

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
September 24, 2019

Pursuant to the call of the Chair, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Tuesday, September, 2019, at 1:12 p.m. Eastern Time, in the Centennial Room of The Read House, Chattanooga, Tennessee.

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

Seeing a physical quorum present, Chair Hedges called the meeting to order and offered a time for public comment. Ms. Phyllis Vaughn of Vaughn Development Group addressed the Board of Directors regarding a Low-Income Housing Qualified Allocation Plan issue. Chattanooga City Mayor Andy Berke also addressed the Board. The Board also viewed a video, produced by the Communications Division, regarding THDA activities in the Chattanooga area.

Chair Hedges recognized Ralph M. Perrey, Executive Director, who presented the following report:

- Loan Production - THDA has topped \$500,000,000 for the year. A second consecutive \$600,000,000+ year is anticipated even with HHF down payment assistance ending.
- Program Overview – Mr. Perrey recognized the following single family Directors, all of whom report to Lindsey Hall, for program overviews:
 - Cynthia Peraza presented a summary of the Hardest Hit Fund programs;
 - Rhonda Ronnow presented information about working with lenders;
 - Steve Fisher provided an update on progress in conventional lending; and
 - Trebia Johns provided servicing information.
- Statutory Debt Limit – With increases in THDA loan production, THDA is approaching the statutory debt limit and requests have been made to the General Assembly by Jeremy Heidt, Darrell Robertson and the entire Industry & Government Affairs team to increase the statutory debt limit early in 2020.
- Volume Cap – THDA carries forward unused volume cap each year and can use that volume cap for single family bonds for up to three years. THDA has been issuing bonds using three year old volume cap, however, THDA will be using two year old volume cap for the last bond issues in 2019.

Mr. Perrey recognized Stephanie Bounds, Director of Communication to present the following THDA staff member for his years of service:

Wesley Bunch	Communications Division	5 years
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Chair Hedges called for consideration of the July 23, 2019, Board minutes. Upon motion by Ms. Cleaves, second by Ms. Tully, the minutes were approved.

Chair Hedges recognized Lynn Miller, THDA Chief Legal Counsel, to present the authorization of Issue 2019-4 and the Issue 2019-4 Reimbursement Resolution. She noted that Issue 2019-3 will close on September 30, 2019, in the amount of \$150 million with mortgage loan commitments of approximately \$117 million. Ms. Miller noted staff is requesting authorization for another bond issue and this comes to

the Board with the recommendation of the Bond Finance Committee. Ms. Miller referenced the following documents in the Board materials:

- a memorandum regarding Issue 2019-4 from Ms. Miller, dated September 13, 2019, that described the documents to be considered, explained how the authorization for Issue 2019-4 complied with THDA's Debt Management Policy, and included recommendations regarding bookrunning senior manager and rotating co-manager based on information provided by CSG Advisors Incorporated ("CSG"), financial advisor for THDA;
- a memorandum from CSG dated September 11, 2019, that recommended authorization of Issue 2019-4 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$200 million, with an economic refunding component, and for RBC Capital Markets, LLC to serve as bookrunning senior manager and Wiley Brothers-Aintree Capital to serve as the rotating co-manager;
- the Plan of Financing for Issue 2019-4 in an aggregate principal amount not to exceed \$200 million that was approved by the Bond Finance Committee ("Plan of Financing");
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2019-4 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2019-4 bonds ("Authorizing Resolution");
- the form of Series Resolution for Issue 2019-4; and
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2019-4 in an amount not to exceed \$75 million ("Reimbursement Resolution").

She noted the recommended action of the Board is to approve the Authorizing Resolution and the Reimbursement Resolution. Upon motion by Ms. Cleaves, second by Mr. Snodderly, the Authorizing Resolution and the Reimbursement Resolution were approved.

Chair Hedges indicated that the Audit & Budget Committee and the Bond Finance Committee had overlapping agenda items and recognized Secretary of State Hargett who referenced the Investment Report contained in a memo from Trent Ridley dated September 13, 2019 and noted no Board action was needed.

Secretary of State Hargett then referenced a memo from Trent Ridley and Joe Brown dated September 13, 2019, regarding the proposed THDA budget for fiscal year 2020-2021. He noted that both the Audit & Budget Committee and the Bond Finance Committee recommend approval of the proposed THDA budget for fiscal year 2020-2021, with authorization to staff to make changes as directed during the state review process. Upon motion by Secretary of State Hargett, second by Ms. Rhea, the proposed THDA budget for fiscal year 2020-2021 was approved and staff was authorized to make necessary changes during the state review process. Ms. Daniels recused herself from the discussion and vote.

Secretary of State Hargett next referenced a memo dated September 13, 2019, that described the Executive Director performance evaluation process. He explained the process and requested that Board members complete an evaluation. He noted that a similar process for the Director of Internal Audit would be handled by the Audit & Budget Committee. No Board action is required for these items.

Chair Hedges recognized Ms. Tully, who chaired the committee meeting in the absence of Austin McMullen, for the Grants Committee report. Ms. Tully first referenced a 2016 HOME grant extension request for Fentress County as described in a memo from Don Watt, Director of Community Programs, dated September 12, 2019. She noted that the Grants Committee recommended approval. Upon motion by Ms. Tully, second by Ms. Cleaves, the extension request to March 31, 2020, was approved.

Ms. Tully next referenced a memo dated September 12, 2019, from Mr. Watt requesting a delegation of authority to the Executive Director to approve routine grant extension requests as described in the memo. She noted that the Grants Committee recommended delegating authority to the Executive Director to extend grant contracts up to six months, for first time requests, in the event of routine

construction and project implementation delays. She noted that staff would provide information about extensions at the meetings following the grant of an extension and that staff would continue to provide annual information about extensions granted and progress on each grant so extended. Upon a motion by Ms. Tully, second by Ms. Hubbard, the Executive Director was delegated authority to approve grants extensions as described above.

Ms. Tully next referenced a memo from Mr. Watt dated September 12, 2019, that described the 2020 Challenge Grant funding recommendations. She noted that the Grants Committee recommendation is to award \$500,000 to Knoxville Habitat for Humanity subject to prohibiting use of any funds from THDA's set-aside allocation to Habitat for Humanity of Tennessee towards project expenses, as described in the referenced memo. Upon motion by Ms. Tully, second by Mr. Snodderly, the award to Knoxville Habitat for Humanity, as described above, was approved.

Ms. Tully next referenced the Creating Homes Initiative-2 (CHI-2) Program Description contained in a memo from Mr. Watt dated September 12, 2019. Ms. Tully noted that the Board previously authorized \$3,000,000 in THDA funds to be used in collaboration with the Tennessee Department of Mental Health and Substance Abuse Services to expand housing options for individuals recovering from opioid use disorder. Mr. Watt reviewed the CHI-2 Program Description and noted that the Grants Committee recommendation includes approval of the CHI-2 Program Description and authorization of the Executive Director or his designee to award funds subject to all requirements and provisions in the CHI-2 Program Description. Upon motion by Ms. Tully, second by Ms. Cleaves, the CHI-2 Program Description was approved with the authorization described above.

Chair Hedges recognized Ms. Tully for the Tax Credit Committee report. Ms. Tully called on Don Watt, Acting Director of Multifamily Programs, and Ed Yandell, Senior Housing Credit Advisor, who referenced Mr. Watt's memo dated September 13, 2019, and who presented the following amendments to the 2019 – 2020 Low-Income Housing Tax Credit Qualified Allocation Plan, as recommended by the Tax Credit Committee:

1. Section 2, "Adaptive Reuse/Conversion"

Definition has been modified to include hotels or motels.

2. Section 2, "Existing Multifamily Housing"

Definition has been modified to reflect that Initial Applications proposing developments that combine Existing Multifamily Housing and new construction will be evaluated and reviewed as Existing Multifamily Housing.

3. Section 2, "Person with Disabilities"

Definition has been added.

4. Section 2, "Special Housing Needs"

Definition has been added.

5. Section 3-G, Total Development Cost Limits

Language allowing Innovation Initial Applications to exceed the current limits by up to 10 percent has been added.

6. Section 5-C, Fee Schedule

Language regarding the Owner's Annual Certification Extension Fee and the Owner's Annual Certification Late Fee has been added.

7. Section 6-D, Minor SAEs

Language regarding expiration of Minor SAEs has been added.

8. Section 9, Innovation Round

Language regarding the Innovation Round theme has been added.

9. Section 15-E, Application of Various Limits and Final Ranking Process

Language regarding cross-counting among set-asides has been added.

10. Section 16-E, THOMAS Carryover Allocation Application Submission Requirements

Language regarding submission of a recorded warranty deed or a fully executed 50-year ground lease has been clarified.

11. Section 22-A-3-f and Section 22-A-3-g, Relief for 2017 and 2018 Allocations

Amendments as follows:

- f) The Placed-In-Service deadline for Housing Credit Exchange Allocations will be:
 - (i) **December 31, 2021** for developments that originally received an allocation under the 2018 QAP; or
 - (ii) **December 31, 2021** for developments that originally received an allocation under the 2017 QAP.
 - (iii) Failure to meet or requesting an extension to the applicable deadline **will be** a Major Significant Adverse Event under Section 6-A of this QAP.
- g) The Syndication transaction closing deadline for Housing Credit Exchange Allocations will be:
 - (i) **July 1, 2019** for developments previously allowed to exchange Housing Credit **and** participating in the THDA Community Investment Tax Credit program **and** involving a non-profit organization that is organized under the laws of Tennessee, is based in Tennessee, and meets the requirements of Section 7 of this QAP; or
 - (ii) Failure to meet this deadline **will be** a Major Significant Adverse Event under Section 6-A of this QAP.

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

Ms. Tully next referenced a memo dated September 13, 2019, from Mr. Watt describing the total development cost limit waiver requested for TN19-232 Hillside Flats. She indicated that the Tax Credit Committee recommended approval of the waiver based on the information contained in the referenced memo. Upon a motion by Ms. Tully, second by Ms. Rhea, the waiver was granted. Mr. Neal recused himself from the discussion and vote.

With no further business, the meeting was adjourned.

Respectfully submitted,



Ralph M. Perrey
Executive Director

Approved this 19th day of November, 2019.

STATE OF TENNESSEE



DAVID H. LILLARD, JR.
STATE TREASURER

TREASURY DEPARTMENT
STATE CAPITOL
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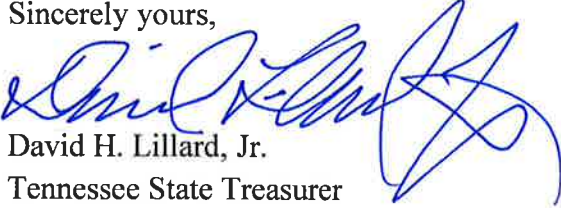
September 23, 2019

Mr. Mike Hedges, Chairman
Tennessee Housing Development Agency (THDA) Board of Directors
Andrew Jackson Building, 3rd Floor
502 Deaderick Street
Nashville, Tennessee 37243

Dear Chairman Hedges,

I hereby designate Ashley Fuqua, Manager of Legislative and Agency Affairs, as my representative for the Tennessee Housing Development Agency (THDA) Board of Directors and committee meetings scheduled on September 24, 2019. In my absence, Ms. Fuqua is to have full authority to vote and participate on my behalf. Thank you.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "David H. Lillard, Jr.", is written over the typed name and title.

David H. Lillard, Jr.
Tennessee State Treasurer

cc: The Honorable Tre Hargett, Secretary of State



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: September 13, 2019
TO: THDA Bond Finance Committee and Board
FROM: Lynn Miller *LEM*
Chief Legal Counsel
SUBJECT: Authorization of General Residential Finance Program Bonds, Issue 2019-4

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 2019-4:

1. Memo from CSG Advisors Incorporated ("CSG") recommending authorization in the maximum principal amount of \$200,000,000 for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013, including authorization of a new money component and a refinancing component (potentially refunding of Issue 2010-1 currently outstanding under the THDA 1985 General Resolution and Issue 2010-B currently outstanding under the THDA 2009 General Resolution). Staff expects this bond issue to be priced in early November 2019, with closing in mid-December 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 2019-4 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 2019-4, that includes the form of Series Resolution for Issue 2019-4 and that 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 2019-4 in an amount not to exceed \$75,000,000. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2019-4 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2019-4 complies with the Debt Management Policy as follows:

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

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

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

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

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

Parts XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2019-4 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

BOOKRUNNING SENIOR MANAGER

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

The CSG memo referenced in #1 above includes an analysis of and recommendation for senior bookrunning manager. Based on the CSG recommendation, THDA staff recommends that RBC Capital Markets, LLC, ("RBC"), be appointed as the bookrunning senior manager for Issue 2019-4.

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 2019-4 based on their performance, as described by CSG, on Issue 2019-3.

SELLING GROUP

Duncan-Williams, Inc.
FTN Financial
Robert W. Baird

LEM/ap

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 2019-4

DATE: September 11, 2019

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a \$200 million Issue 2019-4 under the Residential Housing Finance Program Bond General Resolution, including approximately \$145 million of new money bonds to fund THDA's mortgage loan pipeline and \$55 million of bonds to refund Issue 2010-B and potentially Issue 2010-1. The exact issue size will be evaluated closer to the bond sale, based on THDA's pipeline and interest rates at the time.
- Staff projects making mortgage loan commitments against Issue 2019-4 beginning in October, with the plan to use available internal funds to warehouse loans before closing Issue 2019-4.
- Issue 2019-4 is expected to be sold in November for a closing in mid-December, providing funding for production into February 2020.
- Issue 2019-4 is expected to include bonds to refund THDA's outstanding Issue 2010-B bonds as well as 2010-1 if advantageous. Such refundings modestly lower the overall bond yield, maintaining current mortgage loan rates to THDA's borrowers, increasing the spread earned by THDA, and potentially reducing the amount of zeros needed from THDA's stockpile of zeros. Alternative structures will be analyzed and presented closer to pricing.
- For Issue 2019-4, CSG recommends RBC Capital Markets as book-running senior manager and Wiley Brothers - Aintree as the selling group manager to be elevated to co-manager (see **Appendix A** for our Underwriter Recommendation Memo).

Current Market Conditions

On September 4, 2019, the date of THDA's Issue 2019-3 bond sale, the 10-year US Treasury bond closed at 1.47% and the 30-year treasury yielded 1.97%. Since that date, treasury rates have increased sharply by up to 0.26%, such that at the close of business on Tuesday, September 10th, the 10- and 30-year treasuries stood at 1.73% and 2.21%, respectively. High-quality tax-exempt Municipal Market Data Index ("MMD") yields as of the close of business on Tuesday saw 10- and 30-year yields at 1.36% and 1.97%, 0.15% and 0.13% higher, respectively, than when Issue 2019-3 priced last week.

