FISCAL | | | | | | **$2,241,433** |
| 1 | **The Journey Home** | Rutherford | M | $0 | $0 | $3,000 | $107,000 | $15,000 | **$125,000** | $0 | 24 | 24 | 25 | 15 | 5 | 5 | 0 | 98 | $2,116,433 |
| 2 | **Buffalo Valley, Inc.** | Lewis | M | $0 | $70,000 | $0 | $50,000 | $30,000 | **$150,000** | $0 | 25 | 24 | 24 | 15 | 5 | 5 | 0 | 98 | $1,966,433 |
| 3 | **Family Promise of Greater Kingsport** | Sullivan | E | $0 | $23,600 | $5,000 | $19,000 | $2,400 | **$50,000** | $0 | 24 | 24 | 24 | 15 | 5 | 5 | 0 | 97 | $1,916,433 |
| 4 | **Trinity Out-Reach Center of Hope** | Anderson | E | $11,500 | $0 | $0 | $67,000 | $1,500 | **$80,000** | $0 | 23 | 25 | 24 | 15 | 5 | 5 | 0 | 97 | $1,836,433 |
| 5 | **Tennessee Valley Coalition to End Homelessness** | Campbell | E | $15,910 | $0 | $0 | $45,470 | $38,620 | **$100,000** | $0 | 25 | 25 | 21 | 15 | 5 | 5 | 0 | 95 | $1,736,433 |
| 6 | **Fayette Cares** | Fayette | W | $0 | $61,000 | $0 | $20,000 | $4,000 | **$85,000** | $0 | 25 | 24 | 21 | 15 | 5 | 5 | 0 | 95 | $1,651,433 |
| 7 | **Family Promise of Greater Johnson City** | Washington | E | $0 | $85,000 | $0 | $0 | $1,700 | **$86,700** | $0 | 23 | 24 | 23 | 15 | 5 | 4 | 0 | 94 | $1,564,733 |
| 8 | **Domestic Violence Program, Inc.** | Rutherford | M | $0 | $12,000 | $0 | $20,000 | $3,000 | **$35,000** | $0 | 25 | 23 | 25 | 11 | 5 | 5 | 0 | 94 | $1,529,733 |
| 9 | **Wo/Mens Resource and Rape Assistance Program** | Madison | W | $0 | $85,765 | $0 | $64,235 | $0 | **$150,000** | $0 | 24 | 24 | 20 | 15 | 4 | 5 | 0 | 93 | $1,379,733 |
| 10 | **Johnson County Safe Haven** | Johnson | E | $0 | $80,000 | $0 | $0 | $27,000 | **$107,000** | $0 | 24 | 21 | 23 | 15 | 5 | 5 | 0 | 93 | $1,272,733 |
| 11 | **Families in Crisis** | Warren | M | $0 | $55,179 | $0 | $63,520 | $14,530 | **$133,229** | $0 | 25 | 22 | 23 | 15 | 3 | 5 | 0 | 93 | $1,139,504 |
| 12 | **Greater Kingsport Alliance for Development** | Sullivan | E | $0 | $0 | $40,000 | $65,000 | $3,000 | **$108,000** | $0 | 23 | 22 | 23 | 15 | 5 | 5 | 0 | 93 | $1,031,504 |
| 13 | **Carey Counseling Center, Inc.** | Benton | W | $0 | $18,000 | $0 | $27,000 | $30,000 | **$75,000** | $0 | 24 | 24 | 24 | 14 | 4 | 3 | 0 | 92 | $956,504 |
| 14 | **Change is Possible** | Unicoi | E | $0 | $0 | $0 | $102,000 | $2,000 | **$104,000** | $0 | 25 | 25 | 18 | 15 | 4 | 5 | 0 | 91 | $852,504 |
| 15 | **Ministerial Assocation Temporary Shelter** | Hamblen | E | $0 | $73,000 | $0 | $11,000 | $26,000 | **$110,000** | $0 | 21 | 23 | 25 | 15 | 5 | 2 | 0 | 91 | $742,504 |
| 16 | **Tennessee Homeless Solutions** | Madison | W | $0 | $32,999 | $0 | $85,001 | $0 | **$118,000** | $0 | 25 | 20 | 22 | 15 | 4 | 5 | 0 | 91 | $624,504 |
| 17 | **Bridges of Williamson County** | Williamson | M | $0 | $80,400 | $0 | $12,732 | $4,335 | **$97,467** | $0 | 25 | 19 | 22 | 13 | 5 | 5 | 0 | 89 | $527,037 |
| 18 | **Helen Ross McNabb Center** | Knox | E | $25,000 | $0 | $0 | $50,000 | $1,700 | **$76,700** | $0 | 25 | 24 | 25 | 15 | 5 | 5 | -10 | 89 | $450,337 |

## 2019 Emergency Solutions Grants Funding Recommendations

| # | Name of Applicant to Competitive Round | County of Agency Main Location | E M W | Street Outreach | Shelter | Prevention | Rapid Rehousing | Data Collection | Total Program Award | Admn $ Award | CAPABILITY PROG DESIGN | CAPABILITY AGENCY | CAPABILITY FISCAL | Past Perfor-mance | CoC Rating | Housing First Model | Cure Deduction | Total Score | Available Balance: $2,241,433 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 19 | **The Salvation Army of Knoxville** | Knox | E | $0 | $34,000 | $0 | $29,000 | $12,500 | **$75,500** | $0 | 25 | 24 | 18 | 11 | 5 | 5 | 0 | 88 | $374,837 |
| 20 | **CEASE Domestic Violence & Sexual Assault** | Hamblen | E | $0 | $50,000 | $0 | $24,100 | $5,725 | **$79,825** | $0 | 24 | 22 | 21 | 11 | 5 | 5 | 0 | 88 | $295,012 |
| 21 | **Area Relief Ministries** | Madison | W | $5,000 | $45,000 | $0 | $77,000 | $0 | **$127,000** | $0 | 23 | 21 | 20 | 15 | 4 | 4 | 0 | 87 | $168,012 |
| 22 | **The Crossville Housing Development Corporation** | Cumberland | E | $8,000 | $0 | $0 | $80,000 | $400 | **$88,400** | $0 | 21 | 20 | 24 | 15 | 5 | 3 | 0 | 87 | $79,612 |
| 23 | **Pinnacle Resource Center** | Scott | E | $0 | $50,000 | $0 | $21,500 | $6,500 | **$78,000** | $0 | 22 | 24 | 23 | 11 | 5 | 2 | 0 | 87 | $1,612 |
| 24 | Jesus Cares of McNairy County | McNairy | W | $0 | $27,200 | $0 | $89,800 | $3,000 | $0 | $0 | 24 | 24 | 17 | 12 | 4 | 5 | 0 | 86 | $1,612 |
| 25 | West Tennessee Legal Services | Madison | W | $0 | $35,000 | $0 | $0 | $0 | $0 | $0 | 24 | 21 | 24 | 13 | 4 | 0 | 0 | 85 | $1,612 |
| 26 | Fairview Housing Management Corporation | Washington | E | $0 | $0 | $47,000 | $85,000 | $18,000 | $0 | $0 | 21 | 22 | 17 | 15 | 5 | 5 | 0 | 84 | $1,612 |
| 27 | Doors of Hope, Inc. | Rutherford | M | $0 | $140,500 | $0 | $0 | $0 | $0 | $0 | 23 | 20 | 19 | 11 | 5 | 5 | 0 | 83 | $1,612 |
| 28 | Cannon County S.A.V.E. | Cannon | E | $0 | $60,500 | $0 | $3,500 | $3,600 | $0 | $0 | 24 | 22 | 19 | 11 | 2 | 5 | 0 | 82 | $1,612 |
| 29 | City of Cleveland | Bradley | E | $0 | $120,000 | $5,500 | $10,500 | $14,000 | $0 | $0 | 20 | 22 | 24 | 10 | 4 | 0 | 0 | 80 | $1,612 |
| 30 | Matthew 25:40 | Dyer | W | $4,500 | $42,000 | $82,700 | $20,000 | $800 | $0 | $0 | 23 | 22 | 22 | 14 | 4 | 5 | -10 | 80 | $1,612 |
| 31 | The Salvation Army of Clarksville | Montgomery | M | $0 | $100,000 | $0 | $0 | $0 | $0 | $0 | 21 | 20 | 18 | 8 | 5 | 5 | -10 | 66 | $1,612 |
| 32 | Flourishing Families | Montgomery | M | $0 | $0 | $27,000 | $28,000 | $5,000 | $0 | $0 | 19 | 18 | 13 | 12 | 5 | 3 | -10 | 59 | $1,612 |

