



**Tennessee Housing Development  
Agency - Board of Directors  
Meeting Materials  
November 19, 2019**



**Tab 1 – Agenda**

**Tab 2 – Memo from Ralph M.  
Perrey, Staff Awards,  
Plus Other Documents**

**Tab 3 – Bond Finance Committee  
Meeting Materials**

**Tab 4 – Audit & Budget Committee  
Meeting Materials**

**Tab 5 – Grants Committee  
Meeting Materials**

**Tab 6 – Lending Committee  
Meeting Materials**

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

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

# Tab # 1

Items:

Agenda

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

**Agenda (Tab #1)**

Public Comment to the Board

Hedges, Perrey, Board Members

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- A. Opening Comments and Introductions ..... Hedges
- B. Staff Recognition (Directors) (**Tab #2**) ..... Perrey
- C. Approval of Minutes from September 24, 2019 Meeting (**Tab #2**) ..... Hedges
- D. Annual Meeting Items (**Tab #2**) ..... Hedges / Perrey
- \* 1. Election of Vice Chair (**No materials in package**) ..... Hedges
2. Committee Membership (**No materials in package**) ..... Hedges
3. Official Statement Review (**No materials in package**) ..... Miller
4. 2020 THDA Board of Directors Meeting Schedule ..... Perrey
5. 2020 Annual Forms ..... Perrey
- E. Executive Director's Report ..... Perrey
- F. Committee Reports and Committee Matters
1. ***Bond Finance Committee (November 18 – 2:00 p.m. State Capitol, Conference Room G-11) (Tab #3)*** ..... **Hedges**
- \* a. Issue 2020-1 Authorization ..... Miller
- \* b. Issue 2020-1 Reimbursement Resolution ..... Miller
- c. THDA Debt Issuance and Underwriter Performance Analysis ..... Miller
- d. THDA Debt Limit Analysis (**Materials will be sent under separate cover**) ..... Miller
- e. Five Year Financial Plan ..... Beard
- f. Issue 2019-3 State Form CT-0253 ..... Miller
2. ***Audit & Budget Committee (November 19 – 9:00 a.m.) (Tab #4)*** ..... **Hargett**
- a. Disclosure Analysis Report for Board Members ..... Oliver
- b. Disclosure Analysis Report for THDA Staff ..... Oliver
- c. Enterprise Risk Management Update ..... Oliver
- d. Fiscal 2019 Internal Audit Summary ..... Oliver
- e. Fiscal Year 2019 Financial Statement Audit Update ..... Beard
- f. Five Year Financial Plan ..... Ridley
- g. Annual Performance Evaluation of Director of Internal Audit ..... Hargett
- \* h. Annual Performance Evaluation of Executive Director ..... Hargett



**THDA Board of Directors Meeting**  
**November 19, 2019—1:00 p.m. Central Time**  
**Agenda Page # 2**

3. ***Grants Committee (November 19 – 9:15 a.m.) (Tab #5)..... McMullen***
  - \* a. 2020 Emergency Solutions Grant Program Description ..... Watt
  - \* b. 2020 HOME Program Description ..... Watt
  - \* c. 2020 Spring Round Tennessee Housing Trust Fund Competitive Grants Program  
Description ..... Watt
  - \* d. 2020 Capacity Building Grant Programs Re-Authorization ..... Watt
  - \* e. 2016 Spring Tennessee Housing Trust Fund Competitive Grants Program Grant Extension  
Request ..... Watt
  - \* f. 2015-2016 HOME Grant Extension Requests ..... Watt
  - g. 2020 HOME Bright Futures Bridge Subsidy Proposal ..... Watt
4. ***Lending Committee (November 19 – 9:30 a.m.) (Tab #6)..... Cleaves***
  - a. Construction Loan Program Discussion ..... Hall
5. ***Rental Assistance Committee (November 19 – 9:35 a.m.) (Tab #7)..... Snodderly***
  - \* a. Housing Choice Voucher Administrative Plan Rules (Roll Call Vote) Ridley / Scott / Balcom
  - b. Utilization Update ..... Ridley / Scott
6. ***Tax Credit Committee (November 19 – 9:40 a.m.) (Tab #8)..... Tully***
  - \* a. 2020 Multifamily Tax-Exempt Bond Authority Program Description ..... Watt
  - \* b. Enterprise Green Amendment to Low Income Housing Tax Credit Qualified Allocation Plans  
(2016, 2017, 2018) ..... Watt
  - c. Rural Subsidy Program Discussion ..... Watt

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\* Indicates Board Action Required

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# Tab # 2

## Items:

Memo from Ralph M. Perrey, Executive Director  
Service Award Recipients

2020 THDA Board of Directors Meeting Schedule

2020 Contact Form/W-9

2018 Strategic Plan Update

September 24, 2019 Meeting Minutes (to be  
sent under separate cover)

# *Celebrating* *Years of Service*

## 5 Years

*Terry Benier*

SFSP HHF Underwriter  
Single Family Special Programs  
THDA Hire Date: September 29, 2014

## 5 Years

*Kenyell Chalmers*

Housing Program Coordinator  
Community Programs  
THDA Hire Date: October 22, 2014

## 5 Years

*Nekishia Potter*

Sr. Housing Program Coordinator  
Community Programs  
THDA Hire Date: October 20, 2014

## 10 Years

*La Mar Brooks*

Contract Operations Manager  
Section 8 Contract Admin & Compliance  
THDA Hire Date: September 9, 2009

## 5 Years

*Kilolo Dunmore*

Sr. Internal Auditor  
Internal Audit  
THDA Hire Date: April 8, 2018  
State Hire: July 7, 2014

## 10 Years

*Joe Bethell*

Multifamily Coordinator  
Multifamily Programs  
THDA Hire Date: August 17, 2009

## 5 Years

*Patrick Adams*

KMTH Specialist  
Single Family Special Programs  
THDA Hire Date: June 27, 2014

## 10 Years

*Patrick Harrell*

Database Administration Manager  
Information Technology  
THDA Hire Date: September 21, 2009

# *Celebrating* *Years of Service*

## 10 Years

*Cindy Ripley*

*Asst. to the Executive Director  
Executive*

THDA Hire Date: September 1, 2009

## 15 Years

*Robert Lucas*

*Multifamily Business Systems Analyst  
Multifamily Programs*

THDA Hire Date: September 16, 2004

## 15 Years

*Kristy Allen*

*Sr. Business Systems Analyst  
Information Technology*

THDA Hire Date: December 1, 2004

## 20 Years

*Valeri Allen*

*Housing Program Coordinator  
Community Programs*

THDA Hire Date: October 16, 2000

State Hire Date: July 1, 1983 through  
August 6, 1984

(Department of Education)

## 20 Years

*Caroline Rhodes*

*Mortgage Loan Closing Manager  
Loan Operations*

THDA Hire Date: October 18, 1999

## 25 Years

*Sharon Putnam*

*Financial Accountant  
Accounting*

THDA Hire Date: July 1, 2018

State Hire Date: September 16, 1994

(Department of Finance and Administration)

**TENNESSEE HOUSING DEVELOPEMENT AGENCY**  
**2020 Schedule of Board and Committee Meetings\***

| DATE                                    |    | MEETING                     | TIME     | PLACE   |
|---|----|-----------------------------|----------|---|
| January**<br><br>Tuesday & Wednesday    | 28 | Bond Finance Committee      | 2:00 PM  | State Capitol – Room G-11   |
|   | 29 | Audit & Budget Committee    | TBA      | Tennessee Tower<br>312 Rosa L Parks Avenue<br>Nashville, TN 37243<br>The Nashville Room – 3 <sup>rd</sup> Floor |
|   |    | Lending Committee           | TBA      |   |
|   |    | Grants Committee            | TBA      |   |
|   |    | Tax Credit Committee        | TBA      |   |
|   |    | Rental Assistance Committee | TBA      |   |
|   |    | Board of Directors Meeting  | 1:00 PM  |   |
| March                                   | 23 | Bond Finance Committee      | 2:00 PM  | State Capitol – Room G-11   |
|   | 24 | Audit & Budget Committee    | TBA      | Tennessee Tower<br>312 Rosa L Parks Avenue<br>Nashville, TN 37243<br>The Nashville Room – 3 <sup>rd</sup> Floor |
|   |    | Lending Committee           | TBA      |   |
|   |    | Grants Committee            | TBA      |   |
|   |    | Tax Credit Committee        | TBA      |   |
|   |    | Rental Assistance Committee | TBA      |   |
|   |    | Board of Directors Meeting  | 1:00 PM  |   |
| May                                     | 18 | Bond Finance Committee      | 2:00 PM  | State Capitol – Room G-11   |
|   | 19 | Audit & Budget Committee    | TBA      | Tennessee Tower<br>312 Rosa L Parks Avenue<br>Nashville, TN 37243<br>The Nashville Room – 3 <sup>rd</sup> Floor |
|   |    | Lending Committee           | TBA      |   |
|   |    | Grants Committee            | TBA      |   |
|   |    | Tax Credit Committee        | TBA      |   |
|   |    | Rental Assistance Committee | TBA      |   |
|   |    | Board of Directors Meeting  | 1:00 PM  |   |
| July**<br><br>Tuesday & Wednesday       | 28 | Bond Finance Committee      | 2:00 PM  | State Capitol – Room G-11   |
|   | 29 | Audit & Budget Committee    | TBA      | Tennessee Tower<br>312 Rosa L Parks Avenue<br>Nashville, TN 37243<br>The Nashville Room – 3 <sup>rd</sup> Floor |
|   |    | Lending Committee           | TBA      |   |
|   |    | Grants Committee            | TBA      |   |
|   |    | Tax Credit Committee        | TBA      |   |
|   |    | Rental Assistance Committee | TBA      |   |
|   |    | Board of Directors Meeting  | 1:00 PM  |   |
| September<br>**<br><br>Friday & Tuesday | 18 | Bond Finance Committee      | 10:00 AM | State Capitol - Room G-11   |
|   | 22 | Tax Credit Committee        | TBA      | Out of Town Board Meeting<br>Clarksville, TN  |
|   |    | Audit & Budget Committee    | TBA      |   |
|   |    | Grants Committee            | TBA      |   |
|   |    | Lending Committee           | TBA      |   |
|   |    | Rental Assistance Committee | TBA      |   |
|   |    | Board of Directors Meeting  | 1:00 PM  |   |
| November                                | 16 | Bond Finance Committee      | 2:00 PM  | State Capitol - Room G-11   |
|   | 17 | Tax Credit Committee        | TBA      | Tennessee Tower<br>312 Rosa L Parks Avenue<br>Nashville, TN 37243<br>The Nashville Room – 3 <sup>rd</sup> Floor |
|   |    | Audit & Budget Committee    | TBA      |   |
|   |    | Grants Committee            | TBA      |   |
|   |    | Lending Committee           | TBA      |   |
|   |    | Rental Assistance Committee | TBA      |   |
|   |    | Board of Directors Meeting  | 1:00 PM  |   |

PLEASE NOTE: The start time for Committee meetings noted as TBA will be provided prior to the meeting date

**\*THIS SCHEDULE IS SUBJECT TO CHANGE. Board members will be notified as soon as possible.**

**\*\*Dates differ from original Monday/Tuesday Schedule due to location reservations.**

## Request for Taxpayer Identification Number and Certification

Give Form to the  
requester. Do not  
send to the IRS.

► Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

Print or type.  
See Specific Instructions on page 3.

|   |   |
|---|---|
| 1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.   |   |
| 2 Business name/disregarded entity name, if different from above  |   |
| 3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only <b>one</b> of the following seven boxes.<br><br><input type="checkbox"/> Individual/sole proprietor or single-member LLC<br><br><input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► _____<br><br><b>Note:</b> Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is <b>not</b> disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.<br><br><input type="checkbox"/> Other (see instructions) ► | 4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):<br><br>Exempt payee code (if any) _____<br><br>Exemption from FATCA reporting code (if any) _____<br><br><small>(Applies to accounts maintained outside the U.S.)</small> |
| 5 Address (number, street, and apt. or suite no.) See instructions.   | Requester's name and address (optional)   |
| 6 City, state, and ZIP code   |   |
| 7 List account number(s) here (optional)  |   |

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Note:** If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

|                                |  |  |  |   |  |  |   |  |  |
|--------------------------------|--|--|--|---|--|--|---|--|--|
| Social security number         |  |  |  |   |  |  |   |  |  |
|                                |  |  |  | - |  |  | - |  |  |
| or                             |  |  |  |   |  |  |   |  |  |
| Employer identification number |  |  |  |   |  |  |   |  |  |
|                                |  |  |  | - |  |  |   |  |  |

### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign  
Here

Signature of  
U.S. person ►

Date ►

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

## Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.

## 2018 Strategic Plan Accomplishment Highlights

November 2019



### Production

- **4,473** loans closed through all lending programs in 2018.
- **20,749** first liens with a total principal balance of \$1.75M (100% of US Bank sub-serviced loans) successfully boarded onto the THDA VMLS servicing system by August 2018.
- **6,877** households received rental assistance through the HCV program (utilizing 97% of Housing Assistance Payment funding) during 2018.
- **2,101** new affordable multifamily rental units will be built & **4,305** affordable rental units preserved through 2018 Low Income Housing Credit & Multifamily Bond Authority.



### Quality/Sustainable Housing

- **4,454** households completed pre-purchase Homebuyer Education (HBEI) during 2018.
- **2,556** HHF DPA & **41** New Start borrowers completed post-purchase HBEI during 2018.
- 99% of Multifamily (LIHC/MTBA) & 100% of grant-funded properties passed a quality control inspection or made repairs within the required time-frame in 2018.
- 20% increase in the number of qualified contractors participating in THDA Weatherization programs by 2019 (as a result of 2018-2019 outreach efforts).



### Rural / PHA/ Areas of Opportunity

- **637** units in 15 properties located in rural areas will be preserved using 2018 Low Income Housing Credits (LIHC) and/or Multifamily Bond Authority (MTBA).
- **443** units in Public Housing Authority Rental Assistance Demonstration projects will be preserved, and **127** new units created using 2018 LIHC and/or MTBA.
- **342** units in 6 properties located in an area with a concerted Community Revitalization Plan (CRP) were awarded 2019 LIHC (2 rural, 1 suburban, 3 urban).
- **117** units (8 out of 12 projects) funded through the National Housing Trust Fund are located in a census tract of opportunity.
- 13 of 59 lenders (22%) with THDA loan closings outside of Metropolitan Statistical Areas (MSAs) in 2018 were “new” lenders (had not closed a THDA loan in the past 3 years).



### Special Needs/Hard to House Populations

- **174** elderly/disabled households (29% of all new admissions) were preferentially admitted to the voucher program in 2018.
- **99** new (Section 811) vouchers for non-elderly disabled households were competitively awarded to THDA in 2018 & are in process of being issued/leased.
- **53** new units funded by the TN Housing Trust Fund (2018 & 2019) target transitioning foster youth (TFY), Veterans, homeless adults with mental illness or ex-offenders.
- **67** new units funded by the 2018 TN Housing Trust Fund targeted extremely low-income households.
- **161** new/rehabilitated units funded by the National Housing Trust Fund (2016-2018 awards) have project based rental assistance making them affordable to extremely low-income households.