Heightened worries about the economic impact of widening tariff disputes – especially between the US and China – have prompted the latest flight to the safety of US Treasuries. The Federal Reserve's change in posture to more of a neutral stance on monetary policy – reflected in expected interest rate cuts at their upcoming September FOMC meeting and a slower pace in unwinding its vast bond holdings – has depressed interest rates across the yield curve throughout 2019. As for municipal bonds, modest supply and significant demand from retail and institutional investors has helped attract a record \$64 billion in net positive inflows of investments to mutual funds through September 4, 2019.

Background

On September 4, 2019, THDA priced its Residential Finance Program Bonds, Issue 2019-3 in the amount of \$150 million to be used to purchase new mortgage loans. As of Monday, September 9th, Issue 2019-3 had already committed \$92 million of such loan proceeds, and purchased \$50 million of loans prior to closing Issue 2019-3 in late September.

When the Issue 2019-3 proceeds are exhausted (expected by early October), THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2019-4. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2019-4 in mid-December, when additional bond funds likely will be needed.

THDA's outstanding Housing Finance Program Bonds, Issue 2010-B will become optionally redeemable at par on January 1, 2020 (with an expected outstanding amount of no more than \$32.21 million). In addition, Homeownership Program Issue 2010-1 Bonds totaling \$23.0 million are outstanding and optionally redeemable at par on January 1, 2020. Both issues of bonds may be refunded by Issue 2019-4 anytime up to 90 days prior to January 1, 2020 under a common plan of finance with the "new money" portion of the Issue 2019-4 transaction. As shown under the 'Refunding No PAC' Scenarios of the 2010-1 and 2010-B Exhibit As, refundings of the Issue 2010-B and 2010-1 bonds would result in estimated net present value savings after costs of issuance and negative reinvestment spreads as follows:

THDA's Economic Savings as a Result of Refunding:

Estimate Net Present Value Savings (\$ in millions):

<u>Loan Prepayment Speed</u>	<u>2010-1</u>	<u>2010-B</u>	<u>TOTAL</u>
100% FHA*	\$0.86 (3.8%)	\$0.77 (2.4%)	\$1.83 (2.9%)
200% PSA	0.63 (2.8%)	0.54 (1.7%)	1.17 (2.2%)
300% PSA	0.49 (2.2%)	0.37 (1.2%)	0.86 (1.6%)

- Percentages in parentheses are of refunding bonds issued.
- Issue 2010-B and 2010-1 were frontloaded maturity structures with over-collateralization therefore no PAC refunding scenario was analyzed because No PAC and PAC refunding comparisons were substantially similar.
- The Issue 2010-1 loans experienced a wtd avg prepayment speed over the **last 12 months of 72% PSA.**
- The Issue 2010-B loans experienced a wtd avg prepayment speed over the **last 12 months of 215% PSA.**
- As prepayment speeds increase, the economic savings to THDA decreases, since faster prepayments reduce the period of time during which THDA earns the interest spread between the mortgage rate on the loans and the average interest rate on the bonds.

* 100% FHA is listed as it is most commonly the prepayment measure used in determining tax yield spread for tax-exempt bond-financed mortgage loans. 100% FHA is approximately equivalent to 115% PSA prepayments.

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

- 1) Although the estimated economic savings of refunding reflects marginal improvements as shown above, this is in part due to the short duration of the remaining bonds outstanding, as well as significant overcollateralization (\$39 million and \$9 million, respectively) built up within Issue 2010-1 and 2010-B. With such a large amount of overcollateralization, the bonds payoff quite quickly if no action is taken, reducing the perceived economic savings of a refunding. Nevertheless, the overcollateralization coupled with the reduction in bond coupons as a result of a refunding allows THDA flexibility to maintain current mortgage loan interest rates or adjust mortgage loan interest rates lower than would otherwise be possible without contributions of additional zeros, accepting a lower spread, or some other form of subsidy;
- 2) The shorter average life of the transferred mortgage loan portfolio accelerates the repayment of the bonds and lowers bond interest costs on the new issue;
- 3) The refunding bonds remove the state moral obligation from the Issue 2010-1 prior bonds.

Proposed Sizing and Structure for Issue 2019-4

Authorizing a bond issue of not to exceed \$200 million would allow THDA to refund up to \$55 million of Issue 2010-B and 2010-1 bonds that are optionally redeemable, as well as to continue purchasing mortgage loans through the early months of 2020 with a determined cost of funds throughout that time. The ultimate size of the issue will depend on mortgage loan demand until pricing, interest rates, and also an assessment of the effect of a large issue on negative reinvestment costs. (The cost of investing bond proceeds at lower interest rates than the bond rate before such proceeds can be used to purchase mortgage loans.) This year's rise in short-term interest rates reinvestment costs have become much less expensive.

Based on current market conditions and investor appetite, structuring Issue 2019-4 to include planned amortization class bonds ("PACs") to be sold at a premium will significantly lower the issue's bond yield. PACs are often priced at a premium and most commonly designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with similar maturities.

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

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

- Scenario 1 shows a level-debt issue with no PAC bonds or refunding component. The spread for tax purposes is 0.686%. \$25.7 million in zeros would be consumed to increase the issue to the 1.125% spread limitation. This is not a viable structure given the amount of zeroes needed.
- Scenario 2 includes non-AMT PAC bonds. The lower yield on the PAC reduces the overall bond yield by 0.21% and would result in a spread for tax purposes of 0.901%. \$12.8 million in zeros would be needed to bring the issue within the 1.125% spread limitation.
- Scenario 3 includes an estimated \$54.39 million of proceeds to refund Issue 2010-1 and 2010-B, in addition to new proceeds of \$145.61 million. As with Scenario 2, the structure incorporates non-AMT PAC bonds, as well as non-AMT and sAMT refunding bonds. Since the refunding allows for additional bonds structured earlier in the maturity schedule with higher yielding transferred loan collateral, as well as overcollateralization, the tax law yield spread rises to 1.265%, and the issue is projected to create \$9.4 million in zeros in order to achieve the full 1.125% spread.

It should be noted that THDA has accumulated approximately \$115 million in zeros that can be used to subsidize new bond issues such as Issue 2019-4. Each of the scenarios summarized above and listed in Exhibit B assume that THDA continues lending at interest rates of 3.50% and 3.00% for its Great Choice and Brave Choice loan programs, respectively. If THDA decided to modestly decrease its mortgages rates, less zeros would be expected to be created.

As the financing is developed, production needs are refined, and the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds to evaluate if further refinement of the structure could offer an improvement in the pricing of Issue 2019-4.

Issuing the 2019-4 bonds under the 2013 General Resolution will avoid a state moral obligation pledge on such bonds.

Method of Sale

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

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

bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. Compared to offerings with little retail participation, interest rate savings on bonds sold principally to retail investors often amount to 0.05%. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

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

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

Bond Structure – Though Issue 2019-4 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, include additional maturities or features, or use bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in THDA's offerings in the last year in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

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

Recommendations

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

- Authorize the issuance and sale of Residential Finance Program Bonds, Issue 2019-4 with a par amount not to exceed \$200 million;
- Delegate to the Bond Finance Committee the authority to:
 - Set the principal amount of Issue 2019-4, with the aggregate size of Issue 2019-4 not to exceed \$200 million;
 - Establish the structure, sub-series, terms, and pricing schedule of Issue 2019-4;
 - Approve long and shorter maturity bonds in any combination of fixed rate bonds not to exceed a maturity of 32 years; and
 - Refund any combination of bonds that are optionally callable on January 1, 2020, based upon projected economic benefits under market conditions at the time of sale.
- Based on current market conditions and for the reasons described above, authorize Issue 2019-4 via a negotiated sale.
- Underwriter recommendation (see **Appendix A** for our complete Underwriter Recommendation memo):
 - In view of the continuing value RBC Capital Markets has provided as a member of the syndicate, we recommend that RBC serve as book-running senior manager for Issue 2019-4.

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

Exhibit A (Issue 2010-1)

Economic Refunding Analysis - With All Benefit Reflected in PV Savings Interest Rates as of September 10, 2019

Issue 2010-1		
	2010-1 "As Is"	Refunding No PAC
General Information		
Optional Redemption Date	1/1/2020	1/1/2020
Potential Bond Defeasance Date	12/11/2019	12/11/2019
Amount of Refunded Bonds Outstanding on November 1, 2019:		
AMT:	11,730,000	11,730,000
Non-AMT:	10,610,000	10,610,000
Total:	22,340,000	22,340,000
Weighted Average Coupon of Refunded Bonds	4.080%	4.080%
Weighted Average Coupon of Refunding Bonds	n/a	1.630%
Reduction in Bond Coupon	n/a	2.450%
Tax Law Yields of Bonds to be Refunded at Issuance		
Mortgage Yield	4.690%	4.690%
Bond Yield	3.569%	3.569%
Yield Spread	1.121%	1.121%
Tax Law Yields on 12/11/19		
Mortgage Yield	4.690%	4.690%
Yield of Bonds to be Refunded	3.569%	3.569%
Projected Spread: As Is	1.121%	1.121%
Refunding Bond Yield	n/a	1.582%
Projected Spread: If Refunded	N/A	3.108%
Benefit of Refunding (total)		
Gross Present Value Savings @ 100% FHA	-	1,132,229
Less: Optional Redemption Premium	-	-
Less: Negative Arbitrage	-	(50,637)
Less: Costs of Issuance	-	(223,400)
Net Present Value Savings @ 100% FHA	-	858,192
Net Present Value Savings as a Percent of Bonds	n/a	3.8%
Net Present Value Savings @ 200% PSA	-	632,081
Net Present Value Savings as a Percent of Bonds	0.0%	2.8%
Net Present Value Savings @ 300% PSA	-	486,055
Net Present Value Savings as a Percent of Bonds	0.0%	2.2%

Exhibit A (Issue 2010-B)

Economic Refunding Analysis - With All Benefit Reflected in PV Savings Interest Rates as of September 10, 2019

	Issue 2010-B	
	2010-B "As Is"	Refunding No PAC
General Information		
Optional Redemption Date	1/1/2020	1/1/2020
Potential Bond Defeasance Date	12/11/2019	12/11/2019
Amount of Refunded Bonds Outstanding on November 1, 2019:		
AMT:	-	-
Non-AMT:	32,050,000	32,050,000
Total:	32,050,000	32,050,000
Weighted Average Coupon of Refunded Bonds	3.074%	3.074%
Weighted Average Coupon of Refunding Bonds	n/a	2.372%
Reduction in Bond Coupon	n/a	0.702%
Tax Law Yields of Bonds to be Refunded at Issuance		
Mortgage Yield	4.282%	4.282%
Bond Yield	3.161%	3.161%
Yield Spread	1.121%	1.121%
Tax Law Yields on 7/11/19		
Mortgage Yield	4.282%	4.282%
Yield of Bonds to be Refunded	3.161%	3.161%
Projected Spread: As Is	1.121%	1.121%
Refunding Bond Yield	n/a	2.567%
Projected Spread: If Refunded	N/A	1.715%
Benefit of Refunding (total)		
Gross Present Value Savings @ 100% FHA	-	1,141,825
Less: Optional Redemption Premium	-	-
Less: Negative Arbitrage	-	(54,732)
Less: Costs of Issuance	-	(320,500)
Net Present Value Savings @ 100% FHA	-	766,594
Net Present Value Savings as a Percent of Bonds	n/a	2.4%
Net Present Value Savings @ 200% PSA	-	544,924
Net Present Value Savings as a Percent of Bonds	0.0%	1.7%
Net Present Value Savings @ 300% PSA	-	371,793
Net Present Value Savings as a Percent of Bonds	0.0%	1.2%

Exhibit B

Preliminary Structuring Analysis Interest Rates as of September 10, 2019

Structuring Scenario			Scenario 1 All New Money / No PAC	Scenario 2 All New Money / With PAC	Scenario 3 New Money / Refunding / PAC
Including PAC Bonds			No	Yes	Yes
Including Refunding of 2010-1 \$22,340,000			No	No	Yes
Including Refunding of 2010-B \$32,050,000			No	No	Yes
Issue Amounts					
New Money	Non-AMT		200,000,000	200,000,000	145,610,000
Refunding of 2010-1	Non-AMT		-	-	10,610,000
Refunding of 2010-1	AMT				11,730,000
Refunding of 2010-B	Non-AMT				32,050,000
TOTAL			200,000,000	200,000,000	200,000,000
Bond Structure					
		Coupon / Yield			
Serials 2020-2032	Non-AMT	1.20 - 2.40 %	64,455,000	37,200,000	64,070,000
Term 2034	Non-AMT	2.500 %	12,480,000	7,280,000	4,805,000
Term 2039	Non-AMT	2.700 %	34,655,000	20,200,000	13,630,000
Term 2044	Non-AMT	2.900 %	40,545,000	23,565,000	14,335,000
Term 2049	Non-AMT	3.050 %	47,865,000	28,755,000	16,560,000
Term 2050 PAC	Non-AMT	3.75 / 1.79 %	-	83,000,000	86,600,000
			200,000,000	200,000,000	200,000,000
Yields					
Mortgage Yield (1)			3.370 %	3.370 %	3.497 %
Bond Yield			2.685 %	2.469 %	2.232 %
Yield Spread (assuming no zeros)			0.686	0.901	1.265
Zero Percent Loans (Needed) / Created			(25,700,000)	(12,800,000)	9,400,000
Yield Spread After Zero Participations			1.125 %	1.125 %	1.125 %

(1) Based on projected Transferred Loans, Great Choice Loans @ 3.50% & Brave Choice Loans @ 3.00% with 5.00% 2nd lien downpayment / closing cost assistance loans.