| | Street Outreach | Shelter | Prevention | Rapid Rehousing | Data Collection | Total Program Award | Admn $ Award |
|---|---|---|---|---|---|---|---|
| **Total Competitive Award by Activity Type:** | **$65,410** | **$855,943** | **$48,000** | **$1,040,558** | **$229,910** | **$2,239,821** | **$0** |

Approved:

Ralph M. Perrey, Executive Director

6/4/19

Date

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

## MEMORANDUM

**TO:** Grants Committee and Board of Directors

**FROM:** Don Watt, Director of Community Programs

**DATE:** July 1, 2019

**RE:** Program Year 2020 Low Income Home Energy Assistance Program

---

The U. S. Department of Health and Human Services (HHS) will be accepting applications from states for the Program Year 2020 Low Income Home Energy Assistance Program (LIHEAP). Applications are due to the HHS no later than September l, 2019. The Program Year 2020 allocation for Tennessee is not yet available; however, based on the amount available to Tennessee for 2019, THDA anticipates that approximately $65,651,305 will be received, with approximately $6,565,130 available for administrative costs and $59,086,175 available for program costs.

LIHEAP and the activities carried out with the LIHEAP funding are subject to federal regulations found at 45 C.F.R. § 96. The annual application to HHS defines the program and requires that the program be made available to eligible agencies that serve all areas (counties) in the state. Grantees for LIHEAP funding are those agencies meeting the federal definition of an eligible entity which includes Community Action Agencies (CAA) or other public or nonprofit entities selected on the basis of public comment received during a public hearing conducted pursuant to 45 C.F.R. § 96 and other appropriate findings regarding:

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

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

The local agency will receive, if willing to participate, the allocation for the county or counties located in their service delivery area. THDA will retain funding for administrative expenses as permitted under federal regulations. Staff will also conduct public meetings to explain the program and funding situation.

At this time, THDA is planning to propose the following programmatic changes for the 2020 program year. There will be public hearings and a public comment period during August 2019.

- Changing the definition of income from “past 8 weeks” to “past 30 days.” This change will better identify the actual current income of LIHEAP clients while decreasing the administrative burden on LIHEAP clients and subgrantee intake offices.
- Allow the acceptance of online client applications in the current LIHEAP database (THO). Online applications will only be accepted for clients that have been served by LIHEAP within the past two years. Applications and verification documentation will continue be reviewed by the subgrantees prior to issuing a benefit.
- Allow heating and cooling system repair and replacement using LIHEAP funds. This will allow current Weatherization subgrantees the ability to repair or replace heating and cooling systems without having to entirely weatherize the home.
- Allow the purchase of vehicles and equipment for use in the Weatherization Program. Vehicles and equipment such as work trucks, vans, and insulation machines will be allowed to be purchased using LIHEAP Weatherization funds.

Staff is requesting Board and Committee approval of THDA submitting an application to HHS for the LIHEAP Program Year 2020 funds by the federal deadline of September 1, 2019 subject to review by the Board Chair, the Committee Chair, and THDA’s Executive Director of any further material changes prior to submission.

# Tab # 7

Items:

Rental Assistance Committee Meeting Materials

# Tennessee Housing Development Agency
# Rental Assistance Committee
# July 23, 2019
# 9:30 a.m. Central Time

---

AGENDA

1. Call to Order ........................................................................................................ Snodderly
2. Approval of Minutes from November 13, 2018 .................................................... Snodderly
3. Program Updates .............................................................................................. Ridley / Scott
4. 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
Erin Merrick
John Krenson

TENNESSEE HOUSING DEVELOPMENT AGENCY
RENTAL ASSISTANCE COMMITTEE
November 13, 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, November 13, 2018, at approximately 10:00 a.m. in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

Committee members present: John Snodderly (Chair), Todd Skelton, and Regina Hubbard. Committee members absent: Daisy Fields. Other Board members present: Board Chair Kim Grant Brown, Lynn Tully, and Ann Butterworth (for Comptroller Justin Wilson), and Secretary of State Tre Hargett. Keith Bradley (for Treasurer Lillard), Katie Armstrong and Keith Boring.

Chair Snodderly called the meeting to order. Seeing a quorum present, he called for consideration of the minutes from July 24, 2018. Upon a motion by Ms. Hubbard, second by Mr. Skelton, the minutes were approved.

Chair Snodderly recognized Jeboria Scott, Section 8 Rental Assistance Director for HCV program updates. Ms. Scott shared the regional HUD office Nashville director congratulated THDA on stabilizing the program in terms of voucher utilization. Factors that affected leasing activities including employing a new maintenance leasing strategy. THDA will continue to fine-tune the maintenance leasing strategy to successfully lease to the baseline goal.

THDA recently filled vacancies in key roles: Shelby Walls, new Inspections Coordinator, hiring Program Integrity Coordinator and Marquisha Griffin, Assistant Director of Rental Assistance. Additionally, THDA has implemented maintenance leasing strategy as a global activity that is shared across county lines. THDA staff can process files and manage caseload effectively reducing the delay in processing payments even short staffed.

Ms. Scott reported the Administrative Plan would be effective January 3, 2019. The second phase of the Administrative Plan will be completed by spring 2019

Ms. Scott shared a snapshot of utilization spanning 2010-2018. Additionally, Ms. Scott illustrated that THDA has done a good job stabilizing utilization from year to year and leveling off toward 2018. The noticeable improvement may lead to additional vouchers as funding opportunities become available.

THDA received funding award for the Mainstream 811 NED grant to serve 99 households who have at least one non-elderly, disabled household members and who are at risk of chronic homeless or institutionalization. The grant offers additional HAP funding and administrative fees. THDA is working with our partners to staring administering vouchers around January 2019.