## Strategic Plan Progress Report

| Legend:   |  |   | Achieved | Achieved & Revolving | Not Due | Delayed | Not Met | Not Met & Revolving | Discarded |
|---|--|---|----------|----------------------|---------|---------|---------|---------------------|-----------|
| HOMEOWNERSHIP   |  |   |          |                      |         |         |         |                     |           |
| Goal(s):  | Objective(s):  | Achievements  |          |                      |         |         |         |                     |           |
| Serve as moderate income Tennesseans' first choice for an affordable home loan.                                 | Increase both the number of OAs (with or without closings) and the number of OAs who process a loan (i.e. lenders) in non-MSA counties.            | 55 new OAs (2017 to mid-2019). 13 of 59 lenders (22%) closing a loan in 2018 in a non-MSA county had not participated in THDA loan programs in the past 3 years.  |          |                      |         |         |         |                     |           |
|   | Provide HBEI partners training on the Smart MH curriculum by 12/31/18 to begin encouraging use of THDA mortgage products for Manufactured Housing. | 4 THDA staff; 3 network counselors received Smart MH training & certificate; Partnership with Next Step for counselor training; Next Step presented at Symposium, 6/25/2019.  |          |                      |         |         |         |                     |           |
|   | Research potential for a targeted manufactured housing program; report to Executive Team by 12/31/18.  | Staff are participating in Manufactured Homes Industry and Next Step Taskforces, but report is not complete. Delayed until after MBS launch.  |          |                      |         |         |         |                     |           |
|   | Submit application to Fannie Mae & Freddie Mac to partner in secondary market as a seller-servicer by 12/31/18.                                    | Freddie Mac application submitted and approved.   |          |                      |         |         |         |                     |           |
|   |  | Fannie Mae application delayed, 12/31/2019.   |          |                      |         |         |         |                     |           |
|   | HHF/DPA evaluation to show total funds expended (after all funding exhausted) by zip code & demographics (12/31/2018).                             | Program continued after 12/31/2018. Research will release report in early 2020.   |          |                      |         |         |         |                     |           |
|   | Increase MCC awareness & production by 20% by 12/31/2018.  | Discarded, program suspended by Board action, 10/31/2019.   |          |                      |         |         |         |                     |           |
| Make Tennessee workforce aware of eligibility of home loan products and education to prepare for homeownership. | Expand the Step In program to 3 corporations by 12/31/18.  | 4 new partners during 2018/2019- Mid-South Maintenance (Mid-TN) & DelConca (E. TN); Holiday Inn-Vanderbilt (Mid-TN) & Tyson Foods (W. TN).  |          |                      |         |         |         |                     |           |
|   | Increase Step In coupons issued by 100% by 12/31/2018.   | 352 coupons issued 2017; 336 coupons issued 2018. 2019 evaluation in early 2020.  |          |                      |         |         |         |                     |           |
|   | Convert 50% of Step In coupons to THDA loans by 12/31/2018.  | 14% of coupons converted to a THDA loan in 2018. Activities to increase coupon conversions ongoing; re-evaluate 12/31/2019.   |          |                      |         |         |         |                     |           |
| Create well-prepared households through pre-purchase education.   | 100% of THDA loan participants required to complete HBEI (Great Choice Plus, HHF DPA, New Start) complete pre-purchase education by 12/31/18.      | 100% of loan participants (4,454) required to complete counseling completed pre-purchase HBEI in 2018.  |          |                      |         |         |         |                     |           |
| Enhance THDA's role and reputation as counseling advocate and partner.  | Increase the number of HBEI partners 10% by 9/30/18.   | THDA lost 2 HBEI partners after October 2018.   |          |                      |         |         |         |                     |           |
|   | Assess the needs of the borrowers in the servicing portfolio and how best to allocate in-house counseling resources by 12/31/2018.                 | Monthly meetings are occurring between VMLS staff and HBEI team. THDA counselors plan to engage VMLS borrowers within 45-60 days of closing (First Contact Program (FCP)). Each borrower will receive information in the VMLS Welcome Packet. |          |                      |         |         |         |                     |           |
|   | Evaluate mystery shopper findings by 3/31/2019 to ensure counselors are offering standard hours & curriculum.                                      | Cost estimate too substantial to pursue new process. Existing process for evaluating counselors will continue (annual site visit, file review & certification review).  |          |                      |         |         |         |                     |           |



| Legend:   | Achieved  | Achieved & Revolving | Not Due | Delayed   | Not Met | Not Met & Revolving | Discarded |  |
|---|---|----------------------|---------|---|---------|---------------------|-----------|--|
| HOMEOWNERSHIP   |   |                      |         |   |         |                     |           |  |
| Goal(s):  | Objective(s):   |                      |         | Achievements  |         |                     |           |  |
| Identify and create well-prepared, eligible low-income homeowners.                                      | Encourage borrowers to complete pre-purchase counseling either in person or through E-Home America online module & track the number of borrowers who complete online counseling annually. |                      |         | 100% of loan participants required to complete counseling completed pre-purchase HBEI in 2018. HHF DPA & New Start borrowers completing online counseling increased from 59% of borrowers in 2017 (910 borrowers) to 69% in 2018 (1,794 borrowers). |         |                     |           |  |
|   | 100% of HHF DPA & New Start borrowers complete post-purchase counseling.  |                      |         | 2,556 HHF DPA & 41 New Start borrowers (100%) completed post-purchase counseling during 2018. 2019 will be evaluated in early 2020.   |         |                     |           |  |
|   | Increase the number of THDA FSS participants completing pre- and post-purchase counseling by 6/30/2019.   |                      |         | Delayed- no tracking mechanism for FSS participants who complete HBEI.  |         |                     |           |  |
|   | Through training & management, improve quality of New Start portfolio by reducing delinquencies (1 <sup>st</sup> report 9/30/2019).   |                      |         | RPTS working on report.   |         |                     |           |  |
| Servicing   |   |                      |         |   |         |                     |           |  |
| Goal(s):  | Objective(s):   |                      |         | Achievements  |         |                     |           |  |
| Protect revenue through efficient operations and minimizing losses while preserving investor interests. | Successfully board US Bank sub-serviced loans onto THDA VMLS servicing system by 7/31/18.   |                      |         | 100% of US Bank sub-serviced loans (20,749 first liens with a total principal balance of \$1.75M) boarded onto the THDA VMLS servicing system by 8/4/2018.  |         |                     |           |  |
|   | Facilitate the conversion of data from US Bank's system of record (FICS).   |                      |         | All data fields validated to ensure that all loans would convert successfully by 8/1/18.  |         |                     |           |  |
|   | 95% of defined loan sample meet established milestones (post conversion loan level review completed by 6/30/2019).  |                      |         | 95% of defined loan sample meet established milestones by 6/30/2019.  |         |                     |           |  |
|   | Reduce 60+ default rate on average of 25% quarterly during CY 2019.   |                      |         | Total 60+ default is down 1.5 percentage points since 12/31/2018 (7.36 end of September, down from 8.65 at end of December). Continue to monitor in 2020.   |         |                     |           |  |
| Promote successful long-term homeownership through high quality customer service.                       | Achieve a staff training ratio of 95% through 6/30/2019.  |                      |         | Training activities (continuing education MBA/Allregs courses) completed at 100% at 9/30/2019.  |         |                     |           |  |
|   | Automate at least 4 processes by 6/30/2019 (one per quarter).   |                      |         | 6 processes automated by 6/30/2019.   |         |                     |           |  |
|   | Offer paperless statements and promote to current customer base by 6/30/2019 (5% sign up monthly).  |                      |         | VMLS worked with Paymentus in 2018 to migrate customer-facing website. Go live & customer sign up delayed to 12/31/2019.  |         |                     |           |  |
|   | Publish welcome, FAQ video & Customer Assistance pages. Achieve 50% customer account sign up, 15% website payment utilization by 6/30/2019.   |                      |         | Customer account sign up at 57%; website utilization at 41% currently.  |         |                     |           |  |

| Legend:  |   | Achieved | Achieved & Revolving | Not Due | Delayed  | Not Met | Not Met & Revolving | Discarded |  |
|--|---|----------|----------------------|---------|--|---------|---------------------|-----------|--|
| Assisting Renters  |   |          |                      |         |  |         |                     |           |  |
| Goal(s):   | Objective(s):   |          |                      |         | Achievements   |         |                     |           |  |
| Ensure effective management of Housing Choice Vouchers that are used in Tennessee. | 95% of HAP funding is utilized during calendar year.  |          |                      |         | 97% of HUD HAP funding utilization during 2018. Utilization averaged 96% from January to September 2019.   |         |                     |           |  |
|  | Achieve high performer rating under SEMAP audit for FYE 2018.   |          |                      |         | High performer rating achieved for FYE2018 & 2019  |         |                     |           |  |
|  | Develop model plan for THDA/PHA partnerships.   |          |                      |         | Discarded as not feasible.   |         |                     |           |  |
| Increase quality landlord participation in Section 8 HCV.                          | Work with Vendor to update design & functionality of TNHousingSearch.org by 6/1/2018.   |          |                      |         | Updates completed May 15, 2018.  |         |                     |           |  |
|  | Market and outreach TNHousingSearch.org to property managers, apartment associations & create new email taglines and disseminate.   |          |                      |         | Information disseminated at TAHRA, SAHMA, Fair Housing & THDA Regional Housing Conferences, April, May & June 2018. New email taglines & brochure for prospective searchers created in August 2018. Targeted outreach to THDA funded properties started second quarter 2019. |         |                     |           |  |
|  | Improve TNHousingSearch.org to make rent comparisons more efficient.  |          |                      |         | Rent comp inventory report updated & sent to vendor quarterly.   |         |                     |           |  |
|  | Work with Emphasys (vendor) to create a file transfer protocol to import rent comp data for units with program exits by 12/31/2018.   |          |                      |         | Contract with vendor secured October 2018. File transfer protocol for import not yet completed by vendor after multiple requests- <u>Vendor Delay</u> .  |         |                     |           |  |
|  | 50 new landlords with units in rural counties begin participating in the program by 6/30/2019.  |          |                      |         | 5 new landlords/units added in rural areas by 6/30/2019. Next report 12/31/2019.   |         |                     |           |  |
|  | 75% of landlords transition to e-payments by 3/31/2019; 100% by 6/30/2019.  |          |                      |         | 85% transitioned by 6/30/2019; 93% transitioned by 9/30/2019 (121 outstanding).  |         |                     |           |  |
|  | A study of best practices for landlord recruitment will be requested through THDA's leadership academy by 12/31/2018.   |          |                      |         | Delayed- THDA Leadership Academy selected as a CY2019 project. Report will be forthcoming & recommendations adopted into 2020 Plan.  |         |                     |           |  |
| Improve and expand rental housing opportunities for target populations.            | Explore feasibility of applying for new HUD Mainstream/811 vouchers & possibility of converting to Place-based Vouchers by 6/1/2018.  |          |                      |         | Successfully applied & received an award of 99 Mainstream/NED 811 vouchers in September 2018. Mainstream-NED voucher issuance began in 2019.   |         |                     |           |  |
|  |   |          |                      |         | Place based voucher review not completed; may be considered in future years.   |         |                     |           |  |
|  | Review criminal activity & admission/ ongoing participation to ensure compliance with HUD Fair Housing & ensure policies make the program accessible to ex-offenders where appropriate. |          |                      |         | Administrative Plan updated and rules promulgated on 1/3/2019 to allow additional time absent from the unit for temporary incarceration.   |         |                     |           |  |
|  | Offer program preferences for disabled/elderly households receiving social security income.   |          |                      |         | 174 elderly/disabled households with Social Security income (29% of all new admissions) were preferentially admitted to the voucher program in 2018. Preference continues in 2019.   |         |                     |           |  |

| Legend:   |   | Achieved | Achieved & Revolving  | Not Due | Delayed | Not Met | Not Met & Revolving | Discarded |
|---|---|----------|---|---------|---------|---------|---------------------|-----------|
| Quality, Sustainable Housing  |   |          |   |         |         |         |                     |           |
| Goal(s):  | Objective(s):   |          | Achievements  |         |         |         |                     |           |
| <p>Ensure all units with THDA funding remain sustainable, accessible, safe, sanitary and energy efficient and in good repair.</p> <p>Ensure that all homeowners receiving THDA assistance have the knowledge, skill, and means to maintain and repair their homes for the lowest possible cost.</p> | A measurable improvement in livability variables is achieved based upon E3 Innovate data for the WAP service population (report 9/30/2019).   |          | THDA is working with TVA and 3 Cubed to obtain actual information on health and safety improvements in weatherization units. Data collection is completed, and THDA should have results that show the positive health impacts related to Weatherization by early 2020.  |         |         |         |                     |           |
|   | Increase the number of qualified contractors participating in the WAP program 25% by 9/30/2019 by aligning WAP certification with other energy efficiency programs and researching the best method to provide advance payments to contractors.  |          | THDA attended contractor meetings across the state to promote THDA's WAP program. 7 new approved contractors were added across the state, representing a 20% increase. Several additional contractors are working on obtaining additional training to become certified to bid on WAP jobs.                        |         |         |         |                     |           |
|   | Identify ways to align requirements and delivery of THDA repair programs based upon the population served, including HOME match requirements, and where not possible document the reason (by 6/30/19).  |          | Completed multiple areas of alignment: eliminating match requirement for ERP to align with ARC/TRLP; eliminating homeowners insurance requirement in HOME program; creating information for all programs about the importance of homeowners insurance; added lead based paint information to ARLP/TRLP documents. |         |         |         |                     |           |
|   | Program specific quality standards are met in 100% of units & energy efficiency measures implemented decrease usage.<br><i>WAP: Post repair or maintenance usage data shows a decrease in usage annually (9/30/2019).</i><br><i>MF: 33% of portfolio is monitored annually for compliance with UPCS standards and 100% meet requirements; make required repairs or are issued an 8823 (12/31/2019).</i> |          | Energy savings based on the DOE current estimated savings calculations was achieved in THDA WAP units. 2018 = 420 units, saving 12,306 Mbtu; 2019 = estimate 475 units, saving and estimate of 13,917 Mbtu.   |         |         |         |                     |           |
|   |   |          | 99% of the 87 Multifamily properties inspected in the most recent monitoring period passed or made repairs within required time-frame during 2018.  |         |         |         |                     |           |
|   | New utility allowance options implemented for Multifamily Programs by January 2019 & utility usage data shows a decrease in usage annually (first report February 2020).  |          | Multifamily division adopted new utility allowances in January 2019. Usage report due 3/31/2020.  |         |         |         |                     |           |
|   | Provide post repair education to 100% of households in Community Programs repair programs by 6/30/19.   |          | 100% of WAP assisted households received post-repair education in each quarter of 2018/2019.  |         |         |         |                     |           |
|   | Participate in Multifamily Strategic Energy Management Pilot with TVA, NES & Milepost in Davidson County to provide energy efficiency education to low income property managers, maintenance & residents.   |          | Collaborated with TVA, NES & Milepost to select multifamily properties for SEM Pilot (renamed "Community Power Challenge"). 5 Davidson County LIHTC properties are participating in the pilot challenge (June 2018). Activities began October 2018.   |         |         |         |                     |           |
|   | Achieve cost savings at the identified properties to support SEM PILOT program (March 2020).  |          | Not due until 2 <sup>nd</sup> quarter 2020.   |         |         |         |                     |           |

