

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
July 23, 2019

Pursuant to the call of the Chair, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Tuesday, July 23, 2019, at 1:00 p.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Board members were present: Mike Hedges (Chair); Secretary of State Tre Hargett; Treasurer David Lillard; Samantha Wilson for Commissioner of Finance & Administration Stuart McWhorter; Austin McMullen; Erin Merrick; Chrissi Rhea; John Snodderly; Lynn Tully; and Ann Butterworth for Comptroller Justin Wilson. Those absent were: Dorothy Cleaves; Daisy Fields; Regina Hubbard and John Krenson.

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

Daniel (Mike) Costa	Human Resources	5 years
Blake Worthington	Community Programs	5 years
Dallisa Kilcrease	Human Resources	5 years
Cecily (Danielle) Nathaniel	Information Technology	5 years
Lorrie Cannon	S8 Rental Assistance	10 years
Margaret Donald	Internal Audit	20 years
Christy Hollingsworth	S8 Rental Assistance	20 years
Belinda Williams	S8 Rental Assistance	25 years

Seeing a physical quorum present, Chair Hedges called the meeting to order and offered a time for public comment. No comments were offered.

Chair Hedges called for consideration of the May 21, 2019, Board minutes. Upon motion by Ms. Merrick, second by Mr. McMullen, the minutes were approved.

Chair Hedges recognized Mr. Perrey who presented the following Executive Director's Report:

- A report issued by the National Housing Conference on Health and Housing included Tennessee as one of three states featured in the report. Lorrie Shearon, Chief Strategy Officer, along with staff at the Department of Mental Health and Substance Abuse, worked on this report in conjunction with National Housing Conference on Health and Housing.
- A company THDA pays to try to hack and infiltrate THDA's computer system was unsuccessful due to the work of THDA's IT division and mandatory staff security training.
- Single Family Loan production remains very strong, at \$45 million for the month to date and about \$390 million year to date, which is approximately 11% ahead of production from last year.
- The Hardest Hit Fund Program is down to the last \$1.2 million for the special downpayment assistance program. Loans with this type of downpayment assistance account for less than 30% of total loan production.
- The Department of Energy is currently reviewing the Weatherization Assistance Program.
- Bringing mortgage loan servicing in-house has resulted in an approximate \$2 million gain for THDA. THDA's loan portfolio performance has improved with the overall delinquency rate currently at 7.85%.

- A Rebuild and Recover Program grant in the amount of \$500,000 was approved for Jefferson County due to flash flooding.
- THDA received its seventh consecutive high performer status in the Section 8 Management Assessment.
- Commissioner Marie Williams of the Department of Mental Health and Substance Abuse Services was recognized. She provided information about the Creating Homes Initiative partnership that, by 2002, used \$2.5 million of THDA funds to leverage other funds to create 20,000 housing opportunities for 20,000 Tennesseans struggling with mental health issues. She noted that with this proven model in partnership with THDA and \$3 million appropriated by the General Assembly, the hope was to create housing for people recovering from substance abuse, with a focus on opioid addiction.

Mr. Perrey noted that Governor Lee campaigned on doing more to combat the opioid epidemic in Tennessee and he indicated that staff is proposing to commit \$3 million of THDA's funds, on a one time basis, to leverage the \$3 million state investment. THDA funds would be used for housing so that the Department of Mental Health and Substance Abuse can apply their full \$3 million appropriated by the state to services for individuals in need. Lynn Miller, Chief Legal Counsel, referenced a memo dated July 9, 2019, from Don Watt, Director of Community Programs, and Lorrie Shearon, Chief Strategy Officer that provides an overview of the proposed program and indicates a more detailed program description will be prepared for Board consideration. Upon motion by Mr. Snodderly, second by Ms. Merrick, the Board approved use of \$3 million in THDA funds, on a one-time basis, to create housing in conjunction with the Department of Mental Health and Substance Abuse.