THDA will enhance processing making use of technology to streamline processes with software, MyHousing Suite. This software will be part of the Mainstream Non-Elderly Disabled (NED) voucher referral process in 2019.

There being no further business, the meeting adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 23rd Day of July, 2019

# Tennessee Housing Development Agency

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



**<u>MEMORANDUM:</u>**

TO: Rental Assistance Committee and Board of Directors

FROM: Jeboria Scott, Director of Rental Assistance

DATE: July 11, 2019

SUBJECT: Housing Quality Standards (HQS) Amendment

---

Staff are recommending changes to the Housing Quality Standards' section of the Administrative Plan. The information is only being forwarded in advance to allow the Board to review. Changes to the Housing Quality Standards section do not negatively impact participants served in the Section 8 Rental Assistance Voucher Program; therefore, staff will submit this amendment to Ralph for approval and immediate implementation.

The second phase of the Administrative Plan changes will be submitted later in the year after public review.

Please find the attached amend` HQS section of the Administrative Plan.

**0770-01-05-.23 HOUSING QUALITY STANDARDS (HQS) - Inspections (24 C.F.R. 982.305, 24 C.F.R. 982.4, 24 CFR 982.401, 24 CFR 982.407,** 24 C.F.R. 982.405).

(1) Responsibility for Locating a Suitable Unit. The applicant or participant is responsible for locating a suitable unit.

(a) An online database of available rental properties, TNHousingSearch.org, is provided for families to use to find available units.

(b) The THDA provides households with the basic information on what is required for a unit to pass the Housing Quality Standards (HQS) inspection.

(c) Ultimately, the selection of the unit is the applicant's preference as long as the unit meets the eligibility criteria.

(d) If the voucher expires before an applicant locates a suitable unit, the applicant must reapply to the program, unless there is an owner or THDA-caused delay, in which case the voucher will be extended for the amount of time of the delay.

(2) Housing Quality Standards (HQS), Acceptable Subsidy Standards, and Criteria for Acceptable Housing (24 C.F.R. 982.4). Units are inspected according to HUD HQS, must meet acceptable subsidy standards, and must conform to certain criteria for acceptable housing.

(a) General Information.

1. The THDA will not inspect a unit without either the owner or an adult member or representative of the tenant household (age 18 or older) present at the unit during the inspection.

2. The THDA encourages the owner or management agent to be present at the initial move-in inspection so the inspector can answer questions about the inspection appointment.

(b) Acceptable Subsidy Standards and Criteria for Acceptable Housing.

1. The rent requested by the owner must be reasonable when compared with similar, unassisted units in the same area.

2. The owner must be in good standing with the THDA and other Public Housing Authorities.

(i) Owners may be barred from participation in the HCV Program for twelve (12) months and may be required to attend training from an approved Fair Housing agency, when there is evidence of repeated HQS violations, Fair Housing, HAP Contract violations under the voucher or other HUD programs, fraud, and bribery.

3. The unit may not be owner-occupied, unless the household is participating in the Homeownership Voucher Program.

(i) The unit may not be approved if a parent, stepparent, child, stepchild, grandparent, grandchild, sister or brother of any member of the family owns the unit, unless approving the unit is necessary as a reasonable accommodation for a household that includes a member with a disability

(ii) This rule applies to elderly households as well, unless the household includes a member with a disability.

4. The unit may not be located in a neighborhood or community with an unacceptable high rate of criminal activity as demonstrated on maps available on the THDA website through the THDA's Research and Planning Division.

5. The unit may not have another subsidy as defined under the U.S. Housing Act of 1937, other than assistance under Section 17.

6. If the unit is located in a development, such as project-based Section 8, where some of the units receive another type of federally assisted housing, voucher holders are only permitted to occupy a unit that does not receive another federal subsidy.

7. The unit may not be a nursing home or other unit where continual medical, mental, or nursing services are provided. However, elderly, disabled, or displaced households may use Congregate Housing and elderly or disabled persons who require a planned program of continual supportive services may use Independent Group Residences, Group Homes, or Assisted Living Facilities.

8. The unit may not provide services of a penal or reformatory institution.

9. Shared housing arrangements, where more than one assisted household shares a bedroom in a facility, are not permitted by the THDA.

(c) Eligible Housing Types (24 C.F.R. 982.353; 982.54(d)(15)). The following types of housing are eligible for leasing under the HCV program as long as they pass Housing Quality Standards and meet occupancy standards:

1. Single family homes.

2. Apartments, Duplexes, Townhouses, Condominiums.

3. Mobile homes or manufactured homes where the participant leases the mobile home and the pad from the same owner.

4. For disabled and elderly households only:

(i) Independent group residences.

(ii) Group Homes.

(iii) Assisted Living Facilities.

(3) Types of Inspections and General Requirements (24 C.F.R. 982.401(a) and 982.405).

(a) Initial Inspection. A unit must be inspected and have a pass rating prior to the execution of the Housing Assistance Payment (HAP) Contract. The owner must complete all required repairs. If the unit fails the final inspection, the Request for Tenancy Approval (RTA) will be denied. This also applies to relocations for participants.

1. Scheduling of the Inspection.

(i) Within three (3) business days of the approved Request for Tenancy Approval (RTA), the inspection will be requested by the THDA. The inspector will notify the owner, schedule, and conduct the inspection within fourteen (14) business days.

(ii) The inspector will provide the owner with the date and approximate time, within a four (4)-hour block of the inspection.

(iii) A Confirmation of Scheduled Initial Inspection will be mailed to the owner and tenant.

(iv) The inspector will give the owner a courtesy call approximately 45 minutes prior to arriving at the unit.

(v) In the case of a missed inspection, the inspector will notify, reschedule, and conduct the inspection within seven (7) business days.

(vi) If two (2) inspection appointments are missed during the initial certification, the RTA will be cancelled, unless the second absence is due to a verified medical emergency of the owner or a household member.

(vii) If an inspection of the unit has been scheduled, and the applicant/participant does not want to rent the unit, the inspection will be cancelled.

(viii) The owner will ensure that the unit has the utilities (electric, gas, water, etc.) connected prior to the day of the scheduled inspection. If the utilities are not connected, the unit will not be inspected and will result in a failed inspection.

2. Notice of Initial Inspection Failure will be sent to the owner and applicant/participant within two (2) business days following a failed inspection. The notice will provide the necessary repairs and the fourteen (14) business day deadline to make the repair. This may be completed sooner if the issues are corrected prior to the appointment date. At the re-inspection, only the previously failed items will be inspected, unless a new failed item is observed. The deadline may be extended, by request, if it is impossible for the repair to be completed within fourteen (14) days. This must be approved by the Program Director or the assigned designee.

(i) If the unit does not pass HQS after two inspections, the RTA will be cancelled for that particular unit, but the family may search for another unit if the household is still within the first 60 days of the voucher term or any reasonable accommodation extension or other approved extension.

3. Pass Results. If the unit passes the inspection, a HQS Compliance Notice will be mailed to the applicant/participant family and either left with the owner at the unit, if the owner is present for the inspection, or mailed to the owner as documentation of the unit's passed status.

(b) Annual / Biennial Inspections. HCV assisted units are inspected annually and/or biennially as long as the units remain on the Program. Each unit must be inspected before or during the same month each year (annual) or every other year (biennial).