Exhibit B - Supplement

Preliminary Structuring Analysis

Interest Rates as of September 10, 2019

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

<u>Structuring Scenario</u>	<u>Scenario 1</u> <i>All New Money / No PAC</i>	<u>Scenario 2</u> <i>All New Money / With PAC</i>	<u>Scenario 3</u> <i>New Money / Refunding / PAC</i>
Including PAC Bonds	No	Yes	Yes
Including Refunding of 2010-1 \$22,340,000	No	No	Yes
Including Refunding of 2010-B \$32,050,000	No	No	Yes
Bond Yields	2.685 %	2.469 %	2.232 %
<u>Mortgage Rates and Zero Percent Loans Needed</u>			
A Mortgage Rate on New Money Mortgages	3.500 %	3.500 %	3.500 %
Mortgage Yield (1)(2)	3.370 %	3.370 %	3.497 %
Yield Spread	0.686	0.901	1.265
Zero Percent Loans (Needed) / Created for Full Spread	(25,700,000)	(12,800,000)	9,400,000
B Mortgage Rate on New Money Mortgages to Reduce Zeros by 50%	3.720 %	3.610 %	3.370 %
Mortgage Yield reflecting (Needed) / Created Zeros	3.810 %	3.594 %	3.357 %
Yield Spread	1.125	1.125	1.125
Zero Percent Loans (Needed) / Created for Full Spread	(12,850,000)	(6,400,000)	4,700,000
C Mortgage Rate on New Money Mortgages to Reduce Zeros by 100%	3.950 %	3.730 %	3.280 %
Mortgage Yield reflecting (Needed) / Created Zeros	3.810 %	3.594 %	3.357 %
Yield Spread	1.125	1.125	1.125
Zero Percent Loans (Needed) / Created for Full Spread	-	-	-

(1) Based on projected Transferred Loans, Great Choice Loans @ 3.50% & Brave Choice Loans @ 3.00% with 5.00% 2nd lien downpayment / closing cost assistance loans.

(2) Scenario 3 Mortgage Yield includes the projected transferred loans from 2010-1 & 2010-B

APPENDIX A:
ISSUE 2019-4 UNDERWRITER RECOMMENDATION MEMO

MEMORANDUM

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

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

SUBJECT: Underwriter Recommendation
Residential Finance Program Bonds, Issue 2019-4

DATE: September 11, 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 2019-3, for which Wiley Bros. – Aintree Capital acted as the third co-manager based on its performance on Issue 2019-2. 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 2019-3
(thousands)

Member	Retail Orders	Final Allotments
Wiley Bros.-Aintree	\$ 1,200	\$ 1,150
Duncan-Williams	300	300
R W Baird	285	235
FTN Financial	0	0
TOTAL	\$ 1,785	\$ 1,685

Based on final allotments, Wiley Bros. - Aintree Capital qualified as the selling group member to be elevated to co-manager for THDA's Issue 2019-4.

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.

RBC Capital Markets continues to perform very well when selected as the book-running senior manager, evidenced by aggressive pricing of Issue 2019-1, the last issue RBC senior-managed for THDA. When senior managing prior issues, the firm has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. CSG has worked with RBC on numerous issuances for other HFAs in the months since Issue 2019-1 and RBC continues to successfully manage and achieve good pricing results for other clients, and their marketing efforts to investors often brings new buyers into the housing bond market.

Given their continued performance, we recommend that RBC Capital Markets serve as book-running senior manager for Issue 2019-4.

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

Bond Issue	Amount of Par Bonds Issued (\$ millions)	Book-Running Senior Manager
Issue 2018-1	\$ 99.9	Raymond James
Issue 2018-2	160.0	RBC Capital Markets
Issue 2018-3	149.9	Citigroup Global Markets
Issue 2018-4	225.0	Raymond James
Issue 2019-1	175.0	RBC Capital Markets
Issue 2019-2	200.0	Citigroup Global Markets
Issue 2019-3	150.0	Raymond James

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 -- 2019-1, 2019-2, and 2019-3 (\$ thousands)

	2019-1 (RBC lead, Wiley co) 175,000		2019-2 (Citi lead, Wiley co) 200,000		2019-3 (RJ lead, Wiley co) 150,000		Combined 2019-1, 2, and 3 525,000	
	Orders	Allotments	Orders	Allotments	Orders	Allotments	Orders	Allotments
Citigroup								
Tennessee Retail	70	70	29,955	24,025	215	215	30,240	24,310
National Retail	1,220	895	77,610	26,410	1,150	760	79,980	28,065
Net Designated	0	0	220,545	123,230	0	0	220,545	123,230
Member	25,020	150	0	0	24,930	0	49,950	150
Total	26,310	1,115	328,110	173,665	26,295	975	380,715	175,755
Raymond James								
Tennessee Retail	6,025	5,875	7,325	5,575	17,195	15,490	30,545	26,940
National Retail	2,375	1,975	2,530	605	12,300	5,230	17,205	7,810
Net Designated	0	0	11,000	3,445	329,030	118,435	340,030	121,880
Member	22,140	850	31,000	0	0	0	53,140	850
Total	30,540	8,700	51,855	9,625	358,525	139,155	440,920	157,480
RBC Capital Markets								
Tennessee Retail	23,625	22,855	1,200	1,200	0	0	24,825	24,055
National Retail	39,465	10,720	350	100	380	175	40,195	10,995
Net Designated	288,590	104,540	0	0	0	0	288,590	104,540
Member	0	0	34,000	0	25,000	0	59,000	0
Total	351,680	138,115	35,550	1,300	25,380	175	412,610	139,590
J.P. Morgan								
Tennessee Retail	480	480	220	220	215	215	915	915
National Retail	1,020	920	245	235	2,250	1,185	3,515	2,340
Net Designated	1,000	1,000	0	0	0	0	1,000	1,000
Member	11,000	0	300	0	0	0	11,300	0
Total	13,500	2,400	765	455	2,465	1,400	16,730	4,255
Wells Fargo								
Tennessee Retail	400	400	40	40	0	0	440	440
National Retail	890	785	375	0	5,905	1,195	7,170	1,980
Member	51,345	0	40,000	0	40,000	0	131,345	0
Total	52,635	1,185	40,415	40	45,905	1,195	138,955	2,420
Duncan-Williams								
Tennessee Retail	0	0	500	500	100	100	600	600
National Retail	300	0	1,000	400	200	200	1,500	600
Member	700	0	0	0	0	0	700	0
Total	1,000	0	1,500	900	300	300	2,800	1,200
FTN Financial								
Tennessee Retail	0	0	0	0	0	0	0	0
Member	7,000	0	7,500	0	6,000	0	20,500	0
Total	7,000	0	7,500	0	6,000	0	20,500	0
J.J.B. Hilliard*								
Tennessee Retail	1,960	1,960	N/A	N/A	N/A	N/A	1,960	1,960
Total	1,960	1,960	0	0	0	0	1,960	1,960
Robert W. Baird & Co.								
Tennessee Retail	825	825	0	0	10	10	835	835
National Retail	200	175	70	70	275	225	545	470
Total	1,025	1,000	70	70	285	235	1,380	1,305
Wiley Bros-Aintree								
Tennessee Retail	6,435	6,150	15,210	13,945	1,200	1,150	22,845	21,245
Total	6,435	6,150	15,210	13,945	1,200	1,150	22,845	21,245
TOTAL								
Tennessee Retail	39,820	38,615	54,450	45,505	18,935	17,180	113,205	101,300
National Retail	45,470	15,470	82,180	27,820	22,460	8,970	150,110	52,260
Net Designated	289,590	105,540	231,545	126,675	329,030	118,435	850,165	350,650
Member	117,205	1,000	112,800	0	95,930	0	325,935	1,000
Total	492,085	160,625	480,975	200,000	466,355	144,585	1,439,415	505,210

*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 2019-4
September 20, 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 2019-4 (the “Bonds”), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”).

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

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

APPLICATION
OF PROCEEDS:

Proceeds of the Bonds will be applied to (i) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the 1985 Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof; and (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 2019-4
September 24, 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 September 20, 2019, approved a plan of financing for Residential Finance Program Bonds, Issue 2019-4 (the “Bonds”) in an aggregate par amount not to exceed \$200,000,000 (the “Plan of Financing”); and

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

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

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

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

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

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

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

2. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, \$ _____ Issue 2019-4A (AMT), and \$ _____ Issue 2019-4B (Non-AMT)” (the “Supplemental Resolution”), in the form attached hereto, is adopted, subject to the provisions contained herein.

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

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

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

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

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

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

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

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

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

11. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on September 24, 2019.

TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

\$_____ Issue 2019-4A (AMT)

\$_____ Issue 2019-4B (Non-AMT)

Adopted September 24, 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 2019-4A (AMT)**
\$ _____ **ISSUE 2019-4B (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 2019-4 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 2019-4 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 2019-4 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

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

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

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

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

“*Excess 2019-4 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 2019-4 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 2019-4 Bonds.

“*Issue 2019-4 Bonds*” means, together, the Issue 2019-4A Bonds and the Issue 2019-4B Bonds.

“*Issue 2019-4A Bonds*” means the Issue 2019-4A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“*Issue 2019-4B Bonds*” means the Issue 2019-4B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“*Issue Date*” means the date on which the Issue 2019-4 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 2019-4 Bonds.

[“*PAC Bonds*” means the Issue 2019-4A 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 2019-4 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 2019-4 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 September 24, 2019, as amended and supplemented by the Bond Finance Committee on _____, 2019.

“*Serial Bonds*” means the Issue 2019-4 Bonds which are not Term Bonds.

“*Term Bonds*” means, collectively, the Issue 2019-4A Bonds maturing _____, and the Issue 2019-4B 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 2019-4 Bonds upon the refunding of the Refunded Bonds.]

[“*Transferred Proceeds*” means the sum of \$ _____ on deposit in the Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2019-4 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 2019-4A are hereby authorized to be issued in the aggregate principal amount of \$ _____, and Residential Finance Program Bonds, Issue 2019-4B are hereby authorized to be issued in the aggregate principal amount of \$ _____. In addition to the title “Residential

Finance Program Bond,” the Issue 2019-4 Bonds will bear the additional designations “Issue 2019-4A (AMT) and “Issue 2019-4B (Non-AMT),” as appropriate. The Issue 2019-4 Bonds shall be issued only in fully registered form. The Issue 2019-4A Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds. The Issue 2019-4B Bonds will consist of \$_____ principal amount of Serial Bonds and \$_____ principal amount of Term Bonds.

Section 2.02. Purposes. [The Issue 2019-4A Bonds and [a portion of] the Issue 2019-4B 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 2019-4 Bonds.] [A portion of] the Issue 2019-4B 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 2019-4 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 2019-4 Bonds.

The proceeds of the Issue 2019-4 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 2019-4 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 2019-4A Bonds

Serial Bonds

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

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	\$	%

Issue 2019-4B 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 2019-4 Bonds or the date fixed for redemption of any Issue 2019-4 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 2019-4 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 2019-4 Bonds of each series maturing in such year. The Issue 2019-4 Bonds are to be lettered "RA," or "RB," as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2019-4 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2019-4 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2019-4 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 2019-4 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2019-4 Bonds will not receive certificates representing their interest in the Issue 2019-4 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2019-4 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2019-4 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 2019-4 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2019-4 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 2019-4 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2019-4 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2019-4 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2019-4 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2019-4 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 2019-4 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 2019-4 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2019-4 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 2019-4A Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

Issue 2019-4B Term Bonds due _____

Date	Amount Due	Date	Amount Due
	\$		\$

*Maturity

(b) Upon the purchase or redemption of Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds are subject to mandatory redemption on _____ in the event and to the extent that there are unexpended proceeds of the Issue 2019-4 Bonds on deposit in the Issue 2019-4 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 2019-4 Bonds are subject to mandatory redemption on _____, _____, to the extent any amounts remain on deposit in the Issue 2019-4 Subaccount of the Loan Fund on _____, _____.

The redemption price of the Issue 2019-4 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 2019-4 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 2019-4 Bonds then Outstanding.

(b) **[Excess 2019-4 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 2019-4 Principal Payments. Any Excess 2019-4 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 2019-4 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2019-4 Bonds (or the date of original issuance of the bonds refunded by the Issue 2019-4 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2019-4 Bonds on or before the next Interest Payment Date with respect to the Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds Outstanding.

Section 2.12. Selection by Lot. If less than all of the Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds to the public is hereby authorized and approved.

(c) The Issue 2019-4 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2019-4 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 2019-4 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2019-4 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 2019-4 Bonds. Amounts on deposit in the Issue 2019-4 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 2019-4 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2019-4 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 2019-4 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2019-4 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2019-4 Bonds shall not exceed 2% of the proceeds of the Issue 2019-4 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2019-4 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 2019-4 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 2019-4 Bonds plus the amount on deposit in the Issue 2019-4 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 2019-4A Bonds and Issue 2019-4B Bonds. Proceeds of the Issue 2019-4A Bonds and Issue 2019-4B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2019-4 Bond Subaccount of the Loan Fund. On the Issuance Date, \$_____ of the amount on deposit in the Issue 2019-4 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2019-4A Bonds and the [entire proceeds of the] Issue 2019-4B 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 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4A (AMT)] [Issue 2019-4B (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 2019-4 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2019-4 Bonds and neither the members of THDA nor any person executing the Issue

2019-4 Bonds may be liable personally on the Issue 2019-4 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 2019-4 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 2019-4 Bonds. The Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds, or other material events affecting the tax status of the Issue 2019-4 Bonds;

(vii) modifications to rights of the holders of the Issue 2019-4 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 2019-4 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 2019-4 Bonds or defeasance of any Issue 2019-4 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 2019-4 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 2019-4 Bonds whether or not the Rule applies to such Issue 2019-4 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2019-4 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 2019-4 Bonds or (B) the holders of the Issue 2019-4 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 2019-4 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 2019-4 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 2019-4 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 2019-4 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2019-4 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 2019-4 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 2019-4 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 2019-4[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 2019-4[A][B]” (herein called the “Bonds”) issued in the aggregate principal amount of \$_____ under the General Resolution, a resolution of THDA adopted on September 24, 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 _____
Michael L. Hedges
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 2019-4[A][B] [(AMT)][(Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Signatory

Dated: _____, 2019

ABBREVIATIONS

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

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

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

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

ASSIGNMENT

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

Dated: _____

Social Security Number or
Employer Identification
Number of Transferred: _____

Signature guaranteed: _____

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

EXHIBIT D
REFUNDED BONDS

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSEMENT OF THDA
FROM PROCEEDS OF ISSUE 2019-4
September 24, 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 2019-4, 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 \$75,000,000 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 \$75,000,000 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: THDA Board of Directors

FROM: Trent Ridley, Chief Financial Officer
Joe Brown, CPA, Controller

SUBJECT: Proposed Budget for Fiscal Year 2020-2021

DATE: September 13, 2019

Attached is THDA's "**Comprehensive Budget**" that details expenses and revenues for both the state and bond programs, and estimates net operating income for Fiscal Year 2021. THDA is required to submit the budget proposal to the Department of Finance and Administration by September 27, 2019. The proposed Budget is to be reviewed by the Audit and Budget Committee and the Bond Finance Committee, prior to review by the Board. The following are highlights of the budget submitted for Board approval:

1. **Current Year "Estimated" Budget FY20** – Revenues and expenses are projected to be \$505.2 million and \$500.7 million respectively, of which \$384.1 million is the State Budget. Operational Expenses are \$134.1 million, which includes \$26.5 million for personnel and approximately \$90 million in bond-related and mortgage-related expenses. These expenses are offset by \$150.3 million in Operating Revenue, primarily consisting of \$125 million in mortgage and investment income as well as \$15.6 million in Federal Administrative Fees. Grant Expenses total \$366.5 million and include \$3 million for a one-time matching grant to the Tennessee Department of Mental Health to help address housing needs related to the Opioid Crisis and \$1 million for the President Carter Habitat Build.
2. **FY21 Recommended Comprehensive Budget** – The **State Budget** decrease to \$374.9 million, due to \$10 million of non-recurring grants (National Housing Trust Fund and AG Mortgage Settlement). The **State Budget** also includes an additional \$1.7 million improvement for positions related to the Conventional Loan Product and administrative tasks related to our federal programs. MRB and servicing-related expenses are expected to increase, as we add to our balance sheet in FY21. The total increase of \$5.7 million is more than offset by additional federal administrative fees and mortgage interest. Regarding the **Comprehensive Budget**, operational revenues and expenses are projected to be \$157.3 million and \$139.8 million respectively, netting an approximate \$17.5 million operating income. This income will be used to fund \$7.5 million for HTF grants. It should be noted that the Comprehensive Budget excludes net revenues expected to be generated by the Conventional Loan Product, which should improve the bottom line.