Chair Hedges recognized Ms. Miller to present authorization of Issue 2019-3 and the Issue 2019-3 Reimbursement Resolution. She noted that Issue 2019-2 closed on June 27, 2019, with commitments of over \$165 million against approximately \$190 million in proceeds and purchases of over \$110 million in mortgage loans as of that date. Ms. Miller referenced the following documents in the Board materials:

- a memorandum from CSG dated July 10, 2019, that recommended authorization of Issue 2019-3 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$150 million, with no economic refunding component, and for Raymond James & Associates, Inc. to serve as bookrunning senior manager and Wiley Brothers-Aintree Capital to serve as the rotating co-manager;
- the Plan of Financing for Issue 2019-3 in an aggregate principal amount not to exceed \$150 million as approved by the Bond Finance Committee ("Plan of Financing");
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2019-3 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2019-3 bonds as recommended by the Bond Finance Committee ("Authorizing Resolution");
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2019-3 in an amount not to exceed \$60 million as recommended by the Bond Finance Committee ("Reimbursement Resolution").

Upon motion by Treasurer Lillard, second by Ms. Wilson, the Authorizing Resolution and the Reimbursement Resolution were approved.

Chair Hedges recognized Ms. Miller to present the State Form CT-0253, Report on Debt Obligation (the "Report") for Issue 2019-2. Ms. Miller explained that the Report is statutorily required for every bond sale and must be submitted to the Board of Directors for review. Ms. Miller referenced her memo dated July 11, 2019, that compares fee and expense information received to date for Issue 2019-2 and the three

prior bond issues. She circulated a revised memo with additional fee information including \$190,000 payable to Standard & Poor's and \$1,077 payable to the General Services Print Shop. She noted that additional numbers will be added to the Report and a final version will be circulated around the same time it is submitted to the Office of State and Local Financing prior to the August 11, 2019 deadline. No action is required by the Board.

Chair Hedges recognized Secretary of State Hargett for the Audit & Budget Committee report. Secretary of State Hargett noted there were no action items, but that Gay Oliver, THDA Director of Internal Audit, presented a very thorough report on the Fiscal Year 2020 Audit Plan ("Audit Plan"). He also noted that Trent Ridley, THDA Chief Financial Officer, presented a Fiscal Year 2019 budget recap showing that, despite increases in staffing and advertising cost for servicing, there was an increase in revenue to THDA of approximately \$2 million.

Chair Hedges recognized Mr. McMullen for the Grants Committee report. Mr. McMullen referenced a memorandum from Don Watt, Director of Community Programs, dated July 3, 2019, and the attached proposed 2020 Fall Round Tennessee Housing Trust Fund ("THTF") Competitive Grants Program Description (the "THTF Program Description"). He noted that the Grants Committee recommended making approximately \$1,800,000 available for the construction and rehabilitation of affordable rental housing under the THTF Program description described in the referenced memo. He stated that the only change from the previous Program Description was that spend-down requirements have been updated for applicants that may have been awarded a previous THTF grant. Upon motion by Mr. Lillard, second by Ms. Tully, the 2020 Fall Round THTF Program Description was approved, with authorization for the Executive Director to make final award decisions.

Mr. McMullen next presented a request from Brownsville Housing Authority ("BHA") to extend their 2016 Spring Round THTF Competitive Grants contract. He referenced a memo from Don Watt dated July 3, 2019, and the attached request letter from BHA. Mr. McMullen explained that although BHA has not drawn down THTF funds, they provided satisfactory proof that construction is now well underway after issues with building design, design approval from local codes officials, and record-setting rainfall in the area. He further explained that the Grants Committee recommended approval of the extension request to October 31, 2019. Upon motion by Mr. Snodderly, second by Ms. Merrick, the extension of the Brownsville Housing Authority 2016 Spring Round THTF Competitive Grants contract to October 31, 2019, was approved. Ms. Miller noted that in context of this discussion, the Grants Committee indicated that all extension requests should be received by THDA in sufficient time for evaluation and consideration at the Board meeting prior to the expiration date of any grant contract.

Mr. McMullen referenced the 2019 Spring Round THTF Competitive Grants awards described in a memo from Don Watt dated July 3, 2019. No action was required by the Board.