1. The Notice of Inspection will be mailed to the owner and participant with the scheduled date and time within fourteen (14) business days prior to the inspection. An automated reminder call will be placed to the participant a minimum of forty-eight (48) hours prior to the inspection.

2. A unit that passes an inspection will be moved to a biennial inspection.

3. Missed Appointments. See Missed Appointments in 0770-01-05-.20 OBLIGATIONS OF PARTICIPANTS (24 CFR 982.551).

4. Delays in Completing the HQS Inspection.

(i) Administrative Delay. If an administrative delay occurs that causes an inspection or re-inspection to be delayed, no action may be taken that negatively affects the participant or owner.

5. Extensions. The THDA policy allows extensions when a repair must be delayed due to circumstances that are not within the landlord or participant's control (such as severely inclement weather). An extension must be requested within the initial 30-day repair period. At THDA's discretion, extension periods are granted, not to exceed 30-days, unless approved by the Program Director or designee. The THDA

is responsible for approving, tracking, and documenting allowable extensions. Requests for extensions must be accompanied by documentation that supports the need for the request.

6. Self-Certification for Non-Emergency Failed Items. HUD allows owners and participants to self-certify that repairs for non-emergency failed items have been completed. This eliminates the need for re-inspections.

7. Self-Certification Form. When the unit fails inspection, the inspector mails the Self-Certification Form and the Notice of HQS Violations to the owner and participant within two (2) business days. The owner and the participant are required to sign the Self-Certification Form verifying that all repairs are complete.

8. Self-Certifications may be sent electronically or via USPS. If mailed, the postmark date will be used to determine timeliness. If the above requirements are not completed by the 30th day, Housing Assistance Payments for the assisted unit will be abated (stopped).

9. In cases where no violations of the minimum acceptability standards are present, but one party declines to sign the self-certification form, the THDA will make a final determination about whether to pass or fail the unit.

10. Rural Development and Tax Credits may be transitioned to a biennial inspection schedule at the THDA's discretion.

(c) Special or Complaint Inspection. A unit may also be inspected at the request of the owner or the household because of a complaint or special issue, but only if the issue reported represents a potential violation of Housing Quality Standards (HQS). Inspection and notice criteria for special or complaint inspections are the same as identified for annual/biennial inspections.

(d) Quality Control Audit. A supervisory quality control inspection is conducted on a certain percent of all units under lease by the THDA. The units to be included in the quality control sample are selected at random.

(4) Inspection Booklets and Certifications.

(a) The Inspection Booklet is completed for every inspection type and all correspondence related to HQS are retained in an electronic file. The inspector will collect all required THDA and HQS Owner Certifications. Inspectors will provide blank forms, if needed.

(b) Owners are responsible for returning all owner certifications to the THDA or its agent. Failure to do so will result in a failed item on an inspection.

(5) Inspection Results.

(a) The inspection results must be signed by the adult that allowed entry into the unit. If the unit passes the HQS inspection, a HQS Compliance Pass Letter will be mailed to the owner and left with the participant family.

(b) Failed Results. The Inspector may perform onsite maintenance at inspected units using their own provided supplies when such replacement would eliminate the need to perform a 24-hour emergency re-inspection or 30-day re-inspection at the unit (repair/replace damaged or missing light switch and outlet covers; repair/replace missing smoke alarm batteries). The Inspector is not responsible to provide such maintenance when other repair items are found that would require re-inspection of the unit within 24 hours (for emergency repair items) or 30 days (for routine items).

1. If other fail items are present, the inspector will mail the Notice of HQS Violations to the owner and participant family within three (3) business days. The necessary

repairs will indicate who is responsible for the repairs, the THDA action that will result from non-compliance, and the requirement of self-certification for non-emergency items.

(6) Abatement.

(a) When a repair is not completed within the 30-day repair period, Housing Assistance Payments (HAP) are suspended for an additional 30 days. This is known as the Abatement Period. If the repairs are completed and the Self-Certification is submitted within the abatement period, the HAP will resume. THDA does not retroactively issue HAP for abated units and the participant is not responsible for the abated HAP. If later the THDA determines that certified repairs were not made, the THDA will deduct HAP, terminate the HAP Contract, terminate the participant's assistance, and disbar the owner from program participation.

1. Failure to Repair and Certify Timely (24 CFR 982.404). If the owner or participant fail to complete repairs, sign the Self-Certification Form, or submit a completed Self -Certification form by the 30-day deadline or by the extension deadline, the following actions will be taken:

(i) Owner's Responsibility. If the repairs are not made by the end of the abatement period, the HAP contract will be terminated and the participant will be issued a relocation voucher.

(ii) Participant's Responsibility. If the repairs are not made by the end of the 30-day repair period, a proposed termination will be issued to the participant and the family's assistance is terminated; the HAP Contract will be terminated in thirty (30) days.

(I) The participant has the right to appeal a termination decision that results from the failure to make HQS repairs.

(iii) If either party does not make the repairs at the end of the 30-day repair period, the unit will be abated and the participant will be issued a proposed termination.

2. Special Circumstances.

(i) Owner and Participant Responsibility. In cases where there is a discrepancy, THDA will investigate. For example, in cases where one party completes the repairs and the other party is unwilling/unable to sign the self-certification form, THDA will determine if the repairs are completed satisfactorily. If the repairs are the participant's responsibility, the family may be issued a proposed termination and the landlord may not be abated.

(ii) Affidavit in Lieu of Self-Certification. In cases when the landlord and/or participant claim that the self-certification was submitted, but it was not received, the THDA may accept an affidavit in lieu of the self-certification. The THDA will consider the self-certification as timely.

(7) Emergency Repairs.

1. Emergency Repair Items are those defects that the reasonable person would deem to be life threatening. Emergency Repair Items include, but are not limited to:

(i) Escaping gas from stove;

(ii) Major plumbing leaks or flooding;

(iii) Natural gas leak or fumes or other air pollutant levels that threaten the occupants' health;

(iv) Electrical situation which could result in shock or fire;

(v) No heat when outside temperature is below 50 degrees;

(vi) No running water;

(vii) Utilities turned off, including no running hot water;

(viii) Broken glass or other conditions that present the imminent possibility of injury;

(ix) Obstacle which prevents or hinders entrance to or exit from the unit;

(x) Absence of a functioning toilet or an overflowing toilet;

(xi) Unit cannot be adequately secured;

(xii) Inoperable Smoke Detector (if when tested, smoke detector fails test); or

(xiii) Combustible materials near the gas water heater or gas furnace.

2. Deadline for Emergency Repairs. Such defects must be corrected within twenty-four (24) hours of the repair notice or the Housing Assistance Payment will be abated or terminated, depending on the circumstances as outlined below.

   (i) Extension of Emergency Repairs. A short extension of no more than forty-eight (48) hours will be given where the owner or participant cannot be reached or if it is impossible to repair within the twenty-four (24) hour period, i.e., it is a weekend, etc.

3. Owner Responsibility for Emergency Repairs.

   (I) If the owner is responsible for the repair, the owner must correct the defect or the HAP contract will be abated immediately and the participant will be issued a voucher to relocate.