|  |  |                                 |                |  |                |                                |                  |
|--|--|---------------------------------|----------------|--|----------------|--------------------------------|------------------|
| <b>Legend:</b>   | <b>Achieved</b>  | <b>Achieved &amp; Revolving</b> | <b>Not Due</b> | <b>Delayed</b>   | <b>Not Met</b> | <b>Not Met &amp; Revolving</b> | <b>Discarded</b> |
| <b>Homelessness</b>  |  |                                 |                |  |                |                                |                  |
| <b>Goal(s):</b>  | <b>Objective(s):</b>   |                                 |                | <b>Achievements</b>  |                |                                |                  |
| Meaningfully expand or preserve the housing resources of hard-to-serve populations at risk for homelessness, not otherwise served by other housing programs. | Finance the development of 16 units targeted to transitioning foster youth or ex-offenders by 6/30/2019.   |                                 |                | 53 new units were funded through the TN Housing Trust Fund (2018, Fall 2019) for youth aging out of foster care (TFY), hard to lease Veterans, homeless adults with mental illness or ex-offenders.  |                |                                |                  |
|  | Evaluate the feasibility of using HOME funds for rental assistance for transitioning foster youth by 3/31/2019.  |                                 |                | THDA Community Programs Director meets with DCS Director, 2/6/2019. HOME PBRA program for TFY in 2020 in Middle and East Tennessee.  |                |                                |                  |
| Work to develop resources that would improve the stability of individuals and families who are homeless or at risk of homelessness.                          | Finance the preservation or development of 25 units targeted for extremely low income households by 6/30/2019.   |                                 |                | 67 new units funded by the TN Housing Trust Fund (2018) target extremely low-income households.  |                |                                |                  |
|  | 50 percent of NHTF units funded through NHTF have project based rental subsidies by 12/31/18.  |                                 |                | 100% of the 161 new and rehabilitated units funded by the National Housing Trust Fund as of 12/31/2018 have project based rental assistance.   |                |                                |                  |
|  | Provide funding for COCs to complete Built for Zero program aimed at ending Veterans homelessness by 6/30/2018.  |                                 |                | THDA provided a \$10,000 sponsorship to the TN Valley Coalition to End Homelessness to attend the Built for Zero program (May 2018). TN Valley Coalition staff presented on the Built for Zero training at the Housing Conference (March 2019).  |                |                                |                  |
|  | Create & disseminate online Sub recipient Title VI & Fair Housing training by 12/31/2018.  |                                 |                | Sub-recipient online training, quiz and VI Self -Assessment form completed in August 2018. Online training & form posted/disseminated via THDA website December 2018. Online training & self-assessment presented at sub-recipient workshops in 2019.  |                |                                |                  |
|  | Conduct outreach to state and local agencies who serve hard to house populations to increase awareness of the TNHousingSearch.org functionality by 12/31/2018. |                                 |                | Information presented at: TAHRA & SAHMA conferences (public & assisted housing providers) April, May 2018 & 2019; Youth Villages, June 2018 & Mid-Cumberland HRA (transitioning foster youth), August 2018. Training with Dept. of Mental Health, TennCare, & Managed Care Organization housing specialists, August 2018; Training at End Slavery Tennessee, December 2018 |                |                                |                  |
|  | Research the feasibility of THDA applying for VASH voucher registration when offered by HUD & VA by 3/31/2019.   |                                 |                | 2018 application deadline missed. Currently, not pursuing the objective.   |                |                                |                  |

| Legend:   |   | Achieved | Achieved & Revolving  | Not Due | Delayed | Not Met | Not Met & Revolving | Discarded |
|---|---|----------|---|---------|---------|---------|---------------------|-----------|
| Rental Development  |   |          |   |         |         |         |                     |           |
| Goal(s):  | Objective(s):   |          | Achievements  |         |         |         |                     |           |
| Increase availability and quality of rental units.  | 95% of reviewed Multifamily properties pass UPCS inspection and reviewed grant-funded properties pass HQS at initial visit or make repairs within allowed time- frame annually. |          | 99% of the 87 Multifamily properties & 100% of grant-funded properties (65 HOME & 8 TN HTF) passed or made repairs within required time frame in 2018. Next report for 2019 (3/31/2000).  |         |         |         |                     |           |
|   | Produce newly developed and preserve affordable units with THDA funding.  |          | Funds allocated to develop 2,101 new affordable rental units & to preserve 4,305 affordable rental units in 2018. Next report for 2019 (3/31/2000).   |         |         |         |                     |           |
| Develop ways to encourage & support efforts to develop in rural areas.  | Increase the number of LIHTC & MFB units funded in non-MSA or agency defined rural counties.  |          | LIHTC funded 4 preservation projects in rural counties in 2017 & 5 in CY2018. MFB funded 10 rural preservation projects in CY2018. Next report for 2019 (3/31/2000).  |         |         |         |                     |           |
| Increase number of hard-to-house households served.   | Continue to maximize PHAs access to RAD approval through LIHTC program allocation preferences.  |          | 3 PHAs (246 new units) were awarded a LIHTC allocation to build 246 new units (189 low income); 1 PHA was awarded MFB allocation to rehab 381 units in CY2018. Next report for 2019 (3/31/2000).  |         |         |         |                     |           |
| Consider other sources of gap financing for affordable rental housing development   | Continue to encourage developments that serve program defined hard to house populations through scoring priority.   |          | 53 new units were funded through the 2018 and Fall 2019 TN Housing Trust Fund programs for youth aging out of foster care (TFY), hard to lease Veterans, homeless adults with mental illness or ex-offenders.                                 |         |         |         |                     |           |
|   | Continue to encourage project based rental assistance through scoring priority in National Housing Trust Fund (HTF).  |          | 100% of units (595 units) funded through NHTF as of 12/31/2018 had project based rental subsidies.  |         |         |         |                     |           |
| Encourage rental developments in communities that improve the vitality of the area & that increase the options for low-income families. | Continue to preference developments that are located in census tracts of opportunity in the National Housing Trust Fund (HTF).  |          | 8 out of 12 projects (67%) with 117 units funded through the NHTF (2016, 2017, 2018) are located in census tracts of opportunity.   |         |         |         |                     |           |
|   | In areas that meet the criteria for a community revitalization plan (CRP) or developments that contribute to the economic revitalization of an area.                            |          | The 2019-2020 QAP was updated to include a preference for properties located in an area with a CRP and the definition of a qualified CRP was updated. 6 applications submitted in 2019 met the new CRP criteria and all were awarded credits. |         |         |         |                     |           |

## THDA Board Meeting

Tab # 2

Agenda Items No.

- C. Board Meeting Minutes for September 24, 2019 will be sent under separate cover.

**Tennessee Housing Development Agency  
Bond Finance Committee**

**November 18, 2019  
2:00 P.M. Central Time**

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AGENDA

1. Call to Order .....Hedges
2. Approval of minutes from November 6, 2019, meeting .....Hedges
3. Issue 2020-1 Authorization.....Miller
4. Issue 2020-1 Reimbursement Resolution .....Miller
5. THDA Debt Issuance and Underwriter Performance Analysis .....Miller
6. THDA Debt Limit Analysis.....Miller
7. Five Year Financial Plan..... Beard
8. Issue 2019-3 State Form CT-0253 .....Miller
9. Adjourn .....Hedges

LOCATION

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

COMMITTEE MEMBERS

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

## To Be Sent Separately

### Bond Finance Committee

#### Agenda Item No.

2. November 6, 2019 Minutes
3. Issue 2020-1 Authorization
4. Issue 2020-1 Reimbursement Resolution

Documentation for this item will be provided prior to the November 18 Committee meeting.





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## **MEMORANDUM**

**TO:** THDA Bond Finance Committee

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

**SUBJECT:** Underwriter Performance Review,  
January 2019 through October 2019

**DATE:** November 6, 2019

### **EXECUTIVE SUMMARY**

The Tennessee Housing Development Agency (“THDA”) successfully secured attractive, highly competitive bond rates for the \$525 million of bonds it has closed in 2019 to date in Issues 2019-1, 2019-2, and 2019-3.

The underwriting team selected by THDA in January 2018 has performed well. The book-running managers have achieved favorable pricing and delivered smooth execution on all components of THDA’s bond offerings, including PAC bonds, term bonds, and serial bonds. In addition to extensive distribution to institutional investors, which is particularly critical on PACs and longer term bonds, the senior managers have also generated strong retail support from Tennessee and out-of-state investors.

Led by Wiley Brothers-Aintree in the selling group (elevated to co-manager) and JP Morgan with most allotments between the two regular co-managers, the syndicate members contributed significantly in winning allotments for priority Tennessee and national retail orders for the offerings. Selling group member FTN Financial was least effective.

### **INTRODUCTION**

As financial advisor to THDA, CSG Advisors prepared this review of THDA’s underwriters’ performance for bond issues sold in 2019 through October. The purpose is to help THDA evaluate the performance of the members of the current underwriting team and to review certain aspects of the underwriting syndicate structure. Also, this report is intended to meet the requirements of Section XII of the THDA Debt Management Policy titled “Debt Management Review” that calls for an annual review of underwriters and the results of THDA’s debt issuance.

### **I. CURRENT UNDERWRITING TEAM MEMBERS: ROLES AND SELECTION**

Though THDA’s current underwriting team was selected in early 2018, the co-senior managing members of the team – Citigroup, Raymond James, and RBC Capital Markets – and regular co-managers JP Morgan and Wells Fargo Securities were familiar from their performance on prior THDA bond offerings.

Consistent with THDA's practice in recent years, in 2019 a third co-manager was selected from the selling group on an issue by issue basis, as described below.

In addition to these managers, THDA also used a selling group which at the start of the year consisted of five firms focused on submitting orders from retail customers. With issues that include retail-oriented bonds, the use of a selling group helps maximize orders, especially from in-state retail customers, and broadens distribution of the bonds to end-buyers. In April 2019, Baird acquired Hilliard Lyons, both of which were selling group members for THDA's bond issues. With that acquisition, the selling group was made up of four firms.

On each appropriate new issue, it has been THDA's practice to include an additional co-manager selected as the selling group firm allotted the most bonds for retail orders on the prior issue. This approach has helped provide a strong incentive for members of the selling group to submit priority in-state retail orders to support each bond sale. Wiley Bros.-Aintree Capital, LLC served as a co-manager on all of the 2019 issues.

## **Roles**

Members of the underwriting team are expected to perform distinct functions, reviewed below:

***Book-Running Senior or Lead Manager.*** (Selected for each issue from among the co-senior managers listed below.)

- a) Serves as the lead underwriting manager on a bond offering, helping to evaluate the market for THDA's bonds, participating in and providing analyses in finance team meetings in preparation for a sale, making suggestions and recommendations for potential financing alternatives, presenting a pricing strategy and terms for the offering, and pre-marketing the bonds to investors to identify purchasers, price points, and negotiating opportunities to benefit THDA.
- b) Represents the underwriting team in pricing the bonds, coordinating the members, accepting orders, communicating unsold balances to members, and proposing and making allotments of bonds to orders.
- c) Leads the marketing campaign for the bonds, negotiates with institutional investors, and typically records most institutional investor orders (and receives the largest share of sales compensation, or "takedown," from each such order).
- d) As book-running manager, typically logs the most professional retail investor orders (and receives the sales compensation from such orders).
- e) Negotiates for the underwriters in setting final pricing terms of a bond sale, makes an offer for the bonds, including unsold balances, on behalf of the underwriters, controls the distribution of the bonds after the pricing period and the formal award by the issuer.
- f) Receives the management fee component of the underwriters' compensation on a bond issue they lead. Also assumes the largest share of the risk on any bonds that are underwritten but not purchased by the public from the sale.

***Co-Senior Managers.*** (Citigroup, Raymond James, and RBC Capital Markets)

- a) Bring new financing ideas or techniques to THDA for consideration.

- b) Help to evaluate appropriate market yield levels for each offering, based on strong working knowledge of housing bond pricing and THDA's position in the municipal bond market.
- c) If for any reason a co-senior manager selected as book-running manager is unable to perform its functions (as happened for a number of HFAs in 2008, when UBS abruptly closed its public finance business, for example) or is removed by THDA, a co-senior manager is capable of immediately stepping into the book-running role, performing quickly and well. Co-senior managers must be thoroughly familiar with THDA's financial needs and concerns, bond issues and practices, and programs.
- d) Actively solicit both retail and institutional orders, generally receiving larger shares of sales compensation from institutional orders ("designations") to the extent of the firm's assistance to the investor and, typically, all of the sales compensation from priority professional retail orders within a retail order period.
- e) Focus sales efforts on available bond balances.
- f) Take on a share of the risk on any unsold bonds, standing ready to purchase and sell underwritten bonds at least in proportion the firm's participation, and tendering member orders to support the sale.

**Regular Co-Managers.** (JP Morgan, Wells Fargo, and one firm elevated from the selling group based on performance on previous sale):

- a) Provide pre-marketing yield views on potential bond pricing levels for each bond sale.
- b) Actively solicit both retail and institutional orders, generally receiving smaller sales designations on institutional orders than co-senior managers.
- c) Focus sales efforts on available bond balances.
- d) Take a share of the risk on any unsold bonds, purchasing and selling underwritten bonds at least in proportion to the firm's participation, and tendering member orders to support the sale.

**Selling Group Members.** These firms are included to expand the distribution for retail bond sales, especially in Tennessee. Since each member of the underwriting syndicate brings its own sales network, individual retail buyers may only have access to a THDA bond issue if they have an account relationship with a member. Selling group members do not provide input into bond pricing, receive any management fee, or take risk on unsold bonds. They do not place institutional orders or receive designations on institutional sales. Their salespeople receive a sales commission on retail orders they submit for which bonds are allotted. The firms are bound to observe the terms of the offering set by THDA and the lead manager.

### **Team Structure Compared to Other State HFAs**

Not all state housing finance agencies use the same underwriting team structure, but like THDA, many use a team of co-senior managers, where one of several regular co-senior managers is tapped to be the book-runner on each transaction. This approach spreads the work and compensation among those selected as co-senior managers and offers backup coverage, if a selected manager exits the business or cannot perform.

Also, some HFAs use rotating managers to gain the benefit of each firm's financing ideas. In theory changing book-runners could provide less continuity, but THDA's reliance on a stable finance team preserves the advantages without the downside. Further, THDA's practice of using a consistent team of senior managers over an extended period of three years assures that each senior underwriter is well acquainted with THDA's operations and bond market niche.

In placing primary responsibility on senior managers for marketing THDA's bonds, THDA's approach has been especially successful in keeping the book-running seniors focused on aggressively marketing the bonds. While relying on two co-seniors might allow the remaining co-seniors to reap more revenues from their relationships with THDA, the particularly aggressive marketing results prompted by the present use of three co-seniors provides greater depth of backup and appears to offer better overall execution for THDA.

In early 2018, THDA continued forward with a similar underwriting team structure to that which it had previously used, with one significant change: instead of continuing to employ a formal rotation between co-senior managers in selecting the firm to lead the next bond offering, the book-runner for the next issue is now determined upon authorization of each issue by the Bond Finance Committee. Although the effects of this change have not yet been dramatic, it both underscores the importance of each senior managers' continuing focus on developing financing opportunities and ideas for the benefit of THDA, and it appears to sharpen the aggressiveness of the book-runner in seeking the most favorable terms for THDA based on the circumstances of the pricing.

The strong sales results of THDA's underwriting team in a variety of bond markets reflects strengths of the syndicate structure that seems well adapted to the mix of features of THDA's bond offerings. **CSG's recommendations for the syndicate structure are these:**

- Maintain a similar structure going forward. Since the underwriter selection process that was concluded in early 2018, choosing the bookrunning manager has occurred with the authorization of each new issue. In 2019 selections have continued to be based on overall assessments of the contribution of each senior manager, including sales performance on recent issues, capital committed in support of THDA's needs, and investment banking ideas.
- While the co-seniors might prefer that each had a more central role, the use of three firms has been effective for THDA. More co-seniors would add little depth of backup support and make each firm's relationship more remote. Fewer co-seniors could weaken the aggressive sales competition that has been a key feature of the operation of the team.
- Selection of co-senior managers has been based on their experience as a book-running manager and their knowledge of THDA, the market for its bonds, and its programs. This selection process has been effective in maintaining a syndicate structure that has consistently fostered competition for THDA's bonds.
- Three co-managers, including the elevation of the most productive selling group member, has been a helpful component of THDA's strategy. More co-managers would tend to dilute the ability of the existing team to reasonably expect priority orders to be filled, while the present co-manager group assures broader investor access to bonds.
- Some of the selling group members have distinguished themselves strongly and consistently – most notably Wiley Bros-Aintree. Overall, the size of the selling group has been appropriate to the size of THDA's offerings, although industry consolidation continues to reduce the number of suitable firms. Without a retail network, the performance of selling group member FTN Financial, shown in Table 2,

has been weak. In the interest of seeing how each selling group member can perform in a range of markets, in creating opportunities for other firms to prove their value, and in spurring future attentiveness, we suggest an at least bi-annual assessment and removal of the weakest performing selling group member, especially to the extent selling group positions may be limited and other firms have applied for the role and may be able to offer stronger performance.