Mr. McMullen next referenced a memo from Don Watt dated July 3, 2019, and the attached the 2019 National Housing Trust Fund ("NHTF") Program Description recommended by the Committee and described the funding to be made available. Upon motion by Ms. Tully, second by Ms. Butterworth, the 2019 NHTF Program Description was approved, with authorization for the Executive Director to make final award decisions.

Mr. McMullen referenced the 2018 NHTF awards described in a memo from Don Watt dated July 3, 2019. No action was required by the Board.

Mr. McMullen next referenced a memo from Don Watt dated July 3, 2019, and described amendments to the 2017, 2018, and 2019 HOME Program Descriptions recommended by the Grants Committee. Upon motion by Ms. Merrick, second by Mr. Lillard, amendments to the 2017, 2018, and 2019 HOME Program Descriptions were approved to permit staff to waive reconstruction requirements on a case by case basis and, if waived, to increase the compliance period from five years to fifteen years.

Mr. McMullen referenced the 2019 HOME awards described in a memo from Don Watt dated July 3, 2019. No Board action was required.

Mr. McMullen referenced the 2019 Emergency Solutions Grants (“ESG”) awards described in a memo from Don Watt dated July 3, 2019. No Board action was required.

Mr. McMullen next referenced a memo dated July 1, 2019, from Don Watt that proposes submission of the 2020 Low Income Home Energy Assistance Program (“LIHEAP”) Annual Plan to the U.S. Department of Health and Human Services (“HHS”) with certain changes as recommended by the Grants Committee. Upon motion by Mr. Lillard, second by Ms. Merrick, staff was authorized to submit an application to HHS for LIHEAP Program Year 2020 funds by the federal deadline of September 1, 2019, subject to review of any material changes by the Board Chair, the Committee Chair, and THDA’s Executive Director prior to submission.

Chair Hedges recognized Mr. Snodderly for the Rental Assistance Committee report. Mr. Snodderly noted there were no items for Board action, but the Committee received an update on the Housing Quality Standards revisions to the Section 8 Administrative Plan. He recognized staff for receiving high performer status on CMAP.

Chair Hedges recognized Ms. Tully for the Tax Credit Committee report. Ms. Tully reported there were no items for Board action. She also noted that Mr. Watt reviewed potential amendments to the 2019-2020 Low Income Housing Credit Qualified Allocation Plan (“QAP”), which were published for public comment. She explained that there will be numerous amendments to the QAP to be considered in September.

With no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 24th day of September, 2019.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

June 5, 2019

Kim Grant Brown, Chair
Tennessee Housing Development Agency
Andrew Jackson Building, 3rd Floor
502 Deaderick Street
Nashville, TN 37243

Dear Chair Brown:

Pursuant to Section 13-23-106(b) of the Tennessee Code Annotated, for the period of time July 22-25, 2019, Ms. Ann Butterworth from my staff is hereby appointed my designee on the Bond Finance Committee of the Board of the Tennessee Housing Development Agency in my absence to exercise any and all of the powers granted to the Comptroller as a member of that Committee. Additionally, during that time period, in my absence and the absence of Deputy Jason Mumpower, Ms. Butterworth is hereby appointed my alternate designee to the Grants Committee and to the Board to exercise any and all of the powers granted to the Comptroller as a member of that Committee and the Board. This appointment is effective for the period of July 22-25, 2019.

During the designated timeframe please include Ms. Butterworth on communications regarding the Board and its committees. The contact information for her is as follows:

Ms. Ann Butterworth
Office of the Comptroller
425 Fifth Avenue North
Nashville, TN 37243
(615) 401-7910
Ann.Butterworth@cot.tn.gov

Sincerely,

A handwritten signature in blue ink, appearing to read "Justin P. Wilson", is written over a faint blue line.

Justin P. Wilson
Comptroller of the Treasury

JPW:avb
C: Honorable Tre Hargett, Secretary of State
Katie Armstrong
Ann Butterworth



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

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.