   (II) If the owner takes steps to correct the defect, but it is impossible for the defect to be corrected in 24 to 72 hours; the participant does not want to relocate; and the family wants and is able to make alternative living arrangements during the repairs. The Housing Assistance Payments will be abated until repairs are complete for a maximum of thirty (30) days. If the participant is unable to find alternate housing, the household must be relocated and the HAP contract will be terminated.

4. Participant Responsibility for Emergency Repairs.

   (I) If an HQS violation caused by the family is identified as an emergency, the family must correct the defect within 72 hours.

   (II) Disconnected Utilities.

      I. If utilities, which are the participant's responsibility, are disconnected for more than 72 hours, assistance will be terminated.

II. HAP Contract Termination. The effective date of the HAP Contract termination is as follows:

A. If the THDA is informed of the disconnected utilities during the same month that the utility was disconnected, the HAP will be paid to the owner through the end of the month in which the utility was disconnected.

B. If the THDA is informed of the disconnected utilities after the month the utilities are disconnected, and the THDA has no reason to believe that the owner had knowledge of the disconnected utilities, the owner may keep the HAP through the month in which the THDA became aware of the disconnected utilities.

C. If the THDA is informed of the disconnected utilities, and the owner was aware that the utilities were disconnected or that the participant vacated the unit, but the owner failed to notify the THDA in a timely manner, the HAP will be terminated at the end of the month in which the utility was disconnected.

III. For verification purposes, information from the utility company should be reviewed to determine the exact date the utility was disconnected. If this cannot be determined, the THDA will schedule a case conference prior to issuing a proposed termination. The participant will be required to provide supporting documentation to confirm that the utilities are connected.

5. If any of the above emergency repair items can be remedied in such a manner that the health and safety of the occupants is not compromised, the Inspection Booklet must be documented with an explanation of the manner taken to temporarily remedy the situation, but the emergency repair guidelines will not be required.

(b) Lead-Based Paint Standards. Lead-based paint is only an HQS issue if the unit was built before 1978 and there is a child under age six (6) (72 months or younger) who resides, or is expected to reside in the unit, which includes a pregnant woman.

1. Lead poisoning can cause permanent damage to the brain and many other organs, and can result in reduced intelligence and behavioral problems. The most common sources of lead hazards are deteriorated lead-based paint and the contaminated dust and soil it generates in the residential environment.

2. This rule is not applicable to 0-bedroom units, units specifically designated or reserved for households of elderly or disabled persons, units that have been tested and have been certified to be free of lead-based paint, or units in which all lead-based paint was identified, was removed, and passed a clearance examination.

3. Inspection Requirements and General Actions.

(i) For units that were not constructed prior to 1978, owners are not required to have their units tested for the presence of lead-based paint. However, if the owner chooses to have the unit tested, an entity certified by the State of Tennessee to conduct lead testing must be employed. If the unit is found to be lead-free, a copy of the certification must be given to the tenant and a copy must be maintained in the tenant's file.

(ii) Units constructed prior to 1978 with a child under 72 months old must be visually assessed (inspected) for deteriorated paint surfaces on the interior and exterior of the unit, prior to execution of the HAP Contract at move-in, and at each annual recertification.

(iii) All painted interior surfaces within the unit should be inspected for deteriorated paint. This includes ceilings, walls, floors, doors, windows, baseboard, trim, etc. Furniture is excluded from the inspection.

(iv) The entrance and hallway providing ingress and egress to a unit in a multi-unit building should be inspected for deteriorated paint.

(v) Exterior surfaces including walls, stairs, decks, porches, railings, windows, and doors should be inspected for deteriorated paint. This includes outbuildings such as garages and sheds. In multi-unit complexes, laundry rooms and playgrounds should be inspected for deteriorated paint.

(vi) All deteriorated paint that is identified during the inspection must be stabilized, except units that have been tested and found to be lead-free, or when the deterioration is limited to hairline cracks or small nicks, scratches, or nail holes. However, the area of deteriorated paint must be determined to permit the inspector to know how to proceed.

(vii) If the area of deteriorated paint exceeds set de minimis levels, a person who has received training in lead-safe work practices through a HUD-approved training course must stabilize the paint. Proof of the training is required, or the owner must employ a person or company certified by the State of Tennessee to conduct the lead hazard control activities.

(viii) The de minimis levels are:

(I) 20 square feet on exterior surfaces.

(II) 2 square feet in any one interior room or space.

(III) 10% of a type of building component with a small surface area, such as painted windowsills, on interior and exterior surfaces.

4. Cost of Stabilizing Deteriorated Paint. Even though the THDA may not provide assistance until the deteriorated paint surfaces have been stabilized, the THDA is not responsible for paying the costs incurred when stabilizing deteriorated paint.

5. Clearance Examinations.

(i) The unit does not pass HQS until the unit passes the Clearance Examination.

(ii) Once the deteriorated paint has been stabilized, the unit must be visually assessed (inspected) by the THDA or its agent to ensure that the area of deteriorated paint has been repaired and all visible dust, debris or residue has been eliminated.

(iii) Once the unit has passed the visual assessment, the owner must employ an entity certified by the State of Tennessee to conduct a Clearance Examination and the entity cannot be the same as the one that performed the lead-hazard control activities.

(iv) Once the unit passes the Clearance Examination, within fifteen (15) calendar days of receipt of the results, the owner must supply the tenant and the THDA with the certification.

(v) The owner must certify, using the certification in the Inspection Booklet, that the deteriorated paint was stabilized in accordance with HUD regulations. The owner must also attach a copy of the certifications from the entity that conducted the lead-hazard control work and the clearance examination must be attached to the owner's certification.

(vi) The owner must maintain the unit to ensure the paint remains intact.

6. Child with an Environmental Intervention Blood Lead Level. If a child under the age of six (6) is identified by a public health department or other medical health care provider as having an Environmental Intervention Blood Lead Level (EIBLL), a risk assessment of the dwelling unit must be conducted (24 C.F.R. 35.1225).

(i) The THDA must contact the Child Health Director of the Tennessee Department of Health and the Tennessee Department of Health will then contact the Tennessee Department of Environment and Conservation, which will be responsible for conducting the Risk Assessment with fifteen (15) days of notification.

(ii) The assessor will issue a report to the THDA explaining the results of the investigation, as well as options and requirements for reducing lead-based paint hazards and the THDA must provide the report to the owner, who must notify the tenant of the results of the Risk Assessment within fifteen (15) days of receipt of the report from the THDA.

(iii) If a lead-poisoned child is identified in a unit, any lead hazards identified in the risk assessment must be corrected. Clearance must be achieved, within thirty (30) calendar days of the issuance of the risk assessment, or the date specified by the THDA if an extension is granted for an exterior surface, before the unit cannot receive rental assistance, even if the lead- poisoned child is no longer present in the unit.

(I) The appropriate method of correction should be identified in the Risk Assessment.

(II) Paint Stabilization. If the Risk Assessment states that just paint stabilization is required, then the owner may perform the paint stabilization if he, or someone he employees, has completed a HUD-approved training course.