## **Reasons for Selection**

Late in 2017, THDA received written proposals to its RFP from a large number of firms to serve as an underwriter. The selection committee narrowed the pool of firms to the particular composition and membership of the firms selected. It is worth reviewing the objectives and expectations under which they were selected.

***Expectations for Co-Senior Managers.*** Citigroup, Raymond James, and RBC were selected as co-senior managers on the expectation that each would provide a high level of housing bond expertise and a commitment to meet THDA's financing needs. Each firm offered investment banking ideas and relevant bond market knowledge, combined with excellent management of bond sales. Each firm had previously served as a senior manager for THDA. Raymond James had a proven history of outstanding retail strength in marketing housing bonds in Tennessee. RBC was particularly responsive in offering capital to address THDA's ongoing financing needs in the face of the threatened federal end of private activity bond authority in December 2017. Citigroup offers a strong in-state presence. All three firms offered both proven experience in selling THDA's issues and had national ranking among the most active housing bond underwriters. Each firm was considered to have the national depth and capabilities to take on the role of book-running senior manager, if another firm was to resign or be removed for any reason.

***Expectations for Co-Managers.*** JP Morgan and Wells Fargo both offer housing bond and mortgage market leadership, have experienced personnel, have an extensive retail presence in-state, and have experience with a number of HFAs across the country. Through key assigned individuals, each of the managers could provide extensive experience and familiarity with THDA financings, and each was expected to play an active role in understanding THDA's needs and in selling bonds at attractive rates.

Although the availability of bonds for co-managers is limited by aggressive competition for priority orders from both co-seniors and selling group members, the success of the co-managers in winning a significant share of orders and allotments is a good indicator of a productive underwriting team organization that rewards going-away sales.

***Expectations for Selling Group Members.*** Based on past performance, selling group members have been selected for their strength of in-state bond sales and other factors, with the added incentive of THDA's practice of elevating the firm with the greatest allotment of bonds to retail orders to be added as a co-manager to the next suitable issue. This practice has been an effective motivator of selling group members and has become more widespread among HFAs throughout the country as a tool to spur strong retail sales performance.

***Established Fee Levels.*** THDA set protocols for payment of management fees, established liabilities ("participation") for unsold balances on bond issues, and maintained the rules for allocation of sales compensation ("designations") among the managers.

## **II. TECHNICAL BACKGROUND**

### **1. CRITERIA FOR PERFORMANCE REVIEW**

THDA has used several criteria for evaluating members of the underwriting team:

- a) How well the senior manager performed its functions of:
  - Running the books on each transaction and pricing and completing all transactions on terms attractive to THDA compared to similar bond issues then in the market, and
  - Developing extensive retail and institutional sales to support each transaction.
- b) How well the regular co-managers sales supported each transaction.
- c) How well selling group members provided retail sales, particularly in-state, to support the transactions. As first priority among retail orders, allotments of bonds to in-state retail orders tends to measure a member's retail support for a bond sale.

### **2. COMPARISONS**

In order to evaluate the various underwriters' performance, we have provided the following analyses:

- a) Bond pricing compared to other housing issues in the market around the sale time – specifically, to assess how favorably bonds were priced, and how transactions were completed compared to other issuers and industry benchmarks. At the time of each transaction, a pre-sale report compared potential pricing levels with recent bond issues, and a post-sale memo compared the final pricing with similar bond issues.
- b) Sales participation by all of the managers and selling group members relative to each other. This is most usefully measured by retail orders that are allotted bonds, since institutional orders are primarily submitted directly to the senior manager.
- c) Underwriting compensation compared to other housing issuers and consistent with the fees established by THDA.
- d) Proposed allotments and final orders.

### **3. THE BOND ISSUES**

Since January 2019, THDA completed three bond issues with its current underwriting team. The following table summarizes the issues with their dates of sale, collateral, ratings and issue structures.

**Table 1. THDA Bond Issue Summary, 2019 to Date**

| Description                       | Issue  | Sale Date | Collateral  | Amount               | Moody's Rating | S&P Rating | Components   |
|-----------------------------------|--------|-----------|-------------|----------------------|----------------|------------|--------------|
| Residential Finance Program Bonds | 2019-1 | 2/12/19   | Whole Loans | \$175,000,000        | Aa1            | AA+        | Non-AMT, PAC |
| Residential Finance Program Bonds | 2019-2 | 6/4/19    | Whole Loans | 200,000,000          | Aa1            | AA+        | Non-AMT, PAC |
| Residential Finance Program Bonds | 2019-3 | 9/4/19    | Whole Loans | 150,000,000          | Aa1            | AA+        | Non-AMT, PAC |
| <b>Total</b>                      |        |           |             | <b>\$525,000,000</b> |                |            |              |

Noteworthy features are as follows:

**Size.** Issues 2019-1, 2019-2, and 2019-3 were relatively large – at or above \$150 million – underscoring the importance of a large and capable underwriting team.

**Fixed Rate.** All issues took advantage of historically low fixed rates without variable rate bonds or interest rate swaps.

**Single Family.** These issues totaled \$525 million, all sold as Residential Finance Program Bonds under THDA's 2013 General Resolution. All three are without the moral obligation pledge of the State.

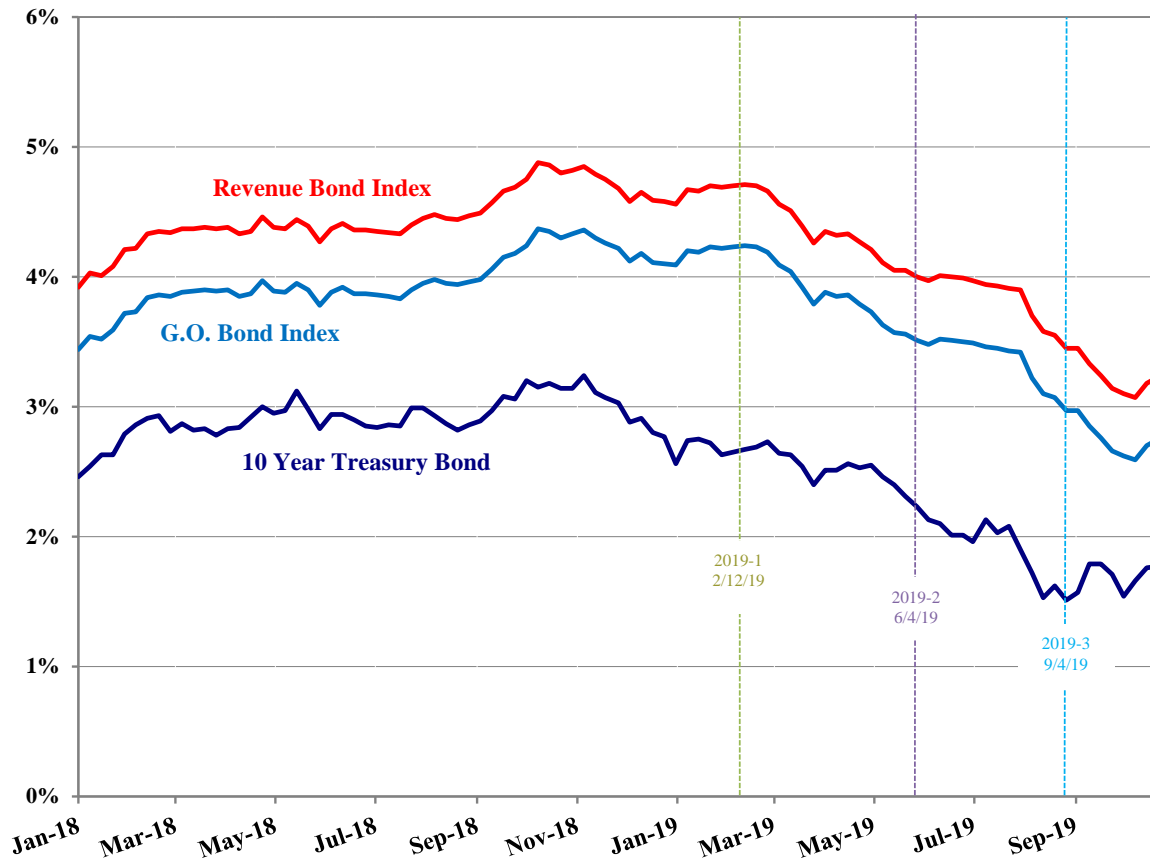
#### 4. BOND PRICING

**Timing.** An important factor affecting the bond yields achieved by THDA was the timing of when each issue was marketed and the levels and directions of key interest rates, including municipal indices, US Treasuries, and housing bond yields at that time. Of course, when issues came to market depended on numerous factors beyond the control of the senior managing underwriter. In consultation with the Office of State and Local Finance and other members of the financing team, THDA staff considers the amount and timing of loan production, as well as optional call dates and other factors, in setting sale dates.

Figure 1 shows the timing of each of bond offering compared to the levels and movements of several market indices at the time. Though outside the control of senior managers, the graph tracks the timing of THDA's pricing against several interest rate benchmarks.

**Figure 1**

**Revenue Bond Index, G.O. Bond Index, and 10-Year Treasury  
2018 - present**





### **III. EVALUATION**

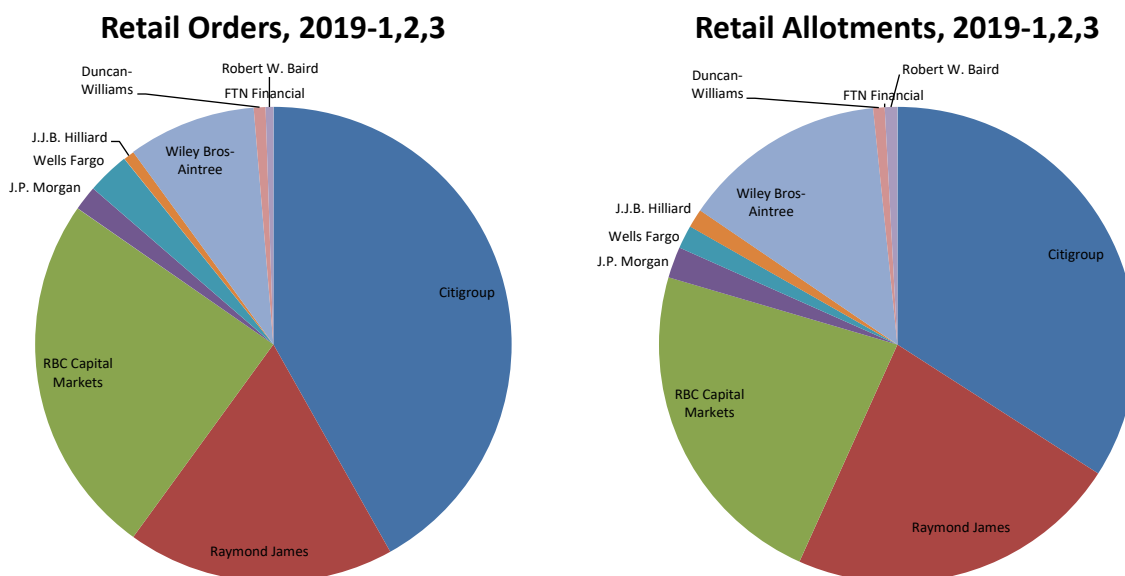
#### **1. Retail Distribution.**

Sales to retail investors continues to be an important goal for THDA's underwriting team. For the three 2019 bond issues reviewed here retail investors recorded approximately \$263.3 million of orders and received \$153.6 million of bond allotments, or 18.3% of total orders and 30.4% of total allotments. These retail sales and the added demand they represent, even for the term bonds, continued to help leverage more attractive yields from institutional investors. Maximizing retail sales and reducing balances to be sold to institutional investors has remained an important strategy for marketing THDA's and other HFAs' more traditionally structured bond offerings. Further, placing large proportions of each bond issue with 'going-away,' buy-and-hold investors helps to maintain the scarcity of THDA's bonds in both the primary and secondary markets.

Professional retail investment managers continue to play a growing role in lieu of traditional "mom-and-pop" buyers. (Professional retail consists of investments managed by professional investment firms on behalf of separately managed retail accounts, also known as "SMAs", as opposed to traditional mom-and-pop orders placed by private individuals or their advisors.) Like institutional investors, SMAs typically seek to improve their chances of an allotment by placing their orders directly with the book-running senior manager, and with multiple brokerage relationships they have flexibility easily to switch firms with which they place orders. Also, they tend to behave more like institutional buyers both in having stronger pricing views about what a bond is worth under current market conditions, regardless of the absolute levels of rates, and in being knowledgeable about comparable credits.

Table 2 on the following page summarizes all retail orders and allotments for THDA's first three bond issues in 2019, including pie chart representations of each underwriter's contribution to orders and allotments.

**Table 2. Retail Orders and Allotments by Underwriter, Issues 2019-1, 2, 3 (\$s in 000s)**



| Residential Finance<br>2019-1<br>\$175 million | Residential Finance<br>2019-2<br>\$200 million | Residential Finance<br>2019-3<br>\$150 million | Total<br>2019-1,2,3<br>\$525 million |
|--|--|--|--------------------------------------|
|--|--|--|--------------------------------------|

|  | Orders        | Allot-<br>ments | Orders         | Allot-<br>ments | Orders        | Allot-<br>ments | Orders         | Allot-<br>ments |
|--|---------------|-----------------|----------------|-----------------|---------------|-----------------|----------------|-----------------|
| <b>Senior Managers</b>   |               |                 |                |                 |               |                 |                |                 |
| Citigroup  | 1,290         | 965             | 107,565        | 50,435          | 1,365         | 975             | 110,220        | 52,375          |
| Raymond James  | 8,400         | 7,850           | 9,855          | 6,180           | 29,495        | 20,720          | 47,750         | 34,750          |
| RBC Capital Market   | 63,090        | 33,575          | 1,550          | 1,300           | 380           | 175             | 65,020         | 35,050          |
| <b>Co-Managers</b>   |               |                 |                |                 |               |                 |                |                 |
| J.P. Morgan  | 1,500         | 1,400           | 465            | 455             | 2,465         | 1,400           | 4,430          | 3,255           |
| Wells Fargo  | 1,290         | 1,185           | 415            | 40              | 5,905         | 1,195           | 7,610          | 2,420           |
| <b>Selling Group / Occasional Co-Managers Based on Selling Performance</b> |               |                 |                |                 |               |                 |                |                 |
| Wiley Bros-Aintree   | 6,435         | 6,150           | 15,210         | 13,945          | 1,200         | 1,150           | 22,845         | 21,245          |
| <b>Selling Group Only</b>  |               |                 |                |                 |               |                 |                |                 |
| Duncan-Williams  | 300           | -               | 1,500          | 900             | 300           | 300             | 2,100          | 1,200           |
| FTN Financial  | -             | -               | -              | -               | -             | -               | -              | -               |
| J.J.B. Hilliard  | 1,960         | 1,960           | -              | -               | -             | -               | 1,960          | 1,960           |
| Robert W. Baird  | 1,025         | 1,000           | 70             | 70              | 285           | 235             | 1,380          | 1,305           |
| <b>Total</b>   | <b>85,290</b> | <b>54,085</b>   | <b>136,630</b> | <b>73,325</b>   | <b>41,395</b> | <b>26,150</b>   | <b>263,315</b> | <b>153,560</b>  |

Table 3 shows syndicate members ranked by the amount of retail orders recorded on THDA's Issues 2019-1, 2019-2, and 2019-3.