If you have any questions regarding the comprehensive budget or need additional information, please do not hesitate to contact Trent Ridley at (615) 815-2012 or via e-mail at tridley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
FY20-21 COMPREHENSIVE BUDGET
EXECUTIVE SUMMARY

	ACTUAL FY19	ESTIMATED FY20	IMPROVE FY21	RECOMMENDED FY21		
				STATE	MRB	TOTAL
EMPLOYEE SALARIES	16,031,700	19,305,700	1,350,100	20,655,800	-	20,655,800
EMPLOYEE BENEFITS	6,448,300	7,210,800	250,900	7,461,700	-	7,461,700
TOTAL PAYROLL	22,480,000	26,516,500	1,601,000	28,117,500	-	28,117,500
TRAVEL	532,700	538,600	37,800	576,400	-	576,400
PRINTING & DUPLICATING	42,700	99,600	-	94,200	5,400	99,600
COMMUNICATIONS	861,900	565,200	-	216,100	349,100	565,200
MAINTENANCE	16,800	8,000	-	8,000	-	8,000
PROFESSIONAL SERVICES	4,867,600	5,261,000	-	1,336,000	3,925,000	5,261,000
SUPPLIES	309,800	271,400	12,600	182,000	102,000	284,000
RENTALS & INSURANCE	15,100	129,200	-	129,200	-	129,200
STAFF TRAINING	326,800	333,500	25,200	358,700	-	358,700
COMPUTER RELATED	967,000	1,329,300	-	127,300	1,202,000	1,329,300
STATE PROVIDED SERVICES	1,839,500	3,117,500	-	3,117,500	-	3,117,500
OTHER PROGRAM EXPENSES	10,952,500	10,692,800	388,100	-	11,080,900	11,080,900
INTEREST EXPENSE	69,526,600	80,586,000	4,285,300	-	84,871,300	84,871,300
MORTGAGE SERVICE FEES	723,200	-	-	-	-	-
ISSUANCE COSTS	5,582,800	3,900,000	(700,000)	-	3,200,000	3,200,000
DEPRECIATION	793,800	800,000	-	-	800,000	800,000
TOTAL OTHER EXPENDITURES	97,358,800	107,632,100	4,049,000	6,145,400	105,535,700	111,681,100
TOTAL OPERATING EXPENDITURES	119,838,800	134,148,600	5,650,000	34,262,900	105,535,700	139,798,600
OPERATING REVENUES						
FEDERAL ADMIN. FEES	15,261,700	15,642,300	373,800	14,516,100	1,500,000	16,016,100
INVESTMENT INCOME	8,158,400	8,220,000	-	20,000	8,200,000	8,220,000
TAX CREDIT FEES	2,114,800	2,700,000	-	3,100,000	(400,000)	2,700,000
OTHER CURRENT SERVICES	1,277,500	1,300,000	-	-	1,300,000	1,300,000
MULTIFAMILY BOND AUTH FEES	1,721,900	1,800,000	-	-	1,800,000	1,800,000
THDA OPERATING FUND	-	-	-	14,626,800	(14,626,800)	-
MORTGAGE INTEREST	105,050,800	118,679,000	6,584,300	-	125,263,300	125,263,300
HOUSING PROGRAM FUND	-	2,000,000	-	2,000,000	-	2,000,000
TOTAL OPERATING REVENUES	133,585,100	150,341,300	6,958,100	34,262,900	123,036,500	157,299,400
REVENUES LESS EXPENDITURES	13,746,300	16,192,700	1,308,100	-	17,500,800	17,500,800
GRANT ACTIVITY:						
SECTION 8 PAYMENTS	222,008,200	266,810,400	-	266,810,400	-	266,810,400
HOME GRANTS	7,470,200	7,571,500	-	7,571,500	-	7,571,500
WEATHERIZATION	2,291,500	2,000,000	-	2,000,000	-	2,000,000
LIHEAP	68,636,000	55,000,000	-	55,000,000	-	55,000,000
EMERGENCY SOLUTIONS GRANT	3,236,400	2,557,000	-	2,557,000	-	2,557,000
NATIONAL HOUSING TRUST FUND	-	6,000,000	-	-	-	-
AG MORTGAGE SETTLEMENT PROGRAM	973,500	4,900,000	-	-	-	-
HOUSING TRUST FUND	5,921,000	11,500,000	-	6,500,000	2,000,000	8,500,000
TECHNICAL GRANTS	136,400	175,000	-	175,000	-	175,000
HARDEST HIT FUND	37,996,200	10,000,000	-	-	-	-
TOTAL GRANT PAYMENTS	348,669,400	366,513,900	-	340,613,900	2,000,000	342,613,900
STATE APPROPRIATION	-	-	-	-	-	-
FEDERAL REVENUE	303,563,400	339,938,900	-	333,938,900	-	333,938,900
HARDEST HIT FUND	38,840,800	10,000,000	-	-	-	-
THDA BOND RESOLUTIONS	-	-	-	6,675,000	(6,675,000)	-
HOUSING PROGRAM FUND	-	4,900,000	-	-	-	-
TOTAL COLLECTIONS	342,404,200	354,838,900	-	340,613,900	(6,675,000)	333,938,900
COLLECTIONS LESS PAYMENTS	(6,265,200)	(11,675,000)	-	-	(8,675,000)	(8,675,000)
OVERALL AGENCY EXPENDITURES	468,508,200	500,662,500	5,650,000	374,876,800	107,535,700	482,412,500
OVERALL AGENCY FUNDING	475,989,300	505,180,200	6,958,100	374,876,800	116,361,500	491,238,300
OVERALL REVENUES LESS EXPENDITURES	7,481,100	4,517,700	1,308,100	-	8,825,800	8,825,800
PERSONNEL: FULL TIME POSITIONS	290	290	21	311	-	311

ACCOUNT 70800 (PROFESSIONAL SERVICES, INDUSTRY & BUSINESS DEVELOPMENT)
FISCAL YEAR 2020-2021

Description	Actual FY19	Budget FY20	Proposed FY21
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GENERAL BUSINESS AND PROGRAM SUPPORT

Attorney General Foreclosure Prevention Counseling	154,800	167,000	167,000
Temporary Services (IT, VMLS, Other)	688,300	744,000	744,000
Volunteer Mortgage Loan Servicing	419,200	453,000	453,000
Section 8 - Portability Payments	457,800	495,000	495,000
Section 8 - (Background Checks, Inspections, Rent Comp Reviews)	520,800	563,000	563,000
LIHEAP Partner Training and Technical Assistance	235,500	255,000	255,000
Other	252,900	272,000	272,000

SUB-TOTAL	2,729,300	2,949,000	2,949,000
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INFORMATION TECHNOLOGY

Agency Infrastructure Maintenance and Support	176,500	191,000	191,000
Business Line Software Application Licensing	449,300	486,000	486,000
TN Housing Search	169,500	183,000	183,000
Software Development - THOMAS, Grants Management	234,500	253,000	253,000

SUB-TOTAL	1,029,800	1,113,000	1,113,000
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ADVERTISING SERVICES (OBJECT 086)
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Great Choice Ad Campaign	611,600	661,000	661,000
Classified Ads, Public Notices, Advertising	82,100	89,000	89,000

SUB-TOTAL	693,700	750,000	750,000
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INDUSTRY AND BUSINESS DEVELOPMENT- (Dues, Memberships, Sponsorships, Outreach)

National Council of State Housing Agencies (Dues)	37,200	40,000	40,000
Tennessee Housing Conference	123,600	134,000	134,000
Industry Development and Outreach (Sponsorships)	203,100	220,000	220,000
Various Publications, Subscriptions & Memberships	50,900	55,000	55,000

SUB-TOTAL	414,800	449,000	449,000
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TOTAL PROFESSIONAL SERVICES & DUES	4,867,600	5,261,000	5,261,000
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ACCOUNT 71300 (GRANTS & SUBSIDIES)

FISCAL YEAR 2020-2021

HOUSING TRUST FUND (OBJECT 71300) *SEE ATTACHED HOUSING TRUST FUND PROPOSAL FOR DETAILS

Description	Funds Remaining 7/1/19	Actual FY19	Estimated FY20	Base FY21
Rebuild/Recovery/Challenge Grant	3,672,200	0	500,000	500,000
UCP - Hsg Mod and Ramp Prg	42,200	175,084	300,000	300,000
Rural Development	26,300	0	0	0
Emergency Repair	2,797,800	1,683,528	2,700,000	2,700,000
Habitat for Humanity	0	1,498,334	500,000	500,000
Manufactured Housing Replacement	806,900	0	0	0
Dunlap New Hope Grant	77,600	0	0	0
Dept Mental Health Matching Grant		0	3,000,000	0
Carter Habitat Build			1,000,000	
Competitive Grants	8,158,100	2,564,054	3,500,000	3,500,000
TOTALS	15,581,100	5,921,000	11,500,000	7,500,000

TECHNICAL ASSISTANCE GRANTS

Description		Actual FY19	Estimated FY20	Base FY21
Development Districts		136,400	175,000	175,000

SECTION 8 GRANTS

Description		Actual FY19	Estimated FY20	Base FY21
Voucher Program		36,555,600	38,210,400	38,210,400
Contract Administration		185,452,600	228,600,000	228,600,000
TOTALS		222,008,200	266,810,400	266,810,400

HOME GRANTS (OBJECT 139)

Description	Funds Remaining 7/1/2019	Actual FY19	Estimated FY20	Base FY21
Home 2012 CHDO	52,900		0	0
Home 2012	915,200		0	0
Home 2013	2,029,400		0	0
Home 2014	3,469,800		0	0
Home 2015	4,870,600		0	0
Home 2016	3,850,300		0	0
Home 2017	10,019,700		0	0
Home 2018	14,473,600		0	0
Budget		7,470,200	7,571,500	7,571,500
TOTALS	39,681,500	7,470,200	7,571,500	7,571,500

OTHER STATE / FEDERAL GRANTS

Description		Actual FY19	Estimated FY20	Base FY21
Emergency Solutions		3,236,400	2,557,000	2,557,000
LIHEAP		68,636,000	55,000,000	55,000,000
Weatherization		2,291,500	2,000,000	2,000,000
National Housing Trust Fund		0	6,000,000	0
Hardest Hit Fund		37,996,200	10,000,000	0
AG Settlement - Mortgage Asst		973,500	4,900,000	0
TOTALS		113,133,600	80,457,000	59,557,000

		Actual FY19	Estimated FY20	Base FY21
TOTAL GRANTS & SUBSIDIES		348,669,400	366,513,900	341,613,900

ACCOUNT 725000 (STATE PROVIDED SERVICES)
FISCAL YEAR 2020-2021

Location	Actual FY19	Budget FY20	Proposed FY21
THDA OFFICE LEASES	1,287,600	1,365,200	1,365,200

**MISCELLANEOUS SERVICES (OBJECT 25A, 25D, 25E, 25Z, 254, 255)*

Attorney General (Bankruptcies)	24,000	50,000	50,000
Secretary Of State (25E)	1,100	6,000	6,000
Indirect Costs (25Z)	0	600,000	600,000
Flexible Benefits, Wellness, and Sick Leave Bank Admin	6,500	78,400	78,400
State Audit (255)	26,500	100,000	100,000
Printing and Reproduction	6,300	20,000	20,000
Insurance - State Risk Management Premium	34,800	165,000	165,000
Miscellaneous	10,100	100,000	100,000
SUB-TOTAL	109,300	1,119,400	1,119,400

DATA PROCESSING SERVICES (OBJECT 250,251,252,257,259)

F&A - Statewide Accounting	65,400	75,000	75,000
General Services - Records Management (257)	14,800	18,000	18,000
General Services - Motor Veh Repairs	0	10,000	10,000
General Services - State-Owned Veh Mileage	149,400	150,000	150,000
General Services - Space Planning / Purchasing	7,600	50,000	50,000
Edison Billing (HR, Payroll, Accting, Purch)	198,300	250,000	250,000
SUB-TOTAL	435,500	553,000	553,000

TELECOMMUNICATIONS (OBJECT 253)

Telephone Charges (F&A)	7,100	79,900	79,900
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TOTAL STATE PROVIDED SERVICES	1,839,500	3,117,500	3,117,500
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THDA OFFICE LEASE SUPPLEMENTAL INFORMATION

Location	Square Ft.	Lease Exp. Date	Annual Totals
19002 - Andrew Jackson Building	45,100	Notice	947,100
Parkway Towers	7,971	07/30/20	167,400
19003 - Nashville (Madison) (HOLDOVER)	4,117	09/30/27	86,500
27002- Jackson (Lowell Thomas State Office Building)	2,794	Notice	34,100
59002 - Lewisburg (Marshall)	1,500	06/30/20	15,900
71010 - Cookeville (Putnam)	1,500	06/30/20	34,600
TOTAL	62,982		1,285,600

REVENUES
FISCAL YEAR 2020-2021

Description	Actual FY19	Budget FY20	Proposed FY21
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FEDERAL REVENUE (SOURCE 801)

Section 8 Grants	222,064,800	266,810,400	266,810,400
HOME Grants	7,334,800	7,571,500	7,571,500
Emergency Shelter Grants	3,236,400	2,557,000	2,557,000
Weatherization Grants	2,291,500	2,000,000	2,000,000
Hardest Hit Fund Grants	38,840,700	10,000,000	0
National Housing Trust Fund	0	6,000,000	0
Appalachian Regional Council	0	0	0
Neighborworks	0	0	0
LIHEAP	68,636,000	55,000,000	55,000,000
ESG Administrative Fees	184,600	211,800	211,800
WAP Administrative Fees	420,100	753,200	753,200
HHF Administrative Fees	1,359,200	1,500,000	1,500,000
HOME Administrative Fees	664,300	529,600	746,800
LIHEAP Administrative Fees	596,800	797,400	797,400
NHTF Administrative Fees	177,200	200,000	200,000
Section 8 Administrative Fees	11,859,500	11,650,300	11,806,900
Total Federal Revenue	357,665,900	365,581,200	349,955,000

MORTGAGE INTEREST, INVESTMENT, AND OTHER INCOME (SOURCE 880)

Tax Credit Monitoring Fees	2,114,800	2,700,000	2,700,000
Miscellaneous Revenue	212,700	200,000	200,000
Mortgage Interest Income	105,050,800	118,679,000	125,263,300
Investment Income	8,158,400	8,220,000	8,220,000
Multi Family Bond Application Fees	1,721,900	1,800,000	1,800,000
Servicing Fees (Late Fees, etc)	851,500	900,000	900,000
Conference and Other Income	213,300	200,000	200,000
SUB-TOTAL	118,323,400	132,699,000	139,283,300

TOTAL OF ALL REVENUES	475,989,300	498,280,200	489,238,300
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<i>RESERVES: GRANT AND ADMINISTRATIVE FUNDS FROM HOUSING PROGRAM FUND</i>	0	6,900,000	2,000,000
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TOTAL OF ALL FUNDING SOURCES	475,989,300	505,180,200	491,238,300
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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: September 12, 2019
RE: Request for Approval of 2015-2016 HOME Grant HM-1516-06 – Fentress County

Recommendation

Staff recommends approval of the attached extension request to March 31, 2020 by Fentress County for the above referenced grant as further described below.