(III) Other Lead-hazard Reduction Work. For every other type of lead-hazard reduction work, such as abatement, interim controls, and dust and soil contamination controls, the owner must hire an entity certified by the State of Tennessee to perform the work

(IV) Clearance Examination. Once the lead-hazard reduction work is completed, the unit does not pass the HQS until the unit passes a Clearance Examination. The Clearance Examination cannot be performed by the same entity who performs the lead-hazard reduction work. See the Clearance Examinations requirements in § 0770-01-05-.23(5)(p)5. The owner must notify the tenant and the THDA of the results of the Clearance Examination within fifteen (15) days.

(V) Companies Certified by the State of Tennessee. The owner must contact the Tennessee Department of Environment and Conservation to obtain a list of companies certified by the State of Tennessee to perform lead-hazard reduction work. The list is continually updated.

Effective Date:

Approved:

______________________________________________

Ralph Perrey, Executive Director

# Tab # 8

<u>Items</u>:

Tax Credit Committee Meeting Materials

# Tennessee Housing Development Agency
# Tax Credit Committee
## July23, 2019
## 9:45 a.m. Central Time

AGENDA

1. Call to Order ........................................................................................................... Tully
2. Approval of Minutes from May 21, 2019 ........................................................... Tully
3. 2019-2020 Low Income Housing Tax Credit Qualified Allocation Plan Discussion ..... Yandell
4. 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
David Lillard
Stuart McWhorter
Erin Merrick

TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT COMMITTEE
May 21, 2019

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors met, in regular session, on Tuesday, May 21, 2019, at 10:53 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), Samantha Wilson (for Commissioner of Finance & Administration, Stuart McWhorter), and Erin Merrick and Pieter van Vuuren. Treasurer David Lillard was absent. Other Board members attending were: Kim Brown, Dorothy Cleaves, John Snodderly, Regina Hubbard, Katie Armstrong (for Comptroller Justin Wilson), John Krenson and Jonathan Rummel (for Secretary of State Tre Hargett).

Seeing a quorum present, Chair Tully called the meeting to order and called for consideration of the minutes from March 26, 2019. Upon motion by Ms. Brown, second by Ms. Merrick, the minutes were approved unanimously.

Ms. Tully noted that Item #3 on the agenda the 2018 Allocation Cap Waiver Requests is deferred to the July 23 meeting.

Ms. Tully moved to the first item of business for the Amendments to the 2019-2020 Qualified Allocation Program and 2019 Multifamily Tax Bond Authority Program Description (Noncompetitive LIHC and MTBA Limits) and recognized Ed Yandell, Senior Housing Credit Advisor, to present the amendments. Mr. Yandell referred to a memo to the Board of Directors from Don Watt, Acting Director of Multifamily Programs and Director of Community Programs dated May 21, 2019, and reviewed the amendments and presented the staff recommendations as:

1. Increase the NLIHC per development limit from $1.3 million to $3. Million. This increase would be reflected in amended language in Section 20-B of the 2019-2020 QAP and Section 12-B of the 2019 PD; and,
2. Increase the MTBA per development limit from $25 million to $35 million. This increase would be reflected in amended language in Section 5-A of the 2019 PD; and,
3. Maintain the MTBA per developer limit at $60 million through June 30 of each year. Increase the limit to $85 million beginning July 1 of each year. Postponing the increase until mid-year will accommodate scenarios in which there is high demand early in the year from proposed developments able to close the issuance and sale of the MTBA quickly. This increase would be reflected in amended language in Section 5-B of the 2019 PD.

By offer of a motion by Ms. Merrick, second by Ms. Wilson, motion carried to approve the above listed amendments along with granting authority to THDA staff to make non-substantive conforming changes as necessary.

Ms. Tully proceeded to the next item and recognized Mr. Yandell to present the activity update on the 2019 Multifamily Tax-Exempt Bond Authority. Mr. Yandell referred to the page in the materials titled <u>2019 Multifamily Tax-Exempt Bon Authority Availability as of March 14, 2019</u> and noted the table reflects activity since May 14th noting the firm application submitted number has increased to $178.2 million with the remaining authority thereby decreased to about $21.8 million. The numbers on the chart reflect the current status of the program.

Ms. Tully referred to the last item on the agenda, the IRS Compliance Monitoring Requirements update and recognized Mr. Yandell to present this item. Mr. Yandell referred to the memo from Don Watt, Acting Director of Multifamily Programs and Director of Community Programs dated May 14, 2019, and noted the Internal Revenue Service ("IRS") recently finalized the guidelines concerning compliance monitoring regulations (26 CFR part 1, Section 1.42-5(c)(iii)(B) that staff deal with on a regular basis. Staff has conducted an analysis of what the new guidance compared to existing guidance and the implications on the agency. Mr. Yandell also noted that NCSHA has submitted a letter to the Service on May 6, 2019 asking the IRS to rescind the final amended compliance monitoring regulations and work with states to develop a workable alternative. As it currently stand, staff has until the end of next year to bring the QAP into compliance with the new policies and procedure, but at this point staff is basically on hold for all of the changes. Mr. Perrey explained that there is some concern in some states regarding the additional cost that would be incurred through the additional compliance requirements. He stated that frankly THDA has almost always had a fairly robust inspection in the compliance program. Staff does not believe this will require either much more money or much more work on the part of the compliance team we have, that seems to be the case of our counterparts in the south. Staff is relatively confident both of where we are and whether those rules take effect now or sometime later.

With no further business, meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 23rd Day of July, 2019

# Tennessee Housing Development Agency

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

| | |
|---|---|
| **Bill Lee**<br>Governor | **Ralph M. Perrey**<br>Executive Director |

## MEMORANDUM

TO: THDA Board of Directors

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

SUBJECT: July 23, 2019 Meeting

DATE: July 15, 2019

The agenda for July includes beginning the process of making adjustments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "2019-2020 QAP") for the 2020 program year. Preliminary Proposed Amendments and a summary of and response to public comments are included in these materials for your consideration.

The proposed timeline is as follows:

1. July 23, 2019: Present Preliminary Proposed Amendments and receive direction regarding any additions to, deletions from, or modifications to the Preliminary Proposed Amendments.
2. July 31, 2019: Post Amended 2019-2020 QAP.
3. Special TCC meeting (August): Present Amended 2019-2020 QAP to Tax Credit Committee for approval.
4. September 24, 2019: Present amended 2019-2020 QAP to full Board of Directors for approval.

Please let me know if you have questions.

THDA.org - (615) 815-2200 - Toll Free: 800-228-THDA

Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

## SUMMARY OF AND STAFF RESPONSE TO PRELIMINARY PROPOSED AMENDMENTS TO THE 2019-2020 LOW-INCOME HOUSING CREDIT QUALIFIED ALLOCATION PLAN

Preliminary Proposed Amendments ("PPA") to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "2019-2020 QAP") were circulated on July 3, 2019. The comment period for the PPA closed on July 9, 2019. Copies of the submitted comments follow this summary of and staff response to the comments.