**Table 3. Retail Distribution Summary, Issues 2019-1, 2019-2, & 2019-3**  
**Firms Ranked by Retail Orders (\$s in 000s)**

| <b>Firm</b>         | <b>Role</b>        | <b>Orders</b>  | <b>As %</b> | <b>Allotments</b> | <b>As %</b> |
|---------------------|--------------------|----------------|-------------|-------------------|-------------|
| Citigroup           | Co-Senior Manager  | 110,220        | 42%         | 52,375            | 34%         |
| RBC Capital Markets | Co-Senior Manager  | 65,020         | 25%         | 35,050            | 23%         |
| Raymond James       | Co-Senior Manager  | 47,750         | 18%         | 34,750            | 23%         |
| Wiley Bros-Aintree  | Selling Group (a)  | 22,845         | 9%          | 21,245            | 14%         |
| Wells Fargo         | Regular Co-Manager | 7,610          | 3%          | 2,420             | 2%          |
| JP Morgan           | Regular Co-Manager | 4,430          | 2%          | 3,255             | 2%          |
| Duncan-Williams     | Selling Group      | 2,100          | 1%          | 1,200             | 1%          |
| JJB Hilliard        | Selling Group (b)  | 1,960          | 1%          | 1,960             | 1%          |
| Robert W. Baird     | Selling Group (b)  | 1,380          | 1%          | 1,305             | 1%          |
| FTN Financial       | Selling Group      | 0              | 0%          | 0                 | 0%          |
| <b>Total</b>        |                    | <b>263,315</b> | <b>100%</b> | <b>153,560</b>    | <b>100%</b> |

- (a) Wiley Bros-Aintree also served on all 3 issues as the additional co-manager.  
(b) Robert W. Baird. acquired JJB Hilliard as a wholly owned subsidiary 4/1/19.

**Book-Running Senior Managers.** The three co-senior managers collectively accounted for \$223.0 million, or 84.7%, of the \$263.3 million total of retail orders in the 2019 issues reviewed here, with retail strength in Tennessee significantly effecting this performance. Citigroup and RBC led these orders and allotments, as shown in Tables 2 and 3, and the vast majority of those orders were recorded when they were the book-running manager. Not surprisingly, their production was sharply lower when they were serving as co-seniors, as shown in Table 4 below. Reflecting the firm's in-state retail network, Raymond James delivered significant retail orders even when not serving as the book-runner. Because SMA orders are generally placed with the book-running manager, the relative sizes of the three issues appears to be an important factor in the amount of total retail orders recorded by each firm in 2019.

**Table 4. Retail Orders from Co-Seniors While Not Running the Books,**  
**Issues 2019-1, 2019-2, & 2019-3 (\$s in 000s)**

| <b>Firm</b>         | <b>Co-Senior Orders</b> | <b>As % of Firm's Total Orders</b> | <b>Co-Senior Allotments</b> | <b>As % of Firm's Total Allotments</b> |
|---------------------|-------------------------|------------------------------------|-----------------------------|--|
| Raymond James       | 35,525                  | 74%                                | 14,330                      | 41%                                    |
| Citigroup           | 2,655                   | 2%                                 | 1,940                       | 4%                                     |
| RBC Capital Markets | 1,930                   | 3%                                 | 1,475                       | 4%                                     |

**Regular Co-Managers.** Using their retail networks in Tennessee and nationally, the two regular co-managers accounted for 4.6% of all retail orders and 3.7% of retail allotments. JP Morgan received approximately \$3.2 million of retail allotments while Wells Fargo was awarded \$2.4 million.

**Elevated Selling Group Member as Co-Manager.** With an active in-state marketing network, Wiley Bros.-Aintree Capital generated approximately \$22.8 million or 8.7% of all retail orders and over 13.8% of retail allotments, reflecting the first priority of in-state orders for allotments.

**Selling Group Members.** Aside from Wiley Bros.-Aintree Capital, the other selling group members accounted for \$5.4 million of retail orders (2.1% of total) and \$4.5 million of retail allotments (2.9% of total), contributing to retail distribution. As seen in Table 2, RW Baird's and JJB Hilliard's performance declined significantly after their combination before Issue 2019-2. FTN Financial was least successful, with no retail orders, reflecting that firm's institutionally oriented distribution.

While retail sales are a key measure of co-manager and selling group performance and these orders are certainly helpful from senior managers, the book-running senior managers must be assessed on their ability to manage bond offerings in a complex and changing market environment, as well as other factors.

## 2. Comparable Transactions

While order volume and allotments are quantitative measures of an underwriter's contribution to a bond sale, the overall success of the underwriting team can sometimes be observed in assessing comparable transactions. In the 2019 issues reviewed here THDA's underwriting team has continued to deliver results that compare favorably to other similar financings. Table 5 below summarizes how selected maturities in THDA's issues priced compared to other state HFA housing bond transactions marketed in similar time periods.

**Table 5. Selected Comparable Single Family Issues**

| Issuer         | Sale Date | Amount      | Spreads to iMMD/MMD |         |         |         | Rating    |
|----------------|-----------|-------------|---------------------|---------|---------|---------|-----------|
|                |           |             | 10 Year             | 15 Year | 20 Year | 30 Year |           |
| THDA 2019-1    |           |             |                     |         |         |         |           |
| Tennessee      | 2/12/19   | 175,000,000 | +73                 | +86     | +92     | --      | Aa1 / AA+ |
| Wyoming        | 2/13/19   | 70,160,000  | +74                 | +89     | +95(19) | --      | Aa1 / AA+ |
| New Jersey     | 2/13/19   | 202,720,000 | +80                 | +94     | +100    | +93     | Aa3 / AA  |
| Washington St. | 2/14/19   | 78,210,000  | +72                 | +85     | +93     | --      | Aaa / -   |
| THDA 2019-2    |           |             |                     |         |         |         |           |
| Tennessee      | 6/4/19    | 200,000,000 | +70                 | +86     | +86     | --      | Aa1 / AA+ |
| South Carolina | 6/5/19    | 74,000,000  | +70                 | +86     | +86     | +87     | Aaa / -   |
| Rhode Island   | 6/6/19    | 122,750,000 | +67                 | +86     | +86     | +95(27) | Aa1 / AA+ |
| THDA 2019-3    |           |             |                     |         |         |         |           |
| Tennessee      | 9/4/19    | 150,000,000 | +74                 | +95     | +95     | +111    | Aa1 / AA+ |
| Wyoming        | 9/5/19    | 78,715,000  | +71                 | +94     | +94     | --      | Aa1 / AA+ |
| Indiana        | 9/5/19    | 53,475,000  | +68                 | +89     | +94     | --      | Aaa/ /AAA |

Historically, holding ratings and other features equal, THDA's tax-exempt bonds typically achieve lower interest rates than similarly rated HFAs' bonds in many other states. HFA issues in municipal market 'specialty states,' including Virginia, Connecticut, New York, Massachusetts, Oregon, and Maryland, often price better than similar HFA issues from non-specialty states, such as THDA's – though THDA benefits from the state's low debt. Specialty state advantages are typically attributed to higher state and local taxes and the relative abundance of in-state investor capital. Depending on market conditions, significantly larger bond components may require higher yields to attract enough buyers to clear the market for all the bonds. Due to timing, structure, tax status, size, state, collateral, and rating differences, other bond sales shown provide only limited direct comparability to the pricing of THDA's issues. Transactions sold on the same day by different HFAs are often not exactly comparable, and market conditions may be significantly different for offerings that occurred further apart.

## PAC Bonds

Planned amortization class bonds have been a significant component of THDA's issues in 2019 and in recent years, accounting for \$173.485 million, or 33%, of the total \$525 million of bond par issued in 2019. THDA's lead underwriters continued to succeed in pricing THDA's PACs at spreads among the tightest to the benchmark high-quality interpolated Municipal Market Data Index (the "iMMD"), as shown in Table 6, below.

**Table 6. Selected Comparable Single Family PAC Bonds**

| Issuer             | Sale Date | PAC Bond Size | Average Life | Spread to iMMD | Rating    |
|--------------------|-----------|---------------|--------------|----------------|-----------|
| <b>THDA 2019-1</b> |           |               |              |                |           |
| Tennessee          | 2/12/19   | 49,885,000    | 5 yrs        | +76            | Aa1 / AA+ |
| Wyoming            | 2/13/19   | 26,615,000    | 5 yrs        | +76            | Aa1 / AA+ |
| New Jersey         | 2/13/19   | 89,085,000    | 4.9 yrs      | +84            | Aa3 / AA  |
| Washington         | 2/14/19   | 25,065,000    | 5 yrs        | +77            | Aaa / -   |
| <b>THDA 2019-2</b> |           |               |              |                |           |
| Tennessee          | 6/4/19    | 63,100,000    | 5.5 yrs      | +67            | Aa1 / AA+ |
| South Carolina     | 6/5/19    | 30,000,000    | 5.45 yrs     | +66            | Aaa / -   |
| Rhode Island       | 6/6/19    | 25,000,000    | 5 yrs        | +71            | Aa1 / AA+ |
| <b>THDA 2019-3</b> |           |               |              |                |           |
| Tennessee          | 9/4/19    | 60,500,000    | 5.5 yrs      | +66            | Aa1 / AA+ |
| Wyoming            | 9/5/19    | 15,915,000    | 4 yrs        | +58            | Aa1 / AA+ |
| Indiana            | 9/5/19    | 17,845,000    | 5 yrs        | +61            | Aaa/-/AAA |

The market for PAC bonds has been sensitive to a number of factors. In the wake of the financial crisis of 2008, PAC bonds suffered from their association with housing. By 2014 this market had largely recovered. Through much of this period whole loan-backed Aa-rated PACs, such as THDA's, lagged far behind bonds backed by guaranteed mortgage securities ("MBS") in achieving tighter spreads to the MMD. However, by 2015, yields on newly offered PACs had fallen so low that some of the leading investors declined to buy, and during this period spreads narrowed between whole loan backed PACs and PACs in issues secured by MBS. Since then, PACs have not been decisively differentiated by the collateral of the underlying loans.

Also, in periods with significant declines in rates – such as August 2019 – spreads to key benchmarks tend to widen until institutions are induced to buy again. Until such adjustments occur, the depth of PAC orders (often reflected in oversubscriptions of orders) has tended to thin, placing a greater reliance on winning the support of lead investors during the premarketing of the bonds. This process of "price discovery" also has been observed in the market for term bonds, especially intermediate terms, since they do not offer the higher yields of the longest maturities.

## CONCLUSION

**Co-Senior Managers.** The three book-running managers were successful in leading THDA's 2019 bond offerings. Both **Citi** and **RBC** recorded very strong retail support for the Issue 2019-2 and 2019-1 financings, respectively, that they each led. Amid a retail market reeling from low rates and trade fears, **Raymond James** found slimmer retail support for Issue 2019-3, while still generating the most orders and allotments of the co-seniors overall, when they were not serving as the book-runner. All three transactions attracted broad and deep institutional interest.

**RBC** has continued to stand apart in developing and offering credit resources – notably, their recent line of credit proposal – to assist THDA in flexibly managing its programs.

**The 2019 Market and Outlook.** In 2019 the municipal bond market has been unusually attractive for HFAs' traditional mortgage revenue bond offerings. While a key challenge since the mid-2000s has been the absolute compression of spreads between municipal housing bond yields and prevailing mortgage rates, in 2019 the economics for HFAs have been very favorable – at least in part in response to the 2017 federal tax changes. Going forward, concerns impacting THDA financings are likely to include the following.

- 1) Large federal deficits increase both the potential for greater inflation and pressure for higher long term interest rates.
- 2) Slowing US growth reports suggest recession fears will continue, but a strong domestic labor market and low mortgage rates have been boosting the housing sector.
- 3) Uncertain interest rates underscore the importance of close pipeline management. THDA's transition to more frequent issues has limited interest rate risk from new mortgage commitments (and frequent, regular issuance has helped build demand among bond market participants.)
- 4) The Fed's more accommodative posture toward cutting short term lending rates has helped to ease the impact of trade tensions with China, economic weakness in Europe, China, and emerging market countries, and US recession fears.
- 5) Through 2019 private activity volume cap for THDA's programs has been abundant, but continuing loan demand at current levels will underscore the importance of developing strategies for volume cap preservation in the future. Replacement refundings were implemented in each issuance since Issue 2019-2, helping to preserve volume cap. Given THDA's sharp increase in production and limited volume cap, if market conditions remain favorable, taxable bonds may allow limited cap resources to be stretched further.
- 6) THDA has been very fortunate in building a large reservoir of zero loan participations both to help control interest rate risk and to maximize THDA's allowable spread from each transaction. Applying zeros to targeted mortgage loan or downpayment assistance programs may be useful for managing the accumulation, while preserving their sufficiency for hedging THDA's interest rate risks.

THDA's 2019 offerings succeeded well, despite persistent uncertainty and market volatility. All the issues achieved full spreads, contributed to THDA's supply of zeros, and set favorable terms in comparison to other issues sold around the same time:

- Issue 2019-1. Priced in mid-February, the \$175 million issue attracted over \$492 million in total orders. Without a refunding component the transaction created \$9.6 million of net zeros.
- Issue 2019-2. The \$200 million offering garnered over \$480 million in total orders in early-June. The transaction refunded approximately \$7.52 million of Issue 2010-A bonds and added \$19.1 million of net zeros.
- Issue 2019-3. This \$150 million issue sold in early-September and drew over \$466 million in orders. Without the benefit of a refunding, the transaction created \$6.8 million of net zeros.

Even as many housing finance agencies have continued to see their balance sheets of earning assets decline, the three THDA 2019 transactions reviewed here financed \$525 million of affordable mortgage loans under the Residential Finance Program Bond Resolution at maximum allowable spreads to support THDA's programs going forward.

## To Be Sent Separately

### Bond Finance Committee

Agenda Item No.

6. THDA Debt Limit Analysis

Documentation for this item will be provided prior to the November 18 Committee meeting.





# Tennessee Housing Development Agency

502 Deaderick Street, Third Floor

Nashville, TN 37243

(615) 815-2200

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## **MEMORANDUM:**

TO: THDA Bond Finance Committee  
THDA Board of Directors

FROM: Wayne Beard, Director of Finance

SUBJECT: FY20-24 Five Year Financial Plan

DATE: November 7, 2019

---

Attached is THDA's FY20-24 Five Year Strategic Financial Plan (Plan). The Plan is developed using guiding principles established in our enabling legislation as well as objectives established in our Debt Management Policy approved by the Board on November 29, 2011. The main objective of the Plan is to effectively balance the use of our financial resources to fund mortgage programs and other initiatives that fulfill our statutory purpose without compromising our financial strength or credit ratings.

The Plan anticipates total bond issuance of approximately \$1.13 billion (\$94.65 million refunding) over the next five years all without the moral obligation of the State. Annual loan production is assumed to be \$600 million the first year of the plan and \$400 million the final 4 years. Total withdrawals and uses of resources from the various Bond Indentures is estimated to be \$338.1 million, which will be offset by \$85.7 million in bond premiums, DPA/New Start recoveries and mortgage servicing fee savings for net withdrawals and uses of approximately \$252.4 million.

The Plan anticipates future bond issuance and mortgage production under the 2013 General Resolution, which does not carry the "moral obligation" of the State and projects less than \$50 million bonds outstanding that are subject to the moral obligation of the State by June 2024. To support future bond issuance and maintain a strong PADR under the 2013 General Resolution, the Plan assumes a transfer of resources from the 1985 General Resolution of \$26.7 million and of \$20.3 million from the 2009 Resolution.