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 *LMM*
Chief Legal Counsel
SUBJECT: Authorization of General Residential Finance Program Bonds, Issue 2019-3

DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

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

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

(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:

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. Compared to offerings with little retail participation, interest rate savings on bonds sold principally to retail investors often amount to 0.05%. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

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

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

Bond Structure – Though Issue 2019-3 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	
		<u>No PAC / No Overcollateralization</u>		<u>With PAC / No Overcollateralization</u>	
<u>Structuring Scenario</u>		7/9/2019		7/9/2019	
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	
<u>Issue Amounts</u>					
New Money	Non-AMT	150,000,000		150,000,000	
TOTAL		150,000,000		150,000,000	
<u>Bond Structure</u>		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%
<u>Yields</u>					
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**

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. Note that Hilliard Lyons is not shown because it was acquired by R.W. Baird effective April 1, 2019.

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

Member	Retail Orders	Final Allotments
Wiley Bros.-Aintree	\$ 15,210	\$ 13,945
Duncan-Williams	1,500	900
R W Baird	70	70
FTN Financial	0	0
TOTAL	\$ 16,780	\$ 14,915

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.

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 – a rarity for a non-bookrunning manager.

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.

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

Bond Issue	Amount of Par Bonds		Book-Running Senior Manager
	Issued (\$ millions)		
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 (\$ thousands)

	2018-4 (RJ lead, Hilliard co) 225,000		2019-1 (RBC lead, Wiley co) 175,000		2019-2 (Citi lead, Wiley co) 200,000		Combined 2018-4, 2019-1&2 600,000	
	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	N/A	N/A	5,250	4,775
Member	600	0	0	0	N/A	N/A	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

*Robert W. Baird & Co. acquired J.J.B. Hilliard, W.L. Lyons as a wholly owned subsidiary effective April 1, 2019.

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”).

The aggregate principal amount of the Bonds shall not exceed \$150,000,000. The actual aggregate principal amount shall be determined by the Bond Finance Committee of the THDA Board of Directors (the “Bond Finance Committee”) upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA’s Bond Counsel and may take into account the following limitations and other factors:

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

APPLICATION
OF PROCEEDS:

Proceeds of the Bonds will be applied to (i) finance Program Loans by the direct purchase thereof; and (ii) other uses as specified below in approximately the following amounts:

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

DATE, METHOD AND
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than 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
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

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**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

Serial Bonds

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

Term Bonds

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

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:

<u>Period</u>	<u>PAC Bond Redemption Price</u>
[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]

Date

PAC Bonds
Planned Amortization Amount

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

Date	Cumulative Amount	Date	Cumulative Amount
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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

EXHIBIT D
REFUNDED BONDS

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSEMENT OF THDA
FROM PROCEEDS OF ISSUE 2019-3
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 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

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.

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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.

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.

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.

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:

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

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

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 I*: 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 <i>neither</i> 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 <i>both</i> 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 <i>project-based</i> 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):

2 points

- (1) The project removes a major blight in the community
- (2) The project ties into a larger community or regional effort outside the specific project scope

→ 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:

2 points

- (1) The site will be acquired through the land bank authority established within the community
- (2) The site will be acquired and the nuisance abated through THDA's Blight Elimination Program
- (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

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

Recommendation

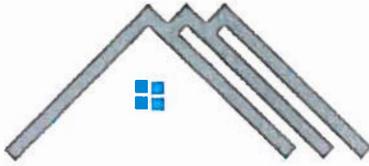
Staff recommends approval of the extension request for HTF-16S-01 with the Brownsville Housing Authority to October 31, 2019 as further described below.

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

June 5, 2019

CONTACT

Office: (731)-585-0143

Mobile: (731)-780-7052

Fax: (731)-772-5767

Email: blonon@brownsvilleha.org

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

Board of Commissioners

Bob Moses, Chairman

Clinton Thomas, Vice-Chairman

Sallie Jones

Danny Murley

Sylvia Jones

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

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, 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 National Housing Trust Fund Program Description

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

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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.

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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).

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 through 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.

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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.

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

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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

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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.

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 CFR 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.

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- 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

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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

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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.

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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.

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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

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 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 1, 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 to 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.