1. Restructure the New Construction Regional Pool Allocations to reflect that all eligible Initial Applications will be ranked in descending order, regardless of pool. THDA will then proceed down the ranking to fulfill the specified number of developments in each pool.
   a. **Summary**: The comment received regarding this proposal requested THDA not go forward with this amendment.
   b. **Response**: The current 2019-2020 QAP specifies that the New Construction Regional Pools will be addressed in east to west order. This creates the possibility that there may not be enough Low-Income Housing Credit ("LIHC") available to make a full allocation in the westernmost New Construction Regional Pool(s). If this PPA is adopted, the New Construction Regional Pools will be addressed based on County Need Score. This shifts the possibility of having insufficient LIHC to address a New Construction Regional Pool to the New Construction Regional Pool associated with the county having the lowest County Need Score.
2. Modify the Innovation Round to include a theme for 2020 and more specificity regarding what constitutes "innovation". Staff is currently considering a theme involving rural downtown adaptive reuse.
   a. **Summary**: Comments regarding this PPA were generally positive. The concept of providing more specificity was well received, however, one comment on the concept of establishing a theme were more cautious.
   b. **Response**: Staff believes that a combination of more specificity regarding "innovation", coupled with a carefully chosen theme, will be more likely to produce Innovation Round developments that support the THDA strategic plan, are more specifically focused, and beneficial to underserved populations.
3. Specify that Innovation Round applications may exceed the applicable Total Development Cost Limits by up to 10.0%.
   a. **Summary**: The comment received regarding this proposal was positive, and encouraged THDA to more broadly reevaluate total development cost limits
   b. **Response**: It is staff's intention to update the total development cost limits periodically.
4. Clarify that the Total Development Cost Limits are a one-time snapshot test at Initial Application.
   a. **Summary**: The comment received regarding this proposal contemplated a scenario in which this PPA could lead to attempts to "game" the tie-breaker and suggested stronger language in the 2019-2020 QAP prohibiting allocation recipients from requesting more LIHC than initially allocated.
   b. **Response**: Staff intends for this PPA to prevent numerous requests to the Tax Credit Committee for exceptions to/waivers of the total development cost limits as development costs rise over time and unexpected costs are incurred. The 2019-2020 QAP specifies (Section 16-D and Section 18-D) that the amount of LIHC allocated at Carryover Application or Final Application may be less than, but will not exceed, the amount specified in the

Reservation Notice. Since the calculation of the LIHC amount is largely based on construction costs, this prohibition is a disincentive to underestimate construction costs.

5. Provide additional clarity regarding cross-counting among set-asides.
   a. **Summary**: The comments received regarding this PPA were opposed to cross-counting among set-asides.
   b. **Response**: The general idea behind cross-counting, pursuant to prior direction, is to reduce the number of allocations made from the set-asides, thereby increasing the number of allocations from the general pool. All other things being equal, if the preference is to have more allocations made from the set-asides, cross-counting should be minimized, and vice versa.

Other Comments:

6. Appraisal Methodology
   a. **Summary**: A comment was received requesting that THDA more flexible with regard to using something other than the lesser of the "as-is restricted value" or consideration value in determining the value of land and existing buildings for purposes of calculating the noncompetitive LIHTC amount for a development also involving THDA Multifamily Tax-Exempt Bond Authority.
   b. **Response**: Staff would need to conduct research into valuation methods and other federal and state policies and programs prior to making a recommendation regarding this comment.
7. Minor Significant Adverse Event ("Minor SAE") duration
   a. **Summary**: A comment was received encouraging THDA to establish an "expiration date" for Minor SAEs. The 2019-2020 QAP is silent regarding this issue.
   b. **Response**: The Minor SAEs were not intended to negatively affect the likelihood of receiving future allocations indefinitely. In general, staff is comfortable with the negative affect of a Minor SAE being in place for a period that begins when the Minor SAE is verified by THDA expires at the end of the second year after the Minor SAE is verified. However, if the Tax Credit Committee directs staff to address this issue as an amendment to the 2019-2020 QAP, staff requests some degree of discretion regarding identifying Minor SAEs for which the penalty period would need to be shorter of longer than suggested above.

WODA COOPER COMPANIES

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Columbus, Ohio 43215

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July 8, 2019

Mr. Don Watt
Acting Director of Multifamily Programs
Tennessee Housing Development Agency
Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

RE: 2019-2020 QAP Preliminary Proposed Amendments Comments

Dear Mr. Watt,

On behalf of Woda Cooper Development, Inc., we are pleased to submit the following comments regarding the 2019-2020 QAP Preliminary Proposed Amendments. We hope these comments will assist the Tennessee Housing Development Agency (THDA) in furthering its mission.

1. *Restructure the New Construction Regional Pool Allocations to reflect that all eligible Initial Applications will be ranked in descending order, regardless of pool. THDA will then proceed down the ranking to fulfill the specified number of developments in each pool.*

   Making this change undermines the whole rationale behind having pools in the first place. We respectfully request THDA stick with its current pool format when allocating credits as it helps THDA reach all regions of the great State of Tennessee.

2. *Modify the Innovation Round to include a theme for 2020 and more specificity regarding what constitutes "innovation". Staff is currently considering a theme involving rural downtown adaptive reuse.*

   We believe having a theme for each Innovation Round that changes on an annual basis is valuable as it allows THDA to meet different policy objectives that otherwise may not be able to compete in the regular 9% round. Thus, we are in support of this idea.

5. *Provide additional clarity regarding cross-counting among set-asides.*

   We strongly believe that THDA should not allow for cross-counting among set-asides. Doing so would dilute the set-asides if they "double count". As such, the non-profit set-aside and CNI grant allocations should <u>not</u> count against Existing Multifamily Housing Allocations or New Construction Regional Pool Allocations.

*6. Update program dates in the 2019-2020 QAP for the 2020 program year.*

We seek greater clarity regarding what the specific deadlines for the proposed program dates for the 2020 program year are. We did find the June deadline to be beneficial this year and hope that THDA would keep the deadline in early to mid-June of 2020.

Please contact me at (614) 396-0057 if you have any questions. Again, we greatly value this opportunity to provide feedback as we find it important to creating good public policy to better serve all Tennesseans.

Respectfully Submitted,

Jonathan McKay

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July 9, 2019

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To Whom It May Concern:

On behalf of NH&RA's Tennessee Developers Council (TDC), I am writing to provide comments on THDA's Preliminary Proposed Amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan. We have organized our comments to reflect the line items addressed in THDA's July 3, 2019 Memo.

***1. Restructure the New Construction Regional Pool Allocations to reflect that all eligible Initial Applications will be ranked in descending order, regardless of pool. THDA will then proceed down the ranking to fulfill the specified number of developments in each pool.***

TDC has no comments at this time.

***2. Modify the Innovation Round to include a theme for 2020 and more specificity regarding what constitutes "innovation". Staff is currently considering a theme involving rural downtown adaptive reuse.***

TDC agrees that it is appropriate to provide more guidance as to how THDA interprets what constitutes "innovation" in the innovation round. This "guidance" will likely drive the types of applications and the innovations proposed; however, it is difficult to comment more specifically without additional information from THDA. Some areas THDA may consider include building / construction technology, healthy housing / coordination of housing with healthcare, building design, educational initiatives, resident services, targeted populations (e.g. veterans) and/or financial innovation.

With respect to adopting a theme – our members are reticent to the adoption of a single-narrowly focused theme, which we believe would be very limiting and will result in very few submissions. We prefer that if THDA were to adopt a theme that it consider a choice of three themes (equally weighted from a threshold perspective) to allow developers that compete in different geographies and/or construction types to compete on a level playing field in the innovation round.