In summary, the Plan maintains an overall Weighted Average PADR above 1.10 and continues to set aside \$25 million as required by the Bond Finance Committee, while providing for new loan production and funding the various THDA housing initiatives and operations.

We engaged the services of our financial advisor, CSG Advisors, to provide the various scenarios, analyses, input, and graphs to ensure the plan is viable according to industry methodologies.

If you have any questions regarding the Plan or if you would like more information, please do not hesitate to call me at (615) 815-2157 or contact me via e-mail at [wbeard@thda.org](mailto:wbeard@thda.org).

**TENNESSEE HOUSING DEVELOPMENT AGENCY**  
**SUMMARY OF NEW PRODUCTION AND PROGRAM WITHDRAWALS**  
**EXPECTED BOND VOLUME**  
**STRATEGIC FINANCIAL PLAN: 2020 - 2024**  
**150% PSA**

Fiscal Year Ending June 30

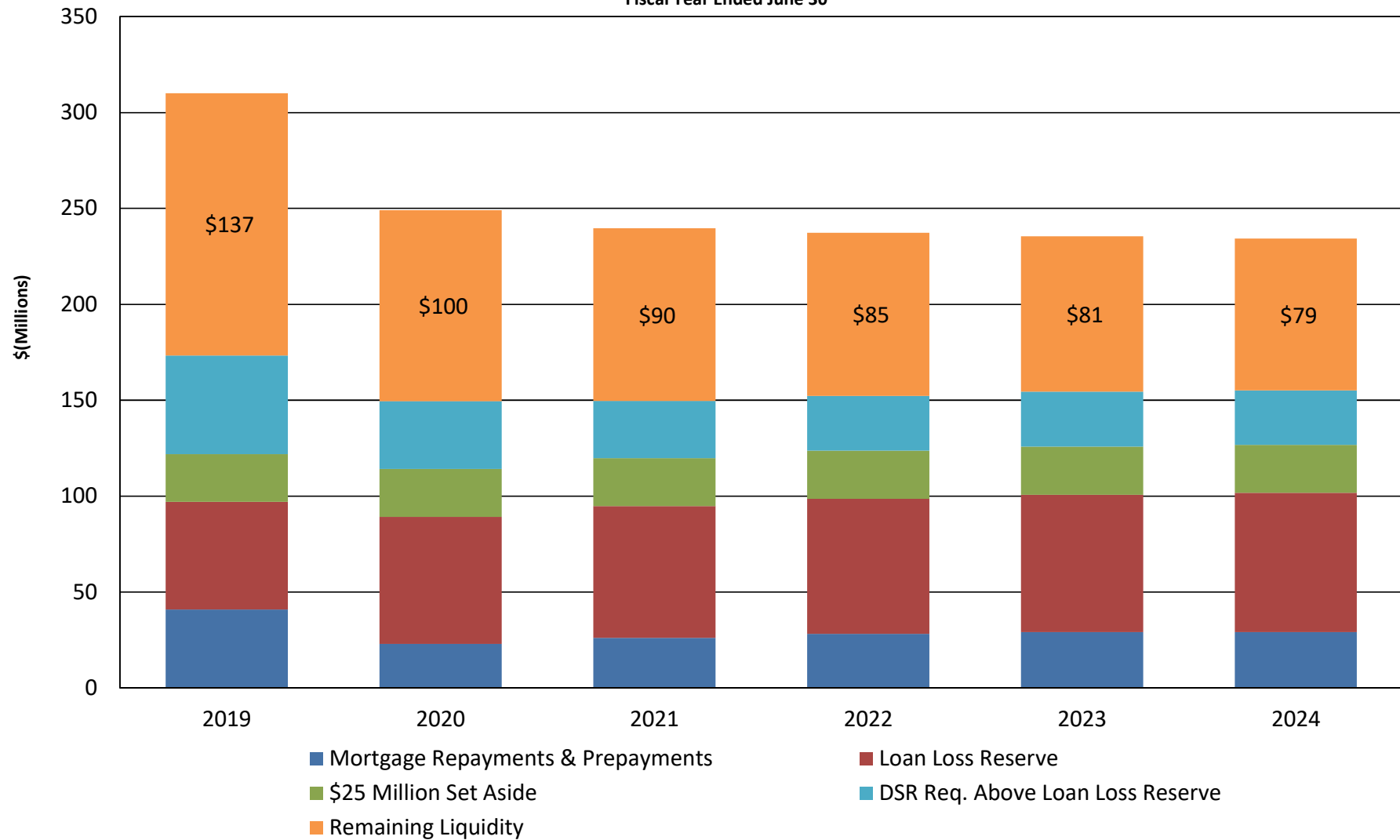
|   | 2020                  | 2021                  | 2022                  | 2023                  | 2024                  | Total                   |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| <b>HOMEOWNERSHIP PRODUCTION:</b>                        |                       |                       |                       |                       |                       |                         |
| <u>Bonds Issued:</u>                                    |                       |                       |                       |                       |                       |                         |
| To Date (partial 2019-2, 2019-3):                       | \$ 244,000,000        | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ 244,000,000          |
| Future Issues:  | 383,690,000           | 439,955,000           | 385,000,000           | 385,000,000           | 385,000,000           | 1,978,645,000           |
| Total Bonds Issued                                      | 627,690,000           | 439,955,000           | 385,000,000           | 385,000,000           | 385,000,000           | 2,222,645,000           |
| Zero Participation Loans from Prior Bond Deals          | 115,100,000           | 103,100,000           | 88,100,000            | 73,100,000            | 58,100,000            | 437,500,000             |
| Zero Participation Proceeds held for future production  | (103,100,000)         | (88,100,000)          | (73,100,000)          | (58,100,000)          | (43,100,000)          | (365,500,000)           |
| Less Refunding Bonds                                    | (39,690,000)          | (54,955,000)          | -                     | -                     | -                     | (94,645,000)            |
| Total Funds Available for Production <sup>1</sup>       | <u>\$ 600,000,000</u> | <u>\$ 400,000,000</u> | <u>\$ 400,000,000</u> | <u>\$ 400,000,000</u> | <u>\$ 400,000,000</u> | <u>\$ 2,200,000,000</u> |
| <b>PROGRAM WITHDRAWALS AND USES OF CASH:</b>            |                       |                       |                       |                       |                       |                         |
| <u>1974 Resolution:</u>                                 |                       |                       |                       |                       |                       |                         |
| New Start Loans (for future production)                 | 2,000,000             | 2,000,000             | 5,000,000             | 5,000,000             | 5,000,000             | 19,000,000              |
| Less: Future New Start Loan Recoveries                  | (31,060)              | (152,785)             | (331,728)             | (790,616)             | (1,228,616)           | (2,534,806)             |
|   | 1,968,940             | 1,847,215             | 4,668,272             | 4,209,384             | 3,771,384             | 16,465,194              |
| <u>1985 Resolution:</u>                                 |                       |                       |                       |                       |                       |                         |
| Unrestricted Mortgage Transfer                          | 21,658,776            | -                     | -                     | -                     | -                     | 21,658,776              |
| THDA Operating Expenses                                 | 5,000,000             | -                     | -                     | -                     | -                     | 5,000,000               |
| Housing Trust Fund                                      | 11,500,000            | 7,500,000             | 7,500,000             | 7,500,000             | 5,000,000             | 39,000,000              |
| Program Compliance Reserve                              | 1,046,000             | 1,046,000             | 1,046,000             | 1,046,000             | 1,046,000             | 5,230,000               |
| New Start Loans (for future production)                 | 3,000,000             | 3,000,000             | -                     | -                     | -                     | 6,000,000               |
| Less: Future New Start Loan Recoveries                  | (46,590)              | (229,178)             | (497,592)             | (527,078)             | (526,550)             | (1,826,987)             |
|   | 42,158,186            | 11,316,822            | 8,048,408             | 8,018,922             | 5,519,450             | 75,061,789              |
| <u>2009 Resolution:</u>                                 |                       |                       |                       |                       |                       |                         |
| Downpayment Assistance (from '09 DPA & Agency Fees)     | 604,382               | 534,679               | 471,929               | 415,485               | 364,753               | 2,391,228               |
| THDA Operating Expenses                                 | -                     | -                     | -                     | 4,000,000             | 16,319,000            | 20,319,000              |
|   | 604,382               | 534,679               | 471,929               | 4,415,485             | 16,683,753            | 22,710,228              |
| <u>2013 Resolution:</u>                                 |                       |                       |                       |                       |                       |                         |
| <u>2019-3:</u>  |                       |                       |                       |                       |                       |                         |
| Bond Reserve Fund                                       | 3,291,007             | -                     | -                     | -                     | -                     | 3,291,007               |
| Downpayment Assistance                                  | 7,451,250             | -                     | -                     | -                     | -                     | 7,451,250               |
| Underwriters' Fees                                      | 899,578               | -                     | -                     | -                     | -                     | 899,578                 |
| Cost of Issuance  | 269,000               | -                     | -                     | -                     | -                     | 269,000                 |
| Capitalized Interest                                    | 1,000,000             | -                     | -                     | -                     | -                     | 1,000,000               |
| Less: Bond Premium                                      | (6,459,585)           | -                     | -                     | -                     | -                     | (6,459,585)             |
|   | 6,451,250             | -                     | -                     | -                     | -                     | 6,451,250               |
| <u>New Production</u>                                   |                       |                       |                       |                       |                       |                         |
| Bond Reserve Fund                                       | 11,510,700            | 12,000,000            | 12,000,000            | 12,000,000            | 12,000,000            | 59,510,700              |
| Downpayment Assistance                                  | 21,749,368            | 19,335,321            | 19,398,071            | 19,454,515            | 19,505,247            | 99,442,522              |
| Underwriters' Fees                                      | 2,240,000             | 2,570,000             | 2,250,000             | 2,250,000             | 2,250,000             | 11,560,000              |
| Cost of Issuance  | 506,600               | 1,013,200             | 1,013,200             | 1,013,200             | 1,013,200             | 4,559,400               |
| Capitalized Interest                                    | 2,302,000             | 2,000,000             | 2,000,000             | 2,000,000             | 2,000,000             | 10,302,000              |
| THDA Operating Expenses                                 | 9,500,000             | 14,935,000            | 15,383,000            | 11,844,000            | -                     | 51,662,000              |
| Housing Trust Fund                                      | -                     | -                     | -                     | -                     | 2,500,000             | 2,500,000               |
| Servicing Net Cash Outlays / (Receipts)                 | 2,613,723             | (3,005,429)           | (3,548,842)           | (3,685,971)           | (3,745,499)           | (11,372,017)            |
| Conventional Loan Product Net Cash Outlays / (Receipts) | 4,805,162             | 15,215,895            | 12,392,566            | 9,874,329             | 7,677,497             | 49,965,448              |
| Less: Bond Premium                                      | (10,150,415)          | (11,640,000)          | (10,190,000)          | (10,190,000)          | (10,190,000)          | (52,360,415)            |
| Less: 2013 DPA Loan Recoveries                          | (4,558,956)           | (5,882,013)           | (6,924,928)           | (7,935,280)           | (9,019,682)           | (34,320,859)            |
|   | 40,518,182            | 46,541,973            | 43,773,067            | 36,624,793            | 23,990,763            | 191,448,779             |
| <u>Transfers In/Out:</u>                                |                       |                       |                       |                       |                       |                         |
| Less: 1985 Excess Debt Service Reserve Transfer         | -                     | -                     | -                     | -                     | -                     | -                       |
| Less: 1985 Unrestricted Mortgage Transfer               | (21,658,776)          | -                     | -                     | -                     | -                     | (21,658,776)            |
|   | (21,658,776)          | -                     | -                     | (4,000,000)           | (16,319,000)          | (41,977,776)            |
| <b>Total 2013 Resolution</b>                            | <b>\$ 25,310,656</b>  | <b>\$ 46,541,973</b>  | <b>\$ 43,773,067</b>  | <b>\$ 32,624,793</b>  | <b>\$ 7,671,763</b>   | <b>\$ 155,922,253</b>   |
| <b>Total Program Withdrawals and Uses of Cash</b>       | <b>\$ 70,042,164</b>  | <b>\$ 60,240,690</b>  | <b>\$ 56,961,676</b>  | <b>\$ 49,268,584</b>  | <b>\$ 33,646,351</b>  | <b>\$ 270,159,464</b>   |

**Assumptions:**

- Bond premium on new issues used to offset THDA's costs of issuance, underwriter fees and capitalized interest.
- Bond premium generated on each new issue was assumed to equal 2.65% of the bond issuance par amount.  
*(assumes PACs raise 6.6% of premium and comprise 40% of the bonds)*
- Capitalized interest, costs of issuance and underwriter fees were approximately 1.37% of bond issuance par amount.

1974, 1985, 2009 & 2013 Resolutions  
Consolidated Cash & Investment Composition  
150% PSA

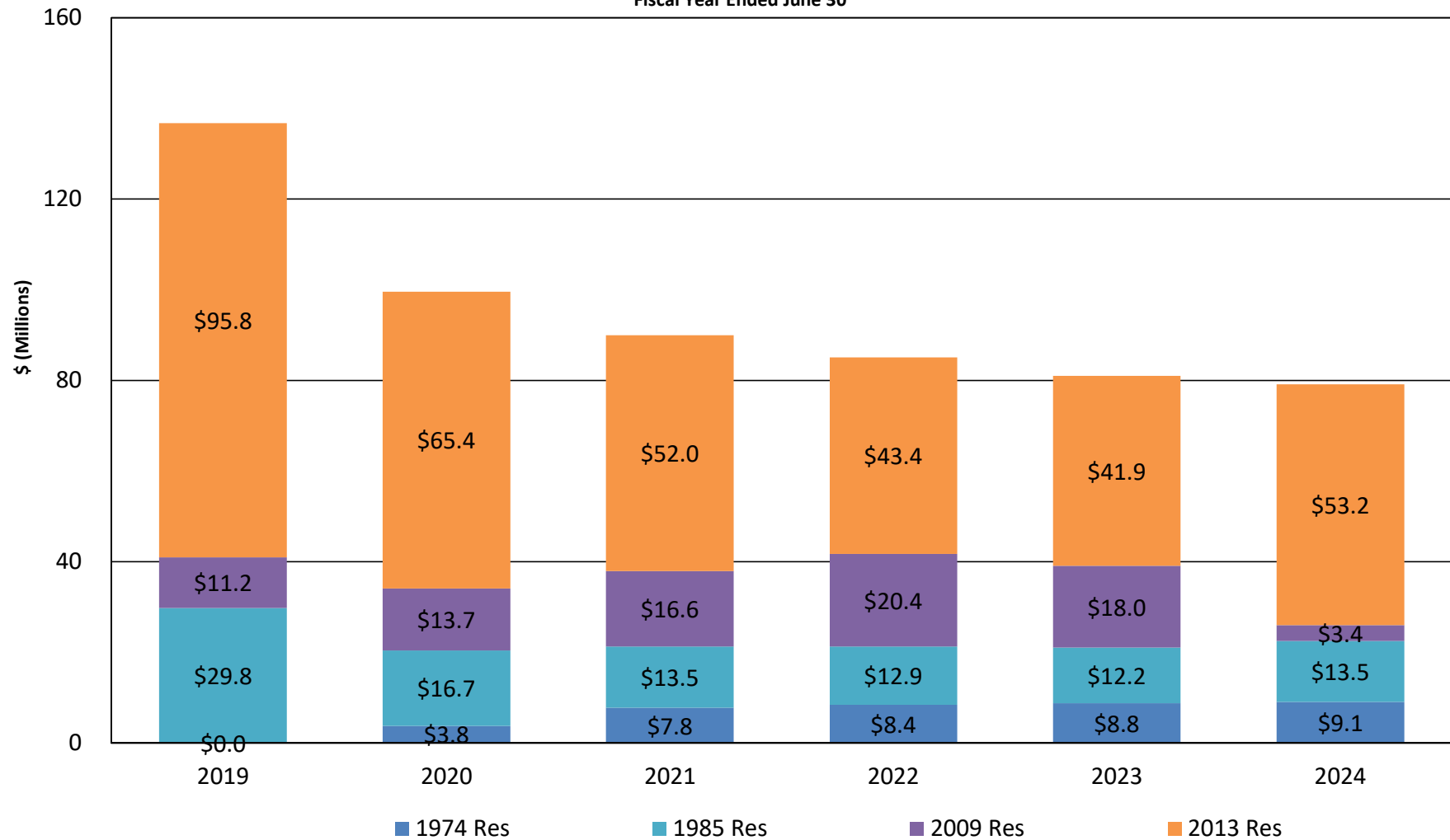
Fiscal Year Ended June 30



- Excluding Acquisition Funds held for the purchase of future loan originations.