Background

THDA awarded a \$375,000 grant (HM-1516-06) to Fentress County under the 2015-2016 HOME Program Description. The County intended to rehabilitate nine owner-occupied units with this funding. The contract originally extended from July 1, 2016 – June 30, 2019.

THDA approved in March 2019 an extension of the grant to October 1, 2019. As that time, the County had expended \$204,367, 54% of the \$375,000 awarded. The County had assisted six homeowners, with one additional unit under construction and two units in the contractor procurement phase. The County intended to serve one additional homeowner from the 31 eligible applications received.

Since March, the County has completed work to assist nine homeowners; however, the program has \$25,000 in unobligated project funds remaining in the grant. To date, the County has expended \$347,750 or 93% of the total grant funds awarded. The County is requesting a second extension to use the remaining grant funds and assist one more household.

Staff is supportive of this request as (1) the County has achieved its targeted household assistance goal and (2) the requested extension date is less than the June 30, 2020 date approved for other grantees funded under the 2015-2016 HOME Program Description that encountered similar impediments to program implementation.

FENTRESS COUNTY GOVERNMENT

Jimmy Johnson, County Executive

101 Main Street | P.O. Box 1128 | Jamestown, TN 38556 | Ph. 931-879-7713 | Fax No. 931-879-1579



August 16, 2019

Don Watt
Director, Community Programs Division
Tennessee Housing Development Agency
502 Deaderick Street
Nashville, Tennessee 37243

Dear Mr. Watt:

On behalf of Fentress County, I appreciate your support of the 2016 THDA HOME Project. I feel that we have been very successful with this program. Even with the delay due to the lack of building codes, Fentress County has completed the rehabilitation of nine homes.

Our grant administrator has explained to me that after the completion of our ninth home, we will still have roughly \$25,000 of funding to rehabilitate one more home. The Tier Two Environmental is near completion for this remaining house. The work write up is near completion, and the notice to conduct a lead base paint risk assessment has been filed and will take place August 30. (The environmental review, work write up and risk assessment will be complete before the Grants Committee meeting.) I would appreciate you extending our contract until March 1, 2020 to allow us to rehabilitate this home and spend our remaining grant dollars. The completion of the home should be done much sooner, but we wanted to allow additional time in case of bad weather.

Again, I appreciate your help with our project, and I look forward to working with you on future projects in Fentress County. If I can answer any questions, please do not hesitate to contact me.

Thank you,

Jimmy Johnson
County Executive



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: September 12, 2019
RE: Delegation of Grant Extension Authority to Executive Director

Recommendation

Staff recommends the delegation of authority to the Executive Director to consider and decide upon future grant extensions requests based on routine construction and project implementation delays.

Background

The Board of Directors currently requires that all requests for grant award extensions be presented for consideration to the Grants Committee. Traditionally, most grant extension requests are for more routine reasons – construction delays, difficulty in securing contractors, impediments to securing other funding sources, and key staffing changes. The wait period between THDA's receipt of the request and its consideration by the Board creates further uncertainty and implementation lags. Delegating authority to the Executive Director to approve extensions requests in cases based on more routine issues will facilitate overall grant implementation through more timely consideration and response by THDA.

As determined by the Executive Director, staff will continue to bring any requests that may involve non-routine issues to the Board and will provide the opportunity for any Grantee denied an extension request to appeal to the Board for relief. Staff will also continue to provide a report to the Grants Committee at its November meeting of staff's approval of any grant extensions and the progress of each grantee toward completion.



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: September 12, 2019
RE: 2020 Challenge Grant Funding Recommendation

Recommendation

The Executive Director recommends the award of \$500,000 under the 2020 Challenge Grant Program Description to Knoxville Habitat for Humanity subject to the prohibition of the use of any funds from THDA's set-aside allocation to Habitat for Humanity of Tennessee towards project expenses.

Background

At its May meeting, the Board of Directors approved the 2020 THDA Challenge Grant Program Description, providing up to \$500,000 in initial seed funding to support the private fundraising efforts of nonprofit organizations to implement housing activities that represent unique milestones, are part of a broad community initiative, or are a significant expansion of work outside the organization's normal day to day activities. While THDA has allocated funds to support this purpose, THDA also has reserved the right not to make any awards. THDA received six applications as provided on the attached summary.

The review team determined that five of the applications were ineligible. Three applications are projects that have already received funding from THDA under the THTF Competitive Grants and/or the National Housing Trust Fund programs. The fourth applicant did not submit the necessary threshold documentation to determine eligibility (Certificate of Existence, IRS 501(c)3 determination, charter, by-laws). The review team also found that the fifth application did not meet one of the program's broad goals and implementation of the project was already underway, a disqualifying factor under the program description.

The review team recommended funding of the application submitted by Knoxville Habitat for Humanity. In celebration of its 35th anniversary, the affiliate will construct a 35-unit subdivision in the Carter community of Knox County, representing a 40% increase in production from a typical year. The organization has committed to raising \$1.5 million in cash match for the project. Knoxville Habitat will also seek additional resources from the HUD Self-Help Homeownership Opportunity Program (SHOP) and the Federal Home Loan Bank. The application proposed also using resources from THDA's annual contribution to Habitat for Humanity of Tennessee. Staff recommended that THDA prohibit this contribution as part of the project funding.

2020 CHALLENGE GRANT APPLICANTS

Crossroad Campus:

- Amount requested: \$500,000
- Proposal: Construction of 22 units providing permanent supportive housing for youth facing homelessness and youth aging out of foster care. Job training and employment provided through the agency's social enterprise program allowing youth to care for homeless animals. THDA awarded funding to this project under the 2019 Fall Round of THTF Competitive Grants.
- Location: Nashville (Davidson County)

Dismas, Inc.:

- Amount requested: \$365,000
- Proposal: Construction of 16 units within a congregate care facility to provide housing for male ex-offenders. Project has previously received funding under the 2017 Spring Round of THTF Competitive Grants program and the 2016 National Housing Trust Fund program.
- Location: Nashville (Davidson County)

Helen Ross McNabb Center:

- Amount requested: \$125,000
- Proposal: Construction of a 50 unit permanent, supportive living housing facility for low-income senior citizens. THDA funded this project under the 2018 National Housing Trust Fund program.
- Location: Knoxville (Knox County)

Knoxville Habitat for Humanity:

- Amount requested: \$500,000
- Proposal: New construction of a new home subdivision in the Carter community of Knox County consisting of 35 units as part of the organization's 35th Anniversary.
- Location: Knoxville (Knox County)

Successful Survivors Community Housing Development Organization:

- Amount requested: \$500,000
- Proposal: Named "Bryant Place", the project will consist of the new construction of seven affordable, workforce housing units at 2231 Whites Creek Pike on three acres. Project will serve as a gateway to 38 adjacent acres that could potentially provide an additional 50 to 60 units.
- Location: Nashville (Davidson County)

United Housing Inc.:

- Amount requested: \$50,000
- Proposal: Project proposes the "Welcome Home Memphis Initiative" which provides housing security and financial education. Expansion of existing collaboration with public libraries that will add eight resource centers offering homeownership and financial literacy information, and homeownership workshops, create consistent branding and a digital landing page for initiative.
- Location: Memphis (Shelby County)



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: September 12, 2019

RE: Request for Approval of the Creating Homes Initiative -2 (CHI-2) Program Description

Recommendation:

Staff recommends approval of the Creating Homes Initiative - 2 Program Description ("Program Description") and to authorize the Executive Director or his designee to award funds to applicants for applications scored by staff based on the rating scale and allocation procedure contained in the Program Description, subject to all requirements and provisions in the Program Description. Staff will provide information to the Committee and Board regarding awards made under the Program Description at the meeting that immediately follows the date of the awards.

Background:

At its July meeting, the THDA Board of Directors set-aside \$3,000,000 in THDA funds to collaborate with the Tennessee Department of Mental Health and Substance Abuse Services (TDMHSAS) and to offer a funding opportunity that will expand housing options for individuals recovering from opioid use.

The proposed Program Description models many of the requirements established under the 2020 Fall Round of the Tennessee Housing Trust Fund Competitive Grants Program Description adopted by the Board at its July 2019 meeting. However, certain key aspects have been modified specific to the target population and reflecting the partnership with TDMHSAS.

Highlights of the Program Description include:

- Providing up to \$500,000 in funds to eligible nonprofit organizations and local public housing authorities to develop permanent recovery housing for individuals recovering from opioid use disorder (OUD) and their families.
- OUD must be the primary diagnosis of the individual who is the head of household or their spouse. Other immediate family members of the head of household may reside in the housing created under this program description as made available under the terms of the housing provider.
- Eligible households will include those with incomes up to 80% of Area Median Income.
- Match will not be required for eligibility; however, THDA will encourage through its scoring structure applications that include an eligible match source.
- The program includes a compliance period of 5 – 15 years based on the per unit investment of CHI-2 funds.
- The Program Description permits a 7% developer fee as an eligible project cost. However, the Program Description does not permit the Grantee to use 7% of the awarded funds as administrative fees as traditionally permitted under the THTF Competitive Grants Program Descriptions. The move to a developer fee will streamline documentation requirements necessary to support payment of these costs.
- The scoring matrix of the Program Description will consider factors in four broad areas:
 - Program Design – 40 Points
That considers site control, feasibility, rent reasonableness, match, universal design, support services, and innovation.
 - Applicant Capacity – 40 Points
That considers housing experience, property management experience, financial capacity, and past performance
 - Community Supports – Purpose, Community, and Health – 14 Points
That considers the location of the housing in a county where opportunities for employment exist and in a county or adjacent county where a drug & alcohol treatment center or a mental health treatment is located.
 - Need – 6 Points
That considers the location of housing in a county with a high opioid use prevalence and in a county designated by the Appalachian Regional Commission as Economically Distressed or At-Risk.
 - A minimum score of 60 points will be required for funding consideration.

THDA will open the application round by October 15, 2019 with applications due on January 16, 2020. THDA will hold an application workshop by early November 2019. THDA will make funding awards on or about March 1, 2020. Contracts will be effective April 1, 2020 – March 31, 2023.



**TENNESSEE HOUSING TRUST FUND
CREATING HOMES INITIATIVE-2 (CHI-2) PROGRAM
PROGRAM DESCRIPTION**

In collaboration with the Tennessee Department of Mental Health and Substance Abuse Services (TDMHSAS), the Tennessee Housing Development Agency (THDA) is seeking creative and innovative proposals that expand permanent recovery housing options for individuals recovering from a Opioid Use Disorder (OUD). The amount available is \$3.0 million in Tennessee Housing Trust Fund (THTF) resources. The purpose of this Program Description is to explain program requirements and the application process.

THDA will award funds under this program description to successful Applicants as a grant. Proposals for funding are limited to a maximum of \$500,000. There is no minimum grant amount. THDA expects that the combination of CHI-2 funds and the required matching funds will be sufficient to allow the proposed project to be completed timely.

THDA must receive applications under this Program Description on or before 4:00 PM CDT on Thursday, January 16, 2020. THDA anticipates notifying successful applicants by March 1, 2019. The CHI-2 grant contracts will begin April 1, 2020 and will end March 31, 2023. Applicants should be aware that there is no cure period. Submission of a complete application is a threshold criterion.

The Program Description and the associated application are available at www.thda.org. At the THDA website, click on BUSINESS PARTNERS, then GRANT ADMINISTRATORS for links to the Creating Homes Initiative- 2 page. If you have questions, please call (615) 815-2034.

A. OPIOID USE DISORDER & RECOVERY HOUSING

The CHI-2 Program Description is designed to expand permanent recovery housing options across Tennessee for individuals who have OUD, which is defined by the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5) as a problematic pattern of opioid use leading to clinically significant impairment or distress. To confirm a diagnosis of OUD, at least two of the following should be observed within a 12-month period:



1. Opioids are often taken in larger amounts or over a longer period than was intended.
2. There is a persistent desire or unsuccessful efforts to cut down or control opioid use.
3. A great deal of time is spent in activities necessary to obtain the opioid, use the opioid, or recover from its effects.
4. Craving, or a strong desire or urge to use opioids.
5. Recurrent opioid use resulting in a failure to fulfill major role obligations at work, school, or home.
6. Continued opioid use despite having persistent or recurrent social or interpersonal problems caused or exacerbated by the effects of opioids.
7. Important social, occupational, or recreational activities are given up or reduced because of opioid use.
8. Recurrent opioid use in situations in which it is physically hazardous.
9. Continued opioid use despite knowledge of having a persistent or recurrent physical or psychological problem that is likely to have been caused or exacerbated by the substance.
10. Exhibits tolerance.
11. Exhibits withdrawal.

OD must be the primary diagnosis of the individual who is the head of household or their spouse. Other immediate family members of the head of household may reside in the housing created under this program description as made available under the terms of the housing provider.