***3. Specify that Innovation Round applications may exceed the applicable Total Development Cost Limits by up to 10.0%.***

TDC supports this proposed change. We further recommend that THDA revisit all TDC limits across the entire QAP – construction costs continue to rise since the last revision of the QAP and we believe it is appropriate and imperative to increase TDC limits to reflect current market conditions. We note THDA expressed it was its intent to revisit TDC limits from time to time when it initially adopted the QAP.

As we have observed in previous comments, rather than document the current TDC limits in a table in the QAP we would like to recommend that THDA simply reference HUD's mortgageable cost limits for the Section 221(d)(4) program calculated pursuant to the practices and limits cited in FHA MAP Guide 8.10.A.1.c. This has several advantages – it becomes an evergreen item in the QAP that does not need to be updated when HUD adjusts its limits (typically annually). This is especially important given THDA has a two-year QAP. HUD's limits, in conjunction with its cost adjustment factors, also delineate between numerous factors including geography, bedroom numbers, construction type (elevator vs. non-elevator buildings) and other relevant factors. It should be noted that HUD's mortgageable cost limits are applied only to mortgage proceeds (not development cost) and do not take into account equity (LIHTC or traditional). We believe that it is appropriate for THDA to set limits on the amount of cost that can be paid by LIHTC proceeds (and that HUD's mortgageable limits by construction type and geography are a reasonable standard) but these limits should not be the boundaries of a cap on *total* outlay of cost. Costs in excess of this limit that are paid for by other sources (such as debt, gap-funding, etc…) should be permissible.

***4. Clarify that the Total Development Cost Limits are a one-time snapshot test at Initial Application.***

TDC is concerned that the proposed amendment may have unintended and undesirable consequences. Since construction costs feature prominently in THDA's tiebreaker, we are concerned that if this is a "one-time snapshot" even the best-intentioned applicants may be incented to underestimate construction costs at application. This dynamic is exacerbated further given the current velocity of the market for building acquisitions and developable land as well as the steady increase in cost of construction. We believe it is important for THDA to adopt policies that incentivize applicants to submit applications with a strong likelihood of closing in the future without the need of further incentives from THDA (e.g. exchanges of credits / expansion of allocations / reduction in units). As an alternative, we recommend that THDA adopt stronger language in the QAP prohibiting 9% LIHTC applicants from requesting increases in a previous allocation if this request is a result of increases in underwritten construction costs from their initial applications. Should TDC costs increase, we do not object to applicants finding additional sources (such as soft loans, deferred developer fee, PILOTS, etc…) even if this exceeds the TDC limits, provided additional 9% LIHTCs are not the gap source.

We do not however recommend this proposed policy for the 4% Multifamily Bond Program. If a bond project has sufficient eligible basis to support additional LIHTC where construction costs have increased, we think it is entirely appropriate to waive credit and TDC limits given that the "as of right" nature of the 4% LIHTCs or to even eliminate these provisions with respect to 4% transactions entirely. We believe that the present per-deal limitations on PAB Volume Cap in the QAP already sufficiently constrain the upper limits of total development cost to amount that is reasonable and politically defensible.

***5. Provide additional clarity regarding cross-counting among set-asides. a. Non-Profit Set-Aside allocations count against Existing Multifamily Housing Allocations or New Construction Regional Pool Allocations, as applicable. b. CNI Grant Allocations count against Existing Multifamily Housing Allocations or New Construction Regional Pool Allocations, as applicable.***

TDC members prefer that the Non-Profit and CNI Grant Allocations not "cross count" against the Existing Multifamily Housing Allocations or New Construction Regional Pool Allocations. This will ensure a full 25% subscription to preservation transactions, which is a state priority in the QAP.

TDC would also like to seek clarification that an application submitted as part of the PHA set-aside will not count against the New Construction or Existing Housing allocations. We assume this will still be the case since it was not addressed in the proposed amendment.

***6. Update program dates in the 2019-2020 QAP for the 2020 program year.***

TDC has no comments at this time.

***7. Housekeeping changes including (without limitation) correction, clarification, rewording, reformatting, renumbering, relocating text within the document, and other non-substantive modifications.***

We observe the following definition inconsistency with respect to "Adaptive Reuse" which is defined as both "new construction" In Section 2: Definitions of the QAP on page 3/71:

> "The renovation and reuse of a pre-existing building that has not been used for residential purposes and creates additional affordable housing units. Adaptive Reuse/Conversion will be evaluated and reviewed as New Construction."

However, in Section 3: State Allocation Limits on page 10/71 it is defined as existing housing for the purposes of which set-aside it competes in.

> "Existing Multifamily Housing - No more than twenty-five percent (25%) of the annual Housing Credit Ceiling will be allocated to developments that include rehabilitation of existing multifamily housing or adaptive reuse/conversion of pre-existing building."

## Other Items for Consideration Not Addressed in the 7/3/2019 THDA Memo

### Appraisal Methodologies

Land is never included in eligible basis; however, THDA should take affirmative steps in its QAP to maximize eligible acquisition basis in four percent projects and thus maximize the amount of tax credit equity available to the project. To a certain extent, appraisals are both an art and a science and appraisers have some discretion within the confines of the Uniform Standards of the Professional Appraisal Practice (USPAP) to take into consideration many factors in assigning value to the land versus the building. Appraisals should always consider sales comparison, replacement value and income approaches in any valuation; however, they should have the discretion to weigh one methodology over another where appropriate. To the extent that a credible appraisal by a trained professional with experience and understanding of multifamily affordable rental housing concludes a value, state policy should generally affirm this valuation. State policy should not artificially limit the appraisal to a single approach or set fixed limits to acquisition basis, though consideration can and should be taken as part of the underwriting and financial viability analysis.

Where federal policies exist as to the appraisal methodology, state policy should defer and conform to the federal policy. For example, the U.S. Department of Agriculture has set the acquisition price for Rural Development Section 515 properties as the as-is value (restricted value or unrestricted, depending on if the original USDA Restrictive Use Provisions have expired) plus the transferred replacement reserve account balance. Likewise, HUD has developed its own valuation policy for projects financed under the Rental Assistance Demonstration Program that is designed to maximize four percent LIHTC equity.

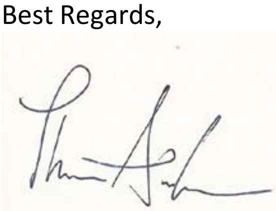
To this end, we do not think that the “As Is restricted value” which THDA currently utilizes on acquisition-rehab and RAD projects is a fair appraisal method when projects are trying to leverage the maximum basis for acquisition within a 4% transaction. These transactions often use a seller take back note that serves as a financing tool to make these projects financially feasible. Restricting appraisers to a limited scope valuation method that only considers the “as is restricted value” takes a valuable financing tool off the table.

**Minor SAEs**

We recommend adopting a process whereby minor SAE points “burn off” over time, perhaps with the adoption of a new two-year QAP or some other reasonable time period.

Once again, TDC appreciates the opportunity to provide THDA with this feedback. We are happy to discuss any specific questions you might have regarding these comments or other subjects of concern. Please feel free to contact me directly with any questions at 202-939-1753.

Best Regards,



Thom Amdur
President

cc: Ralph Perrey
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