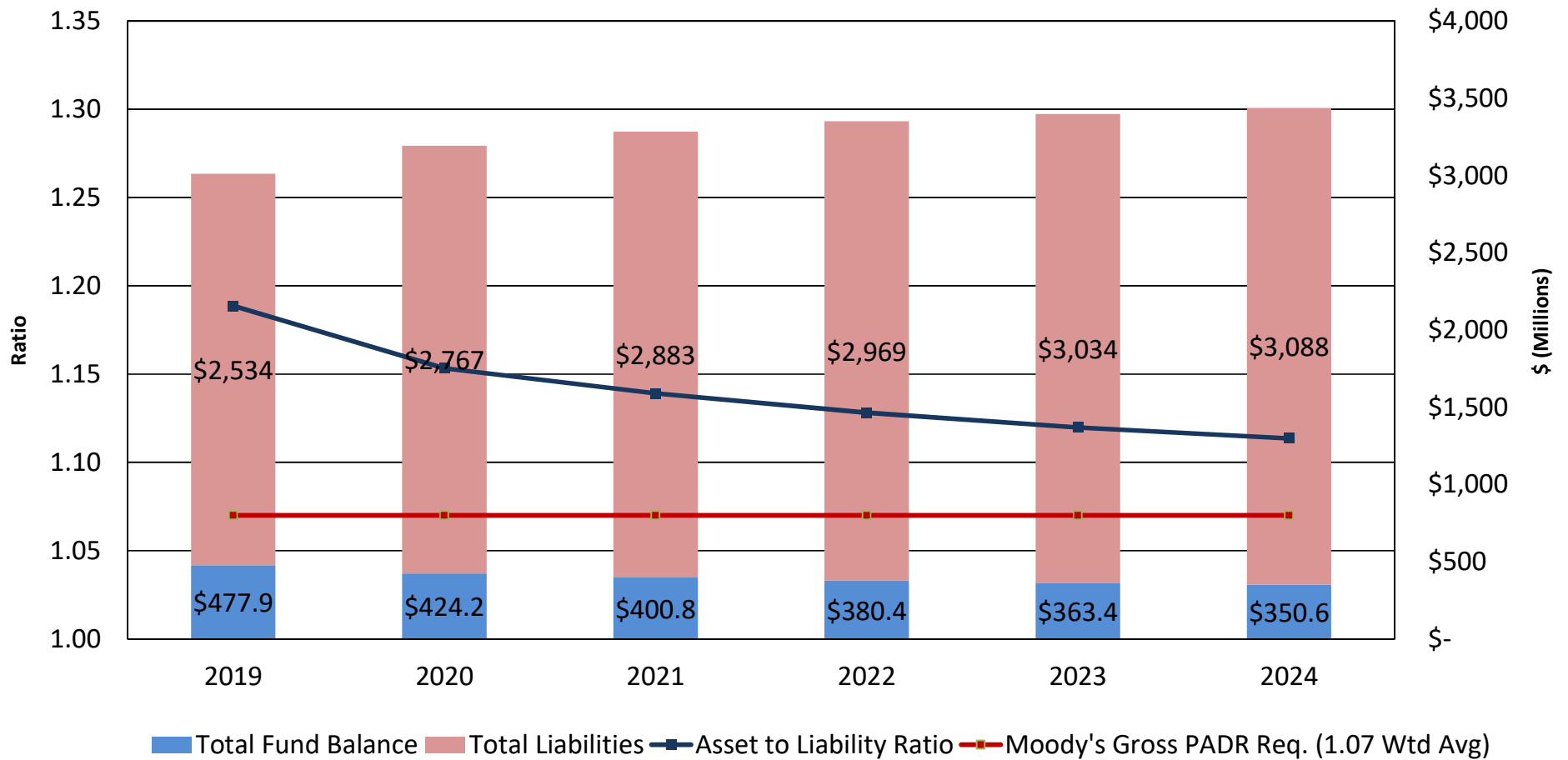
**1974, 1985, 2009 & 2013 Resolutions  
Consolidated Remaining Liquidity  
150% PSA**

Fiscal Year Ended June 30



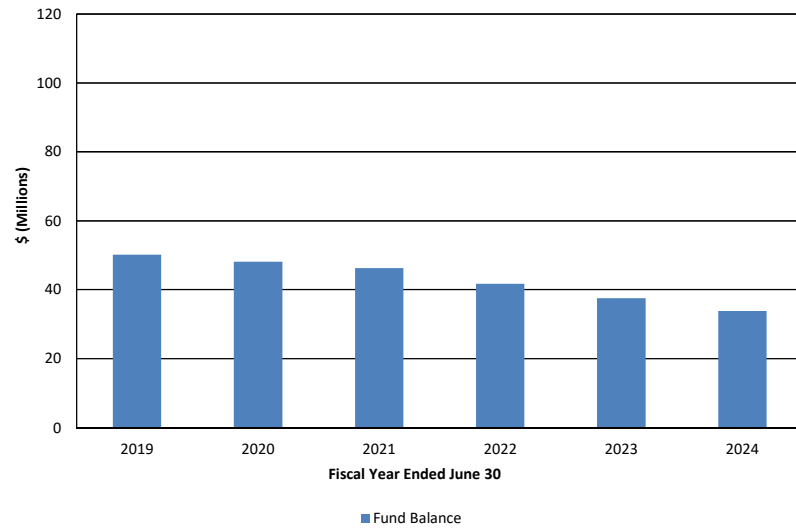
- Excluding Acquisition Funds held for the purchase of future loan originations.

**1974, 1985, 2009 & 2013 Resolutions**  
**Balance Sheet Measurements**  
**150% PSA**  
**Fiscal Year Ended June 30**

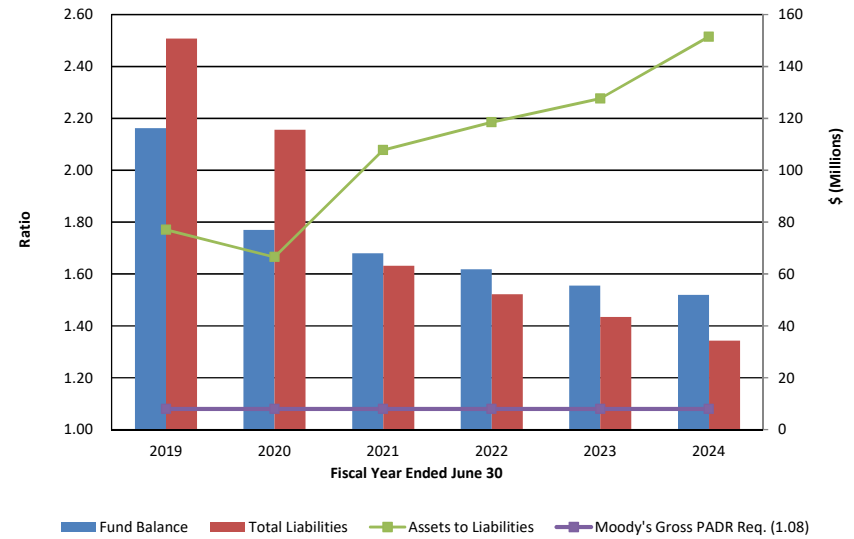


- Moody's Gross PADR Requirement represents the minimum PADR inclusive of Loan Loss Reserve requirements as determined by Moody's based on the percentage of loan insured (FHA, VA, RD, PMI)
- Assets and Fund Balance exclude existing Plus DPA 2nd Mortgage Loans as well as \$109 million of future originations during forecast period.

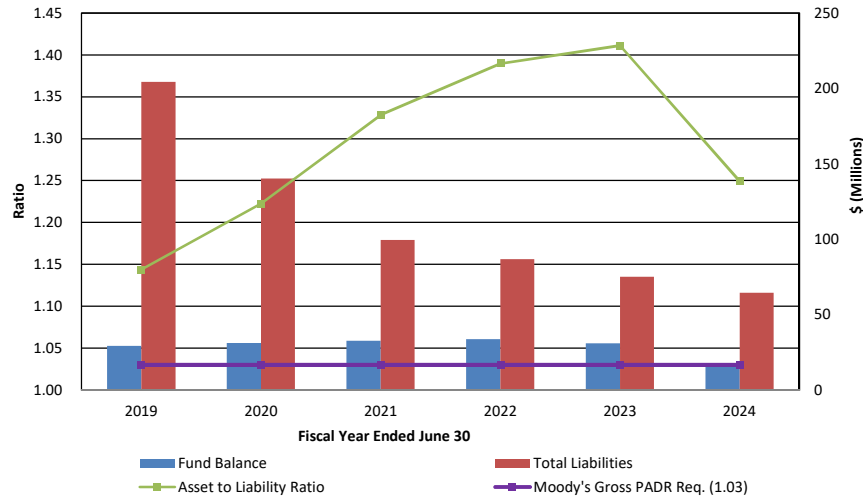
**1974 Resolution**  
Balance Sheet Measurements  
150% PSA



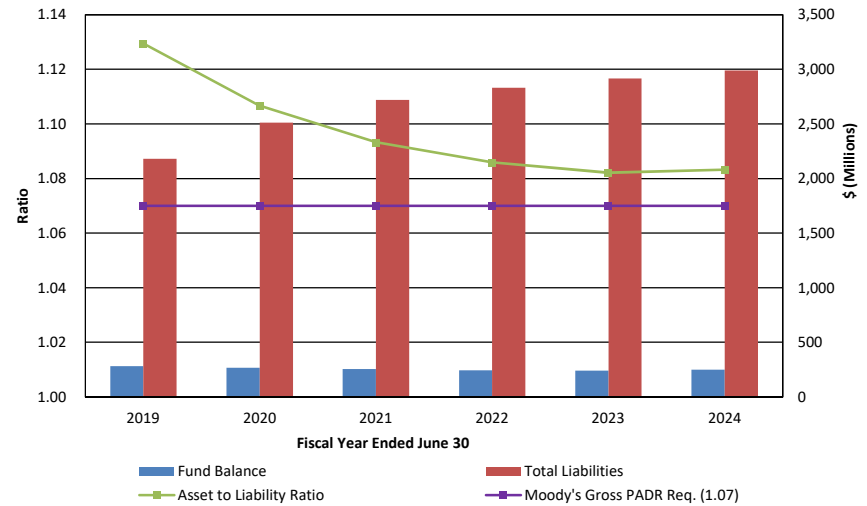
**1985 Resolution**  
Balance Sheet Measurements  
150% PSA



**2009 Resolution**  
Balance Sheet Measurements  
150% PSA



**2013 Resolution**  
Balance Sheet Measurements  
150% PSA



# TENNESSEE HOUSING DEVELOPMENT AGENCY

## CASH FLOW ASSUMPTIONS

### Mortgage Finance Program Bonds (1974 Resolution)

#### Prepayment Speeds on all Mortgage Loans

|                                |          |
|--------------------------------|----------|
| -Expected Prepayment Scenario: | 150% PSA |
| -Slow Prepayment Scenario:     | 75% PSA  |
| -Fast Prepayment Scenario:     | 300% PSA |

#### Reinvestment Rates

-1.5% investment rate

#### Surplus Revenues

-available to pay future debt service and/or to fund future program withdrawals

#### Additional Assumptions

- all loan and investment balances as of July 1, 2019 are derived from the June 30, 2019 audited financials
- cash and investments that is restricted for prior year program allocations are not included
- no new bond issuance under the Resolution
- multifamily loans excluded
- Future originations of New Start Loans are not included as assets of the Resolution.



# TENNESSEE HOUSING DEVELOPMENT AGENCY

## CASH FLOW ASSUMPTIONS

### Homeownership Program Bonds (1985 Resolution)

#### Prepayment Speeds on all Mortgage Loans

|                                |          |
|--------------------------------|----------|
| -Expected Prepayment Scenario: | 150% PSA |
| -Slow Prepayment Scenario:     | 75% PSA  |
| -Fast Prepayment Scenario:     | 300% PSA |

#### Reinvestment Rates

-1.5% investment rate

#### Bond Redemptions

- modeled semi-annually
- principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

#### Debt Service Reserve Fund

-2.5% investment rate

#### Surplus Revenues

-available to pay future debt service and/or to fund future program withdrawals

#### Liquidity Reserve Requirement

- S&P requirement is 2% of the combined outstanding loan and acquisition fund balance to cover cash flow deficiencies
- 2.25% set aside was used in the cash flow analysis to be conservative
- funded from cash in the revenue fund and from long term investments
- less stressful than THDA's Reserve Fund Requirement of 100% of maximum annual debt service

#### Additional Assumptions

- all loan and investment balances as of July 1, 2019 are derived from the June 30, 2019 audited financials
- no new bond issuance under the Resolution
- excess revenues not used to redeem bonds
- DPA Reimbursement & Agency Fees were transferred to the 2013 Resolution
- Resolution rated Aa1
- A-L Ratio maintenance of 108% (Moody's PADR requirement of 104% + 4% for loan loss)
- Future originations of New Start Loans are not included as assets of the Resolution.
- \$21 million of loans with no bonds outstanding were transferred to the 2013 Resolution.

# TENNESSEE HOUSING DEVELOPMENT AGENCY

## CASH FLOW ASSUMPTIONS

### Housing Finance Program Bonds (2009 Resolution)

#### **Prepayment Speeds on all Mortgage Loans**

|                                |          |
|--------------------------------|----------|
| -Expected Prepayment Scenario: | 150% PSA |
| -Slow Prepayment Scenario:     | 75% PSA  |
| -Fast Prepayment Scenario:     | 300% PSA |

#### **Reinvestment Rates**

-1.5% investment rate

#### **Bond Redemptions**

- modeled semi-annually
- principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

#### **Surplus Revenues**

-available to pay future debt service and/or to fund future program withdrawals subject to NIBP requirements

#### **Bond Reserve Requirement**

- THDA Reserve Requirement is 3% of outstanding Program Loans plus amounts on deposit in the Loan Fund
- 2.5% investment rate

#### **Additional Assumptions**

- all loan and investment balances as of July 1, 2019 are derived from the June 30, 2019 audited financials
- no new bond issuance under the Resolution
- excess revenues not used to redeem bonds
- DPA Reimbursement & Agency Fees were transferred to the 2013 Resolution
- Resolution rated Aa2
- A-L Ratio maintenance of 103% (Moody's PADR requirement of 102% + 1% for loan loss)

# TENNESSEE HOUSING DEVELOPMENT AGENCY

## CASH FLOW ASSUMPTIONS

### Residential Finance Program Bonds (2013 Resolution)

#### Prepayment Speeds on all Mortgage Loans

|                                |          |
|--------------------------------|----------|
| -Expected Prepayment Scenario: | 150% PSA |
| -Slow Prepayment Scenario:     | 75% PSA  |
| -Fast Prepayment Scenario:     | 300% PSA |

#### Reinvestment Rates

-1.5% investment rate

#### Debt Service Reserve Fund

-2.5% investment rate

#### Bond Redemptions

- modeled semi-annually
- principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

#### 25MM Asset Set-Aside

- \$25mm set-aside is required by the Bond Finance Committee
- \$25mm is set aside in the 2013 Resolution from FY 2020 through FY 2024.
- funded from cash in the revenue fund and from excess long term investments

#### Bond Reserve Fund-Future Bond Issuances

- 2.50% investment rate
- THDA Reserve Requirement is 3% of outstanding Program Loans plus amounts on deposit in the Loan Fund

#### New Mortgage Loan Mix (FY 2020 and beyond)

|                                     |         |
|-------------------------------------|---------|
| -Great Choice (and Vet) w/ 2nd      | 99.35%  |
| -Great Choice (and Vet) without 2nd | 0.65%   |
|                                     | <hr/>   |
|                                     | 100.00% |

- 99.35% of loans assumed to use Plus loan downpayment assistance deferred 2nd mortgage in order to conservatively forecast the cash needed for Plus loan downpayment assistance.