In accordance with the recommendations made under the Recovery Housing Policy Brief issued in December 2015 by the U.S. Department of Housing and Urban Development, THDA and TDMHSAS will seek permanent housing options under this program description that support the recovery of individuals with OD following four dimensions:

1. Health – Overcoming or managing one’s disease(s) or symptoms—for example, abstaining from use of alcohol, illicit drugs, and non-prescribed medications if an individual has an addiction problem—and for everyone in recovery, making informed, healthy choices that support physical and emotional wellbeing.
2. Home – A stable and safe place to live.
3. Purpose – Meaningful daily activities, such as a job, school, volunteerism, family caretaking, or creative endeavors, and the independence, income and resources to participate in society.
4. Community – Relationships and social networks that provide support, friendship, love, and hope.



In accordance with the Recovery Housing Policy Brief, THDA and TDMHSAS will expect all Recovery Housing programs supported under this program description to have the following defining characteristics:

- Program participation is self-initiated (there may be exceptions for court ordered participation) and residents have expressed a preference for living in a housing setting targeted to people in recovery with an abstinence focus.
- Minimal barriers exist to entry into programs, so that long periods of sobriety, clean criminal records, or clear eviction histories are not required for program entry.
- Housing generally is single-site because of the benefits of the creation of a Recovery Oriented Community, but may include other housing configurations.
- Residents have personal privacy and 24/7 access to the housing, with community space for resident gatherings and meetings.
- Holistic services and peer-based recovery supports are available to all program participants.
- Along with services to help achieve goals focused on permanent housing placements and stability, and income and employment, programs provide services that align with participants' choice and prioritization of personal goals of sustained recovery and abstinence from opioid use.
- Relapse is not treated as an automatic cause for eviction from housing or termination from a program.
- Eviction from permanent supportive housing should only occur when a participant's behavior substantially disrupts or impacts the welfare of the recovery community in which the participant resides; however, the participant may apply to reenter the housing program if they express a renewed commitment to living in a housing setting targeted to people in recovery with an abstinence focus.
- Participants who determine that they are no longer interested in living in a housing setting with an abstinence focus, or who are discharged from the program or evicted from the housing, are offered assistance in accessing other housing and services options, including options operated with harm reduction principles.
- Permanent housing programs must abide by all local and State landlord tenant laws that govern grounds for eviction.



C. ELIGIBLE ACTIVITIES

All housing financed using CHI-2 resources must be affordable rental housing and must address the housing needs of households who have an income that is equal to or less than 80% of AMI as defined in Section F (4).

The following rental housing activities are eligible:

- New construction of rental housing units.
- Acquisition of rental housing units.
- Rehabilitation of rental housing units.
- Conversion of non-residential buildings to residential units.
- Combinations of the above.

The rental housing provided must be “permanent”, meaning the housing is community-based and with a tenant on a lease (or a sublease) for an initial term of at least one month and that is renewable and is terminable only for cause.

All Applicants shall complete *Attachment Two: Rental Housing Feasibility Worksheet* to demonstrate a need for the CHI-2 funds and the financial feasibility of the project.

D. PROHIBITED ACTIVITIES

An Applicant may not use the CHI-2 resources for any of the following:

1. Develop transitional housing.
2. Pledge CHI-2 funds as support for tax-exempt borrowing by local grantees.
3. Provide off-site improvements or neighborhood infrastructure or public facility improvements.
4. Provide assistance to private, for-profit owners of rental property.
5. Implement homeowner rehabilitation projects.
6. Implement homeownership related activities, including down payment assistance programs, the development of units for homeownership, or homeowner rehabilitation projects.
7. Acquire, rehabilitate or construct rental housing that is a treatment, hospice, nursing home, or convalescent facility.
8. Use funds to provide Project Operating Reserves
9. Cover any costs incurred prior to the CHI-2 contract start date or after the end date of the grant agreement.



10. Use of Tennessee Housing Trust Fund Competitive Grants Program resources for any costs associated with the project.

E. MATCH

Proposals are not required to match the CHI-2 funds awarded. However, THDA will prioritize those applications that include firm documentation of eligible match sources to the CHI-2 funds awarded.

Eligible Sources of Match Include:

1. Grants from other agencies.
2. Federal sources such as USDA Rural Development, state or locally administered Community Development Block Grant (CDBG) programs, or HOME grants from local participating jurisdictions.
3. Federal Home Loan Bank.
4. Cash Contributions by local church groups, local agencies, or contributions by individuals.
5. Bank loans.
6. A funding pool established by a local lender for the applicant.
7. Value of the supportive services provided to the individuals recovering from OUD over the length of the applicable compliance period, provided that such supportive services are provided at no cost to the tenant.
8. 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 after the date of the certificate of occupancy issued for the last building occupied.
9. The value of property owned by the Applicant prior to the grant term and upon which the proposed housing will be rehabilitated or constructed.

Ineligible Sources of Match:

1. THDA program funds, including federal funding sources such as HOME or the National Housing Trust Fund or the Tennessee Housing Trust Fund financed Competitive Grants Program.
2. In-kind donations, services, or labor.



F. PROGRAM REQUIREMENTS

1. COMPLIANCE PERIOD REQUIREMENTS

All rental housing projects funded under this program description 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. With the exception of incurring costs associated with property acquisition, the Grantee shall sign a grant note, deed of trust, and restrictive covenant to enforce the compliance period on a property prior to incurring any costs associated with project development. In no case shall the Grantee draw any CHI-2 funds on a subject property prior to signing a grant note, deed of trust and restrictive covenant to enforce the compliance period on that property. THDA will forgive the CHI-2 grant at the end of the compliance period if the Grantee achieved full compliance throughout the compliance term.

The length of the compliance period will be determined based on the amount of CHI-2 funds invested per unit:

Average Per Unit CHI-2 Investment	Compliance Period
< \$15,000	5 Years
\$15,000 – \$40,000	10 Years
> \$40,000	15 Years

During the compliance period, the Grantee will have on-going obligations for the operation of the rental property, including:

- Conducting initial and annual income certification of tenants;
- Adhering to the CHI-2 rent limits;
- Complying with THDA Property Standards;
- Adhering to fair housing and affirmative marketing requirements;
- Operating the units as recovery housing for individuals with OUD as described in this program description;
- Reporting to THDA as THDA may require; and,
- Taking other actions as THDA may require.

2. CRIMINAL BACKGROUND REQUIREMENTS

Grantees shall follow HUD regulations on 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.

3. DEVELOPER FEE REQUIREMENTS

Applicants may request a developer fee equal to or less than 7.0% of total CHI-2 grant request less any costs associated with the developer fee, acquisition, and permanent financing. If the applicant proposes other funds for the project, the total developer fee earned for the project may not exceed 15% of the total development cost less any costs associated with the developer fee, acquisition, and permanent financing.

The developer fee may be requested in equal percentages of the total CHI-2 grant funds requested up until 75% of the grant has been expended. The final 25% of the developer fee may not be requested until project development is complete, with all certificates of occupancy issued and all required documentation submitted to THDA.

No administrative funds will be provided under this program description.

4. INCOME LIMIT REQUIREMENTS

Competitive Grants for rental projects may be used to benefit low income households, meaning an individual or family unit whose gross annual income does not exceed 80% of the area median income, adjusted for family size.

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 household 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 by low-income households 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.



5. PROPERTY STANDARD REQUIREMENTS

Any rental units constructed or rehabilitated with CHI-2 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 assisted properties must meet Housing Quality Standards throughout the compliance period.

Building Permits. The Grantee must ensure that building permits are pulled on all new construction and rehabilitation projects as required by the state or local jurisdiction, including mechanical, plumbing, and or electrical permits.

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

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 documentation from state or local code officials must be provided confirming that exemption. If exempted, a qualified inspector may be used. 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 an activity where the state or local code officials do not issue a building permit, a qualified inspector may include home inspectors as appropriate for the work performed, including individuals certified as a housing inspector by a national organization such as the International Code Council, the National Fire Protection Association, or the Standard Building Code Congress. THDA may accept other qualifications on a case-by-case basis; however, THDA approval is required before the individual may perform inspections.



Visitability. THDA will award additional points for applications that propose newly constructed single-family or multi-family 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. THDA will award additional points for 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:

https://projects.ncsu.edu/ncsu/design/cud/pubs_p/docs/UDinHousing.pdf

6. RENT REQUIREMENTS

Every rental unit assisted with CHI-2 funds is subject to rent controls designed to make sure that rents are affordable to low-income households. Unless the housing is a group home or a Single Room Occupancy (SRO) unit, the maximum rents 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 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 may be adjusted annually in accordance with the applicable HUD standard. 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 CHI-2 occupancy requirements. Rents shall not exceed the published High HOME rents as adjusted for utility arrangements and bedroom size. However, because these rents must also be attractive to *low-income* tenants, actual rents may be lower than the High HOME rents to keep within 30% of the tenant's monthly income. The Grantee should design the development's rent structure to consider the market feasibility of the project.

A CHI-2 Grant may fund 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. The calculation of the applicable rent and tenant contributions must follow the following requirements:

- A CHI-2-assisted group home is treated as a single CHI-2-assisted housing unit with multiple bedrooms. The 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 CHI-2 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 CHI-2 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 CHI-2 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 CHI-2 rent can be the applicable State or Federal project-based rent, as long as the unit is occupied by a very low income tenant who does not pay more than 30% of the family's monthly adjusted income for rent.

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 CHI-2 rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

G. PROCUREMENT REQUIREMENTS

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 the established procurement policies of the Grantee. At a minimum, the Grantee must have or establish a selection procedure that requires the Grantee to obtain at least three (3) bids and to purchase the goods or services from the lowest or best bidder. The Grantee must have a written rationale for selecting the successful bid or proposal.



H. MARKETING REQUIREMENTS

One goal of CHI-2 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 a community. Each Grantee shall implement marketing and public relations plans to accentuate program achievements. THDA's Communications Division will assist the Grantee to develop these plans if requested. The Grantee shall submit data and beneficiary stories to THDA as may be required by THDA.

I. FAIR HOUSING AND EQUAL OPPORTUNITY REQUIREMENTS

Each Grantee 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 property managers 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 the CHI-2 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, including those with limited English proficiency. Grantees shall provide evidence of all of the above at the request of THDA.

J. AFFORDABLE HOUSING LOCATOR SYSTEMS

Beginning at the start of initial lease-up through the end of the compliance period, all Grantees shall list units available for occupancy on both:

1. TNHousingSearch.org or any subsequent affordable rental housing locator system sponsored by THDA, and
2. Recovery within Reach (<http://www.recoverywithinreach.org/housingwithinreach/>) or any subsequent affordable rental housing locator system sponsored by TDMHSAS.

K. APPLICATION AND EVALUATION PROCEDURE

Respondents should only limit the design of the recovery housing for individuals recovering from OUD by the terms of the CHI-2 Program Description, the availability of matching sources and support services, and the need in a given area for the proposed project.

THDA and TDMHSAS 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 that serves individuals recovering from OUD, and proposal of a project that in the opinion of THDA, in its sole discretion, is physically, financially and administratively feasible.



THDA will not consider applications if the applicant fails to submit the following threshold items by the application due date and in accordance with the documentation submission instructions:

- Application signed by the organization's Chief Executive or 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 CHI-2 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.

The 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 CHI-2 Scoring Matrix.

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

In the event of a tie score, THDA first will select the application with the highest Project Design score and then, if a tie still remains, the highest total Applicant Capacity score. If a tie still remains, THDA will prioritize funding for the application with the greatest number of CHI-2 funded units as the final determinant.

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



CHI-2 SCORING MATRIX – UP TO 100 POINTS

PROJECT DESIGN:		40 POINTS
<ul style="list-style-type: none"> The program design is complete, adheres to program guidelines, all necessary components are identified in the application, and demonstrates an effective use of THDA resources. 		
1. Site Control – Up to 3 points	The Applicant owns the property on which the proposed housing will be developed.	3 Points
	The Applicant has an option or contract to purchase the property on which the proposed housing will be developed.	2 Points
	The Applicant demonstrates a consistent and successful history of securing ownership control of property over the past five years prior to the Application Due Date that equals either: (1) the number of single family units proposed in the application or (2) if multifamily housing, the number of multifamily sites proposed for acquisition in the application.	1 Point
2. The project is physically, administratively, and financially feasible with sufficient revenue for the on-going operation of the housing during the compliance period – Up to 10 points	<p>The project feasibility worksheet is completed correctly and demonstrates that operating revenue supports operating expenses and expected cash flow is positive.</p> <p>The physical unit design is appropriate for the target population such that all individuals, including those with physical disabilities, have full access to all common areas and amenities in the unit.</p> <p>If site control has been established, the proposed housing meets local zoning requirements, if applicable.</p>	Up to 10 points
3. Rent Reasonableness – Up to 5 points	Rents are affordable, such that OUD households targeted by the application will not pay more than 30% of their income on rent and utilities.	Up to 5 points
4. Match – Up to 3 points	The application demonstrates firm commitments of match greater than or equal to 25.0% of the CHI-2 grant request.	3 points
	The application demonstrates firm commitments of match between 15.0% - 24.99% of the CHI-2 grant request.	2 points
	The application demonstrates firm commitments of match between 5.0% - 14.99% of the CHI-2 grant request.	1 point



<p>5. Universal Design – Up to 4 points</p>	<p>The unit includes universal design features associated with each unit. THDA will award points for the characteristics noted below. Item “a” is worth (3) points. All other items are worth (1) point each. The maximum number of points under this category is 4.</p> <ul style="list-style-type: none"> a. One entrance door that is on an accessible route served by a ramp or no-step entrance and which also has a 36” door. b. All interior doors have a minimum of 32 inches of clear passage space except closets of less than 15 square feet. c. All hallways have a clear passage of at least 36 inches, is level with ramped or beveled changes at each threshold. d. Each electrical panel, breaker box, light switch or thermostat is no higher than 48 inches above the floor. e. Each electrical plug or receptacle is at least 15” above the floor. f. Minimum 5’ x 5’ level clear space inside and outside entry door. g. Broad blocking in walls around each toilet, tub and shower for future placement of grab bars. h. Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen. i. Front mounted controls on all appliances. j. Lever door handles on all doors. k. Loop handle pulls on drawers and cabinet doors. 	<p>Up to 4 points</p>
<p>6. Support Services – Up to 10 points</p>	<p>The application includes firm commitments demonstrated in the application that a range of support services will be available that will enable the tenant to meet each of the Health, Purpose and Community dimensions of their recovery as described in Section A – Recovery Housing of this program description. Services are available at the choice of the applicant.</p> <p>If housing will be provided to include family members of the individual in recovery, support services are available to each household member to foster their long-term success in the OUD recovery.</p>	<p>Up to 10 points</p>
<p>7. Innovation – Up to 5 points</p>	<p>The housing proposed in the application demonstrates a creative approach to affordable rental housing for low income households recovering from OUD.</p>	<p>Up to 5 points</p>



APPLICANT CAPACITY		40 POINTS												
<ul style="list-style-type: none"><i>The Applicant demonstrates sufficient capacity to carry out the proposed project and to manage the permanent rental housing through the compliance period.</i>														
1. Housing Development & Housing Service Delivery Experience – Up to 14 points	The Applicant, including its staff or contracted consultants, has successful experience with rental housing development. The Applicant, including its staff, has successful experience in the delivery of housing related services.	Up to 14 points												
2. Housing Management Experience – Up to 14 points	<p>The Applicant, including its staff or a contracted, third party property management entity, has successful experience with the management of affordable rental housing.</p> <table><tr><td><u>Years</u></td><td><u>Points</u></td></tr><tr><td>1-3</td><td>3</td></tr><tr><td>4-6</td><td>6</td></tr><tr><td>7-9</td><td>9</td></tr><tr><td>10-12</td><td>12</td></tr><tr><td>13 Years and Over</td><td>14</td></tr></table>	<u>Years</u>	<u>Points</u>	1-3	3	4-6	6	7-9	9	10-12	12	13 Years and Over	14	Up to 14 points
<u>Years</u>	<u>Points</u>													
1-3	3													
4-6	6													
7-9	9													
10-12	12													
13 Years and Over	14													
3. Financial Capacity of the Applicant – Up to 12 points	The Applicant’s financial statement demonstrates that the Applicant has a strong financial health, including, but not limited to, a diverse source of revenues, unrestricted cash resources to support the property’s operation if project income is insufficient to meet project expenses. The Applicant’s financial audit does not demonstrate material exceptions or concerns about management and operation.	Up to 12 points												
4. Past Performance – Up to 8 points deduction	<p>Applicants with past experience as a recipient of funds under THDA’s Competitive Grants Program, National Housing Trust Fund Program, Neighborhood Stabilization Program, or HOME Program may receive a point deduction based on the Applicant’s past failure to:</p> <ul style="list-style-type: none">Draw funds timely and according to instructions.Complete the project in accordance with requirements.Operate the rental housing in accordance THDA guidelines over the compliance period.Respond timely to resident complaints, contractor concerns, and THDA requests for information and documentation.	Up to 2 points deduction for each concern												



COMMUNITY SUPPORTS		14 POINTS
<ul style="list-style-type: none"> <i>The Applicant proposes housing in a county with health, purpose, and community dimension supports necessary for an individual's successful OUD recovery.</i> 		
1. Purpose & Community - Up to 7 points	<p>The Applicant proposes housing in a county that has an unemployment rate equal to or less than the statewide unemployment rate.</p> <p>OR</p> <p>The Applicant proposes housing in a county with an unemployment rate higher than the statewide unemployment rate and the Applicant demonstrates that partnerships are established to link tenants of the proposed housing to employment.</p>	Up to 7 points
2. Health – Up to 7 points	The Applicant proposes housing in a county or adjacent county in which a drug & alcohol treatment center or a mental health treatment is located.	Up to 7 points
NEED		6 POINTS
<ul style="list-style-type: none"> <i>The Applicant proposes housing in a county evidencing a high need.</i> 		
1. Opioid Use Prevalence – 4 points.	The Applicant proposes housing in a county with a high prevalence of opioid use.	4 points
2. Economic Status Designation – 2 points	For FY2020, the Appalachian Regional Commission designates a county in which the housing will be located as either Economically Distressed or At Risk.	2 points





Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Summary of Proposed Amendments Incorporated into the Draft Amended 2019-2020 Low-Income Housing Credit Qualified Allocation Plan September 13, 2019

This document is intended to be a general summary of the substantive amendments proposed for the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "2019-2020 QAP"). Minor, non-substantive amendments (e.g. changing year references from 2019 to 2020, changing sentence structure, changing formatting, etc.) are not reflected herein, but are reflected in the redline version of the draft.

More specific language for these items is included in the Draft 2017 QAP available online at: <https://s3.amazonaws.com/thda.org/Documents/Business-Partners/Multi-Family-Developers/LIHTC-Program/DRAFT-AMENDED-2019-2020-QAP-FOR-WEB-08.02.2019.pdf>.

1. Section 2, "Adaptive Reuse/Conversion"
Definition has been modified to include hotels or motels.
2. Section 2, "Existing Multifamily Housing"
Definition has been modified to reflect that Initial Applications proposing developments that combine Existing Multifamily Housing and new construction will be evaluated and reviewed as Existing Multifamily Housing.
3. Section 2, "Person with Disabilities"
Definition has been added.
4. Section 2, "Special Housing Needs"
Definition has been added.
5. Section 3-G, Total Development Cost Limits
Language allowing Innovation Initial Applications to exceed the current limits by up to 10 percent has been added.
6. Section 5-C, Fee Schedule
Language regarding the Owner's Annual Certification Extension Fee and the Owner's Annual Certification Late Fee has been added.
7. Section 6-D, Minor SAEs
Language regarding expiration of Minor SAEs has been added.

8. Section 9, Innovation Round

Language regarding the Innovation Round theme has been added.

9. Section 15-E, Application of Various Limits and Final Ranking Process

Language regarding cross-counting among set-asides has been added.

10. Section 16-E, THOMAS Carryover Allocation Application Submission Requirements

Language regarding submission of a recorded warranty deed or a fully executed 50-year ground lease has been clarified.

11. Section 22-A-3-f and Section 22-A-3-g, Relief for 2017 and 2018 Allocations

Staff recommends amendment of the language as reflected below (this amendment is shown in redline form as it was not previously included in the Draft Amended 2019-2020 QAP).

f) The Placed-In-Service deadline for Housing Credit Exchange Allocations will be:

(i) **December 31, ~~2020~~ 2021** for developments that originally received an allocation under the 2018 QAP;
or

(ii) **December 31, ~~2020~~ 2021** for developments that originally received an allocation under the 2017 QAP.

(iii) Failure to meet or requesting an extension to the applicable deadline **will be** a Major Significant Adverse Event under Section 6-A of this QAP.

g) The Syndication transaction closing deadline for Housing Credit Exchange Allocations will be:

(i) **July 1, 2019** for developments previously allowed to exchange Housing Credit **and** participating in the THDA Community Investment Tax Credit program **and** involving a non-profit organization that is organized under the laws of Tennessee, is based in Tennessee, and meets the requirements of Section 7 of this QAP;; or

~~(ii) **September 16, 2019** for all other developments.~~

(iii) Failure to meet this deadline **will be** a Major Significant Adverse Event under Section 6-A of this QAP.



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SUMMARY OF AND STAFF RESPONSE TO COMMENTS ON PROPOSED AMENDMENTS TO THE 2019-2020 LOW-INCOME HOUSING CREDIT QUALIFIED ALLOCATION PLAN

A "redline" draft of the proposed amended 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the "Proposed Amended 2019-2020 QAP") was circulated on August 2, 2019. The comment period for the Proposed Amended 2019-2020 QAP closed on August 12, 2019. Copies of the submitted comments follow this summary of and staff response to the comments.

1. Existing Multifamily Housing – the Proposed Amended 2019-2020 QAP specifies that "Existing Multifamily Housing" is limited to housing currently under income and rent restrictions. Existing Multifamily Housing and proposed rehabilitation of housing without income and rent restrictions may be eligible for consideration under the Non-Profit Set-Aside, CNI Grants, Innovation Round, PHA Set-Aside, or Existing Multifamily Housing. The Proposed Amended 2019-2020 QAP clarifies that Initial Applications proposing developments that combine Existing Multifamily Housing and new construction will be evaluated and reviewed as Existing Multifamily Housing.
 - a. **Summary:** The comment received encourages THDA to prohibit the combination of Existing Multifamily Housing and new construction.
 - b. **Response:** Staff is mindful that sound proposals for the development of affordable rental housing can involve combining development types. Clarifying that Initial Applications proposing developments that combine Existing Multifamily Housing and new construction will be evaluated and reviewed as Existing Multifamily Housing will permit the New Construction Regional Pools and the General Pool to be exclusive to Initial Applications proposing 100 percent new construction.
2. Clarify that the Total Development Cost Limits are a one-time snapshot test at Initial Application.
 - a. **Summary:** The comments received regarding this proposed amendment are evenly split between favorable and unfavorable. The favorable comment mentions not being restricted to a cost cap indefinitely. The unfavorable comment contemplated a scenario in which this proposed amendment could lead to attempts to "game" the tie-breaker and suggested stronger language in the Proposed Amended 2019-2020 QAP prohibiting allocation recipients from requesting more LIHC than initially allocated.
 - b. **Response:** Staff intends for this proposed amendment to prevent numerous requests to the Tax Credit Committee for exceptions to/waivers of the total development cost limits as development costs rise over time and unexpected costs are incurred. The Proposed Amended 2019-2020 QAP specifies (Section 16-D and Section 18-D) that the amount of LIHC allocated at Carryover Application or Final Application may be less than, but will not exceed, the amount specified in the Reservation Notice. Since the calculation of the LIHC amount is largely based on construction costs, this prohibition is a disincentive to underestimate construction costs.
3. Provide additional clarity regarding cross-counting among set-asides.
 - a. **Summary:** The comments received regarding this proposed amendment were opposed to cross-counting among set-asides.
 - b. **Response:** The general idea behind cross-counting, pursuant to prior direction, is to reduce the number of allocations made from the set-asides, thereby increasing the number of allocations from the general pool. All

other things being equal, if the preference is to have more allocations made from the set-asides, cross-counting should be minimized, and vice versa.

4. Rehabilitation hard costs per unit – Section 14-B-2-c of the Proposed Amended 2019-2020 QAP offers up to 3 points for Proposed Rehabilitation Hard Cost Per Unit. To receive maximum points, the Proposed Rehabilitation Hard Cost Per Unit must be at least \$30,001 and no more than \$35,000.
 - a. **Summary:** A comment was received encouraging THDA to substantially increase the dollar values associated with the 5 scoring tiers in this criterion.
 - b. **Response:** Staff recommends not changing the dollar values associated with the 5 scoring tiers in this criterion. The intent of the criterion is to encourage rehabilitation of housing that is in a state such that the Proposed Rehabilitation Hard Cost Per Unit will not be excessive.
5. Appraisal methodology
 - a. **Summary:** Comments were received requesting that THDA allow more flexibility with regard to using something other than the lesser of the “as-is restricted value” or consideration value in determining the value of land and existing buildings for purposes of calculating the noncompetitive Low-Income Housing Credit (“LIHC”) amount for a development also involving THDA Multifamily Tax-Exempt Bond Authority.
 - b. **Response:** Staff would need to conduct research into valuation methods and other federal and state policies and programs prior to making a recommendation regarding this comment.
6. Specify that Innovation Round applications may exceed the applicable Total Development Cost Limits by up to 10.0%.
 - a. **Summary:** The comment received regarding this proposal was positive, and encouraged THDA to more broadly reevaluate total development cost limits.
 - b. **Response:** It is staff’s intention to update the total development cost limits periodically.
7. Adverse Action by Local Jurisdiction – Section 1 of the Proposed Amended 2019-2020 QAP contains language that allows THDA to reduce the amount of LIHC available to the jurisdiction in future QAPs if, after the allocation of LIHC to a proposed development, the local jurisdiction takes action to prevent the proposed development from going forward (e.g. “downzoning”, action regarding utilities or utility connections, action regarding required public roads, or action to prevent issuance of Certificates of Occupancy).
 - a. **Summary:** Although no change to the Adverse Action by Local Jurisdiction language in the Proposed Amended 2019-2020 QAP has been proposed, a comment was received noting that this provision could encourage, not deter, adverse action.
 - b. **Response:** Staff recommends no change to the language. Staff’s position is that it is important for THDA to make clear that these types of actions are opposed by THDA and for THDA to have the ability to impose consequences if such action occurs.
8. Scattered Site Development – the Proposed Amended 2019-2020 QAP currently shows this definition as being removed from Section 2. Staff no longer recommends deleting this definition.
9. Development Team Tennessee Housing Credit Allocations – Section 14-A-4-a and Section 14-B-4-a of the Proposed Amended 2019-2020 QAP offer up to 3 or up to five points (for new construction and rehabilitation, respectively) to Initial Applications with development team members that have participated in developments previously allocated LIHC in Tennessee.
 - a. **Summary:** Although no change (other than updating years) to the Development Team Prior Tennessee Allocations selection criterion has been proposed, a comment was received encouraging THDA to broaden the criterion to include allocations of LIHC made in other states.
 - b. **Response:** Staff recommends no further change to the criterion. Staff’s position is that previous successful experience with the LIHC program in Tennessee is an important factor in assessing the likelihood that a development team will complete a proposed development in a timely and satisfactory manner. Individuals that have not previously had experience with LIHC allocation in Tennessee are able to partner with more experienced individuals or participate in noncompetitive LIHC developments in order to gain experience for the criterion in regard to competitive LIHC.



Morrow Realty Company, Inc.
COMMERCIAL AND INVESTMENT PROPERTIES

August 9, 2019

VIA EMAIL
TNAllocation@thda.org

Mr. Ralph M. Perrey
Executive Director
Tennessee Housing Development Agency
502 Deaderick Street
Nashville, TN 37243

RE: Comments on Draft Amended 2019-2020 Qualified Allocation Plan

Dear Mr. Perrey:

Thank you for the opportunity to make comments on the draft Amended 2019-2020 Qualified Allocation Plan ("QAP"). We appreciate the opportunity to do so and THDA's willingness and openness to accept comments, which improves the QAP each year. Below are our comments to the current draft QAP.

Redlines and Summary

First, we say a big thank you for providing a redlined version of the QAP showing the changes from 2018. That helps tremendously and allows for a much easier and faster review of the changes.

Section 14.B.4.a – Development Team Experience

We request that the points under Section 14.B.4.a related to Development Team Experience apply equally to both Tennessee developers and out-of-state developers. Currently, in state developers with only one project receive 3 or 5 points depending on the year of most recent allocation. Whereas, potentially an out of state developer with several projects and substantially more tax credit development experience would get 0 points. This essentially eliminates out of state developers from participation in the program. THDA should allow out of state developers with 10 or more tax credit projects to receive the same amount of points as in state developers.

Thank you for considering these comments. We appreciate the opportunity to provide this input to you and I would be happy to discuss any of these or other items with you.

Sincerely,

A handwritten signature in black ink that reads "David Morrow". The signature is written in a cursive, flowing style.

David Morrow



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August 9, 2019

TNAllocation@THDA.org
Tennessee Housing Development Agency
Andrew Jackson Building, Third Floor
502 Deaderick St., Nashville, TN 37243

To Whom It May Concern:

On behalf of NH&RA's Tennessee Developers Council (TDC), I am writing to provide comments on THDA's Draft Amended 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (QAP). We thank the Tennessee Housing Development Agency (THDA) staff for the time and hard work that went into editing the draft 2019-2020 QAP.

About the Tennessee Developer Council

TDC's mission is to provide a unified voice for the development community on the most important state housing issues and to effectively and efficiently communicate concerns or feedback about state policies and legislation that directly impacts affordable housing development businesses. In that spirit, our comments are based on the premise of creating more affordable housing options for low-income Tennesseans.

Innovation Round applications may exceed the applicable total development cost limits by up to 10.0 percent.

TDC supports the change to clarify that innovation round applications may exceed the applicable total development cost limits by up to 10.0 percent. We further recommend that THDA revisit all total development cost limits across the entire QAP – construction costs continue to rise since the last revision of the QAP and we believe it is appropriate and imperative to increase total development cost limits to reflect current market conditions. We note THDA expressed it was its intent to revisit Total Development Cost limits from time to time when it initially adopted the QAP.

As we have observed in previous comments, rather than document the current Total Development Cost limits in a table in the QAP we recommend that THDA simply reference HUD's mortgageable cost limits for the Section 221(d)(4) program calculated pursuant to the practices and limits cited in FHA MAP Guide 8.10.A.1.c. This has several advantages – it becomes an evergreen item in the QAP that does not need to be updated when HUD adjusts its limits (typically annually). This is especially important given THDA has a two-year QAP. HUD's limits, in conjunction with its cost adjustment factors, also delineate between numerous factors including geography, bedroom numbers, construction type (elevator vs. non-elevator buildings) and other relevant factors. It should be noted that HUD's mortgageable cost limits are applied only to mortgage proceeds (not development cost) and do not take into account equity (LIHTC or traditional). We believe that it is appropriate for THDA to set limits on the amount of cost that can be paid by LIHTC proceeds (and that HUD's mortgageable limits by construction type and geography are a reasonable standard) but these limits should not be the boundaries of a cap on *total* outlay of cost. Costs in excess of this limit that are paid for by other sources (i.e. debt and gap-funding) should be permissible.

In the event that THDA does not adopt HUD's mortgageable cost limits for the Section 221(d)(4) program, we urge THDA to incorporate pricing considerations for structured parking above and beyond the base-levels in the total development cost limits. Structured parking is incredibly expensive to build, especially when it involves underground excavation and is required in many urban settings. If THDA is willing to adjust total development cost limits by building typology, unit size and geography, THDA should adjust total development cost limit for structured parking. We recommend that the total development cost limit be increased by \$25,000 per structured parking space.

Total development cost limits as a one-time snapshot test at Initial Application.

TDC is concerned that the proposed amendment may have unintended and undesirable consequences. Since construction costs feature prominently in THDA's tiebreaker, we are concerned that if this is a "one-time snapshot" even the best-intentioned applicants may be incented to underestimate construction costs at application. This dynamic is exacerbated further given the current velocity of the market for building acquisitions and developable land as well as the steady increase in cost of construction. We believe it is important for THDA to adopt policies that incentivize applicants to submit applications with a strong likelihood of closing in the future without the need of further incentives from THDA (e.g. exchanges of credits / expansion of allocations / reduction in units). As an alternative, we recommend that THDA adopt stronger language in the QAP prohibiting nine percent LIHTC applicants from requesting increases in a previous allocation if this request is a result of increases in underwritten construction costs from their initial applications. Should Total Development Cost costs increase, we do not object to applicants finding additional sources (i.e. soft loans, deferred developer fee and Payments In Lieu Of Taxes) even if this exceeds the Total Development Cost limits, provided additional nine percent LIHTCs are not the gap source.

We do not, however, recommend this proposed policy for the four percent Multifamily Bond Program. If a bond project has sufficient eligible basis to support additional LIHTC where construction costs have increased, we think it is entirely appropriate to waive credit and Total Development Cost limits given that the "as of right" nature of the four percent LIHTCs or to even eliminate these provisions with respect to four percent transactions entirely. We believe that the present per-deal limitations on PAB Volume Cap in the QAP already sufficiently constrain the upper limits of total development cost to amount that is reasonable and politically defensible.

Cross-counting among set-asides

TDC members prefer that the Non-Profit and CNI Grant Allocations not "cross count" against the Existing Multifamily Housing Allocations or New Construction Regional Pool Allocations. This will ensure a full 25 percent subscription to preservation transactions, which is a state priority in the QAP.

TDC would also like to seek clarification that an application submitted as part of the PHA set-aside will not count against the New Construction or Existing Housing allocations. We assume this will still be the case since it was not addressed in the draft QAP.

Appraisal methodologies

Land is never included in eligible basis; however, THDA should take affirmative steps in its QAP to maximize eligible acquisition basis in four percent projects and thus maximize the amount of tax credit equity available to the project. To a certain extent, appraisals are both an art and a science and appraisers have some discretion within the confines of the Uniform Standards of the Professional Appraisal Practice (USPAP) to take into consideration many factors in assigning value to the land versus the building. Appraisals should always consider sales comparison, replacement value and income approaches in any valuation; however, they should have the discretion to weigh one methodology over another where appropriate. To the extent that a credible appraisal by a trained professional with experience and understanding of multifamily affordable

rental housing concludes a value, state policy should generally affirm this valuation. State policy should not artificially limit the appraisal to a single approach or set fixed limits to acquisition basis, though consideration can and should be taken as part of the underwriting and financial viability analysis.

Where federal policies exist as to the appraisal methodology, state policy should defer and conform to the federal policy. For example, the U.S. Department of Agriculture has set the acquisition price for Rural Development Section 515 properties as the as-is value (restricted value or unrestricted, depending on if the original USDA Restrictive Use Provisions have expired) plus the transferred replacement reserve account balance. Likewise, HUD has developed its own valuation policy for projects financed under the Rental Assistance Demonstration Program that is designed to maximize four percent LIHTC equity.

To this end, we do not think that the "As Is restricted value" which THDA currently utilizes on acquisition-rehab and RAD projects is a fair appraisal method when projects are trying to leverage the maximum basis for acquisition within a four percent credit transaction. These transactions often use a seller take back note that serves as a financing tool to make these projects financially feasible. Restricting appraisers to a limited scope valuation method that only considers the "as is restricted value" takes a valuable financing tool off the table.

Minor SAEs

We recommend adopting a process whereby minor SAE points "burn off" over time, perhaps with the adoption of a new two-year QAP or some other reasonable time period.

Adverse action by local jurisdiction

Reducing the amount of Housing Credit available to a jurisdiction that prevents proposed developments serves as a reward, rather than a deterrent, to local communities that oppose development of affordable housing. The language on page two, that was previously on page 14, of the draft QAP seems counterproductive and may lead to more communities opposing affordable housing developments so that they will see a reduction in credits available in the future and then have less affordable housing to protest. Affordable housing needs to exist in all communities. It is incumbent upon THDA and developers to work with local communities to build support for affordable housing.

Scattered site development

TDC notes that the definition for scattered site development was removed from page 10 of the draft QAP. Does THDA no longer intend to award credits to proposed scattered site developments?

Once again, TDC appreciates the opportunity to provide THDA with this feedback. We are happy to discuss any specific questions you might have regarding these comments or other subjects of concern. Please feel free to contact me directly with any questions at 202-939-1753.

Best Regards,



Thom Amdur
President

cc: Ralph Perrey, Donna Duarte, Felita Hamilton and Don Watt



WODA COOPER COMPANIES

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August 9, 2019

Mr. Don Watt
Acting Director of Multifamily Programs
Tennessee Housing Development Agency
Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

RE: Draft Amended 2019-2020 QAP Comments

Dear Mr. Watt,

On behalf of Woda Cooper Development, Inc., we are pleased to submit the following comments regarding the Draft Amended 2019-2020 QAP. We hope these comments will assist the Tennessee Housing Development Agency (THDA) in furthering its mission.

1. *Section 2 Definitions: Existing Multifamily Housing - A multifamily development that will preserve affordable housing units that are rent and income restricted. Initial Applications proposing developments that combine Existing Multifamily Housing and new construction will be evaluated and reviewed as Existing Multifamily Housing. (page 7)*

We disagree with THDA's proposed change to the definition of existing multifamily housing and believe the definition for existing multifamily housing should only include a multifamily development that will preserve affordable housing units that are rent and income restricted. Allowing existing multifamily housing to be combined with new construction will only lead to developers to game the system in the interest of maximizing points as opposed to preserving naturally occurring affordable housing. Furthermore, we have seen this occur in other states and it has needlessly complicated things for lenders, investors, and other State Housing Agencies. Therefore, new construction should not be allowed to be combined with existing multifamily housing.

2. *Total Development Cost Limits - The Total Development Cost Limits are a one-time test applied at Initial Application. (page 14)*

We commend THDA for applying the total development cost limits as a one-time test applied at initial application, because it allows developers the flexibility to adjust to unforeseen cost and circumstances as they move through the development process.

3. *Section 11: Existing Multifamily Housing Allocations - Income and rent restrictions through programs such as the Housing Credit program, Multifamily Tax-Exempt Bond Authority Program, or programs administered by USDA or HUD are not required. (page 31)*

We strongly believe that THDA should make income restrictions through programs such as USDA or HUD a requirement as part of being eligible for an existing multifamily housing allocation. Making it a requirement will allow THDA to prioritize tax credits to developments with rental subsidy. By allocating tax credits to these developments, THDA will be preserving rental

assistance that without the tax credits would otherwise be lost. As currently worded, THDA is allowing market rate housing to become affordable housing. Such market rate deals are likely not performing well and THDA would ultimately be bailing out a poor investment. THDA should not be in the business of bailing out those developers.

4. *Section 12: New Construction Regional Pool Allocations - New Construction Regional Pool allocations are limited to 1 per county. Allocations to developments involving RAD will not count against this per county limit. (page 32)*

We strongly believe that THDA should not allow for cross-counting among set-asides. Doing so would dilute the set-asides if they "double count". As such, in addition to RAD, THDA should also have developments involving a CNI Grant not count against the per county limit.

5. *Section 14: Initial Applications Scoring – Applications Proposing Rehabilitation of Existing Multifamily Housing - Table 14-9: Proposed Rehabilitation Hard Costs per Unit. (page 45)*

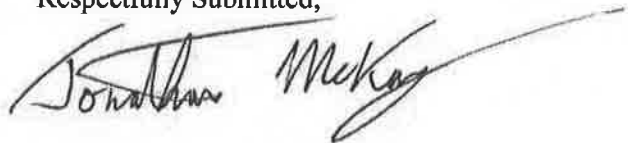
The proposed rehabilitation hard costs per unit table 14-9 includes points for "per door" rehabilitation amounts that are grossly inadequate. In order to maximize the points, developers are pushed to scale back their rehabs to between \$30,001 to \$35,000 per door. Ultimately, this hurts the scope of the rehab and does not allow the scope of work to adequately address what the property truly needs in order to be running optimally. Construction costs have continued to rise since the financial crisis as sub-contractors have not reentered the market to the level prior to the financial crisis. Thus, THDA should raise the dollar amounts significantly under the table to account for this. If THDA is going to award tax credits to existing multifamily housing, it should be done right so that the property is going to last another 20 years before being eligible to receive another tax credit allocation since developers are committing to 20 years for maximum points under the extended recapitalization waiver.

6. *Appraisal Requirements*

We respectfully request THDA provide better language in regard to requirements for rehab appraisals and include the specific requirements in the QAP.

Please contact me at (614) 396-0057 if you have any questions. Again, we greatly value this opportunity to provide feedback as we find it important to creating good public policy to better serve all Tennesseans.

Respectfully Submitted,



Jonathan McKay, Vice President
Woda Cooper Development, Inc.

Cc: Jeffrey J. Woda, President, Woda Cooper Development, Inc.
David Cooper, Jr., Principal, Woda Cooper Development, Inc.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM: Don Watt
Director of Community Programs
Acting Director of Multifamily Programs

DATE: September 13, 2019

SUBJECT: Hillside Flats (TN19-232)
Request for Waiver of Total Development Cost Limit

The 2019-2020 Low-Income Housing Tax Credit Qualified Allocation Plan (the "2019-2020 QAP") limits the total development cost for both competitive and non-competitive Low-Income Housing Credit ("LIHC") as reflected in Table 3-2 in Section 3-G of the 2019-2020 QAP. The limits do not consider underground or structured parking as this is a very rare feature in Tennessee LIHC developments.

The following request from Dawana Wade of Hillside GP, Inc. describes a proposed 290 low-income unit development in Nashville that will include structured parking. The costs associated with the structured parking cause the proposed development to exceed the limits referenced above.

Staff is recommending that the Tax Credit Committee and the Board of Directors allow the applicant to exclude costs associated with structured parking from the total development cost of the proposed development. The exclusion of the structured parking costs will allow the proposed development to satisfy the existing Total Development Cost Limits.

ECG Hillside, LP
118 16th Avenue South, Suite 200
Nashville, TN 37203

June 28, 2019

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

Re: Total Development Cost Waiver Request – Hillside Flats, Nashville, TN (TN 19-232)

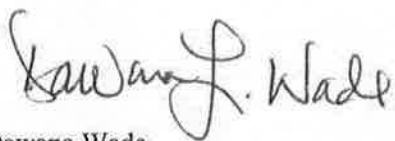
ECG Hillside, LP submitted a 2019 Firm MTBA/Noncompetitive 4% application for Hillside Flats (Project #: 19-232) on June 28, 2019. Consistent with Elmington Capital Group's waiver request sent to Ralph Perrey on March 15, 2019, ECG Hillside, LP is requesting a waiver of the Total Development Cost Limits defined in the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan.

The overage in costs is driven by the construction of the parking garage to be built for the tenants as part of this development. If we were to exclude this parking garage our total costs would be under the threshold. The structured parking is necessary to conform with the site plan under the approved zoning for the site and to provide adequate parking for the property's residents.

The QAP recognizes that different construction types and development locations entail different levels of cost: it costs more to build a townhome than a flat, and it costs more to develop in an urban location than in a rural one. The QAP further recognizes that topography and other unusual site conditions can also impact costs. Recognizing that a development that requires structured parking costs more than a development with surface parking is entirely consistent with this thoughtful approach to development cost limits that has been put forward by THDA.

We respectfully request the above waiver to allow for the financial feasibility of the Hillside Flats development. Thank you again for your time and attention.

Sincerely,



Dawana Wade
President of Salama Hillside GP, Inc.,
Sole general partner of ECG Hillside, LP