#### Additional Assumptions

- all loan and investment balances as of July 1, 2019 are derived from the June 30, 2019 audited financials
- all new bond issuance assumed in 2013 Resolution (see Summary of New Production)
- future downpayment assistance loans assumed originated from the 2013 Resolution
- excess revenues not used to redeem bonds
- mortgage rates for new bond issues were set at rates necessary to earn 1.00% yield spread
- Resolution rated Aa1
- A-L Ratio maintenance of 107% (Moody's PADR requirement of 104% + 3% for loan loss)
- \$21 million of loans with no bonds outstanding were transferred to the 2013 Resolution.



## 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:** November 12, 2019  
**TO:** Bond Finance Committee  
Board of Directors  
**FROM:** Lynn E. Miller, Chief Legal Counsel *LEM*  
**SUBJECT:** Issue 2019-3 State Form CT-0253 FINAL (the "State Form")

Attached please find the State Form for Issue 2019-3 that priced on September 4, 2019, and closed September 30, 2019. A copy of the State Form was filed with the Office of the Comptroller on November 12, 2019. To meet the reporting requirement pursuant to TCA Section 9-21-151 (c)(2), the State Form will be presented at the November Bond Finance Committee and Board meetings.

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

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

|                                       | 2013<br>Resolution            |                               |                               |                               |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                       | \$150,000,000<br>Issue 2019-3 | \$200,000,000<br>Issue 2019-2 | \$175,000,000<br>Issue 2019-1 | \$225,000,000<br>Issue 2018-4 |
| Fees/Expenses <sup>1</sup> Paid To:   |                               |                               |                               |                               |
| Financial Advisor                     | \$ 47,500                     | \$ 60,000                     | \$ 70,000                     | \$ 37,500                     |
| Bond Counsel                          | 35,000                        | 35,000                        | 35,000                        | 35,000                        |
| Trustee                               | 7,500                         | 10,000                        | 8,750                         | 11,250                        |
| Bookrunning Underwriter               | 899,578                       | 1,161,298                     | 1,041,754                     | 1,327,395                     |
| Moody's                               | 105,000                       | 105,000                       | 90,000                        | 105,000                       |
| Standard & Poor's                     | 110,000                       | 109,000                       | 91,000                        | 110,000                       |
| i-Deal                                | 1,500                         | 1,500                         | 1,500                         | 1,500                         |
| General Services Print Shop           | 1,070                         | 1,077                         | 1,250                         | 1,249                         |
| Total Fees/Expenses<br>Per Bond Issue | \$ 1,207,148                  | \$ 1,482,875                  | \$ 1,339,254                  | \$ 1,628,894                  |

1. rounded to the nearest \$

If you have questions, please call me at 615-815-2025 or by email at [LMiller@thda.org](mailto:LMiller@thda.org)

LEM/ds

Attachment

**REPORT ON DEBT OBLIGATION**

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

**1. Public Entity:**

Name: Tennessee Housing Development Agency

Address: Andrew Jackson Building, Third Floor, 502 Deaderick Street  
Nashville, TN 37243-0200

Debt Issue Name: Issue 2019-3

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

**2. Face Amount:**\$ 150,000,000.00Premium/Discount: \$ See Attachment 1**3. Interest Cost:**2.7890 %

Excluding Underwriter's Discount

☒ Tax-exempt☐ Taxable☒ TIC\* ☐ NIC☐ Variable: Index \_\_\_\_\_ plus \_\_\_\_\_ basis points; or☐ Variable: Remarketing Agent \_\_\_\_\_☐ Other: \_\_\_\_\_**4. Debt Obligation:**☐ TRAN ☐ RAN ☐ CON☐ BAN ☐ CRAN ☐ GAN☒ Bond☐ Loan Agreement☐ Capital Lease

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

**5. Ratings:**☐ UnratedMoody's Aa1Standard & Poor's AA+

Fitch \_\_\_\_\_

**6. Purpose:**☐ General Government \_\_\_\_\_ %☐ Education \_\_\_\_\_ %☐ Utilities \_\_\_\_\_ %☒ Other 100.00 %☐ Refunding/Renewal \_\_\_\_\_ %**BRIEF DESCRIPTION**Single Family Housing**7. Security:**☐ General Obligation☐ Revenue☐ Annual Appropriation (Capital Lease Only)☐ General Obligation + Revenue/Tax☐ Tax Increment Financing (TIF)☒ Other (Describe): Special Limited Obligation**8. Type of Sale:**☐ Competitive Public Sale☒ Negotiated Sale☐ Informal Bid☐ Interfund Loan \_\_\_\_\_☐ Loan Program \_\_\_\_\_**9. Date:**Dated Date: 09/30/2019Issue/Closing Date: 09/30/2019

**REPORT ON DEBT OBLIGATION**

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

**10. Maturity Dates, Amounts and Interest Rates \*:**

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

If more space is needed, attach an additional sheet.

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

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

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

|                                   | AMOUNT<br>(Round to nearest \$) | FIRM NAME  |
|-----------------------------------|---------------------------------|--|
| Financial Advisor Fees            | \$ 47,500                       | CSG Advisors Incorporated                          |
| Legal Fees                        | \$ 0                            |  |
| Bond Counsel                      | \$ 35,000                       | Kutak Rock   |
| Issuer's Counsel                  | \$ 0                            |  |
| Trustee's Counsel                 | \$ 0                            |  |
| Bank Counsel                      | \$ 0                            |  |
| Disclosure Counsel                | \$ 0                            |  |
| _____                             | \$ 0                            |  |
| Paying Agent Fees                 | \$ 0                            |  |
| Registrar Fees                    | \$ 0                            |  |
| Trustee Fees                      | \$ 7,500                        | US Bank, NA  |
| Remarketing Agent Fees            | \$ 0                            |  |
| Liquidity Fees                    | \$ 0                            |  |
| Rating Agency Fees                | \$ 215,000                      | Moody's and S & P                                  |
| Credit Enhancement Fees           | \$ 0                            |  |
| Bank Closing Costs                | \$ 0                            |  |
| Underwriter's Discount _____%     |                                 |  |
| Take Down                         | \$ 828,431                      | Raymond James & Associates, Inc. ("Raymond James") |
| Management Fee                    | \$ 30,000                       | Raymond James                                      |
| Risk Premium                      | \$ 0                            |  |
| Underwriter's Counsel             | \$ 25,000                       | Hawkins, Delafield & Wood                          |
| Other expenses                    | \$ 16,147                       | Raymond James                                      |
| Printing and Advertising Fees     | \$ 2,570                        | i-Deal and TN General Services Printing Division   |
| Issuer/Administrator Program Fees | \$ 0                            |  |
| Real Estate Fees                  | \$ 0                            |  |
| Sponsorship/Referral Fee          | \$ 0                            |  |
| Other Costs _____                 | \$ 0                            |  |
| <b>TOTAL COSTS</b>                | <b>\$ 1,207,148</b>             |  |

**REPORT ON DEBT OBLIGATION**

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

**12. Recurring Costs:**☒ No Recurring Costs

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

**13. Disclosure Document / Official Statement:**☐ None Prepared☐ EMMA link☒ Copy attachedSee Attachment 3: Issue 2019-3 Supplemental Resolution and  
See Attachment 4: Issue 2019-3 Official Statement

or

**14. Continuing Disclosure Obligations:**

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

☒ Yes ☐ No

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

☒ Yes ☐ NoIf yes to either question, date that disclosure is due 210 days after end of each Fiscal YearName and title of person responsible for compliance Trent Ridley, Chief Financial Officer/Lynn Miller, Chief Legal Counsel**15. Written Debt Management Policy:**Governing Body's approval date of the current version of the written debt management policy 11/28/2011, as amended

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

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

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

Date of Letter of Compliance for derivative \_\_\_\_\_

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

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

To the Governing Body:

on 11/12/2019and presented at public meeting held on 11/19/2019

Copy to Director to OSLF:

on 11/12/2019

either by:

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

OR

☒ Email to:[SLF.PublicDebtForm@cot.tn.gov](mailto:SLF.PublicDebtForm@cot.tn.gov)**18. Signatures:**

|       | AUTHORIZED REPRESENTATIVE                   | PREPARER                             |
|-------|---|--------------------------------------|
| Name  | <u>[Signature]</u>                          | Lynn E. Miller                       |
| Title | <u>Executive Director</u>                   | Chief Legal Counsel                  |
| Firm  | <u>Tennessee Housing Development Agency</u> | Tennessee Housing Development Agency |
| Email | <u>RPerrey@thda.org</u>                     | <u>LMiller@thda.org</u>              |
| Date  | <u>09/30/2019</u>                           | <u>09/30/2019</u>                    |

**2. PREMIUM/DISCOUNT:**

Includes the original issue premium of \$6,459,585.00 on the Issue 2019-3 PAC Bonds maturing January 1, 2050; and



**10. MATURITY DATES, AMOUNTS AND INTEREST RATES**

**\$150,000,000 Issue 2019-3 (Non-AMT)**

| <b>\$27,500,000 Serial Bonds</b> |   |                          |                                       |  |                          |                                       |
|----------------------------------|---|--------------------------|---------------------------------------|--|--------------------------|---------------------------------------|
| <b>Year</b>                      | <b>Principal<br/>Amount Due<br/>January 1</b> | <b>Interest<br/>Rate</b> | <b>CUSIP<br/>Number<sup>(1)</sup></b> | <b>Principal<br/>Amount Due<br/>July 1</b> | <b>Interest<br/>Rate</b> | <b>CUSIP<br/>Number<sup>(1)</sup></b> |
| 2020                             |   |                          |                                       | \$ 600,000                                 | 1.100 %                  | 880461ZV3                             |
| 2021                             | \$ 980,000                                    | 1.150 %                  | 880461ZW1                             | 990,000                                    | 1.200                    | 880461ZX9                             |
| 2022                             | 995,000                                       | 1.250                    | 880461ZY7                             | 1,005,000                                  | 1.300                    | 880461ZZ4                             |
| 2023                             | 1,020,000                                     | 1.350                    | 880461A24                             | 1,030,000                                  | 1.350                    | 880461A32                             |
| 2024                             | 1,040,000                                     | 1.375                    | 880461A40                             | 1,055,000                                  | 1.400                    | 880461A57                             |
| 2025                             | 1,060,000                                     | 1.500                    | 880461A65                             | 1,075,000                                  | 1.550                    | 880461A73                             |
| 2026                             | 1,090,000                                     | 1.600                    | 880461A81                             | 1,105,000                                  | 1.650                    | 880461A99                             |
| 2027                             | 1,115,000                                     | 1.700                    | 880461B23                             | 1,130,000                                  | 1.750                    | 880461B31                             |
| 2028                             | 1,145,000                                     | 1.800                    | 880461B49                             | 1,160,000                                  | 1.850                    | 880461B56                             |
| 2029                             | 1,175,000                                     | 1.900                    | 880461B64                             | 1,195,000                                  | 1.950                    | 880461B72                             |
| 2030                             | 1,210,000                                     | 2.000                    | 880461B80                             | 1,225,000                                  | 2.050                    | 880461B98                             |
| 2031                             | 1,245,000                                     | 2.100                    | 880461C22                             | 1,265,000                                  | 2.150                    | 880461C30                             |
| 2032                             | 1,285,000                                     | 2.250                    | 880461C48                             | 1,305,000                                  | 2.300                    | 880461C55                             |

| <b>\$122,500,000 Term Bonds</b> |                                 |                          |                                       |
|---------------------------------|---------------------------------|--------------------------|---------------------------------------|
| <b>Maturity Date</b>            | <b>Principal<br/>Amount Due</b> | <b>Interest<br/>Rate</b> | <b>CUSIP<br/>Number<sup>(1)</sup></b> |
| July 1, 2034                    | \$ 5,440,000                    | 2.40 %                   | 880461C63                             |
| July 1, 2039                    | 15,430,000                      | 2.60                     | 880461C71                             |
| July 1, 2044                    | 18,580,000                      | 2.80                     | 880461C89                             |
| July 1, 2049                    | 22,550,000                      | 2.95                     | 880461C97                             |
| January 1, 2050 (PAC)           | 60,500,000                      | 3.75                     | 880461D39                             |

**PRICE OF ISSUE 2019-3 BONDS DUE JANUARY 1, 2050 (PAC): 110.677%**

**PRICE OF ALL REMAINING ISSUE 2019-3 BONDS: 100.000%**

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

**13. DISCLOSURE DOCUMENT:**

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**TENNESSEE HOUSING DEVELOPMENT AGENCY**

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**A Supplemental Resolution  
Authorizing the Sale of  
Residential Finance Program Bonds  
\$150,000,000 Issue 2019-3 (Non-AMT)**

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Adopted July 23, 2019  
as amended and supplemented  
by the Bond Finance Committee  
of THDA on September 4, 2019

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ARTICLE I  
DEFINITIONS AND AUTHORITY

|               |                                     |   |
|---------------|-------------------------------------|---|
| Section 1.01. | Short Title .....                   | 1 |
| Section 1.02. | Definitions.....                    | 1 |
| Section 1.03. | Authority for this Resolution ..... | 3 |

ARTICLE II  
TERMS AND ISSUANCE

|               |   |    |
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**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF  
RESIDENTIAL FINANCE PROGRAM BONDS  
\$150,000,000 ISSUE 2019-3 (Non-AMT)**

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

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

**Section 1.01. Short Title.** This resolution may hereafter be cited by THDA as the Issue 2019-3 Supplemental Residential Finance Program Bond Resolution.

**Section 1.02. Definitions.**

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

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

“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2019-3 Bonds at a rate equal to 400% PSA, as set forth in Exhibit B hereto.

“*Bond Purchase Agreement*” means the contract for the purchase of the Issue 2019-3 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

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

“*Co-Managers*” means J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and 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 2019-3 Principal Payments”* means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2019-3 Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-3 Bonds.

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

*“Issue Date”* means the date on which the Issue 2019-3 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on September 30, 2019.

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

*“Official Statement”* means the Official Statement dated September 4, 2019 used in connection with the sale of the Issue 2019-3 Bonds.

*“PAC Bonds”* means the Issue 2019-3 Bonds in the aggregate principal amount of \$60,500,000 maturing January 1, 2050.

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

*“Preliminary Official Statement”* means the Preliminary Official Statement dated August 27, 2019 used in connection with the offering of the Issue 2019-3 Bonds.

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

*“Refunded Bonds”* means the bonds of THDA set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-3 Bonds.

*“Resolution”* means this Supplemental Resolution adopted by THDA on July 23, 2019, as amended and supplemented by the Bond Finance Committee on September 4, 2019.

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

*“Term Bonds”* means, collectively, the Issue 2019-3 Bonds maturing July 1, 2034, July 1, 2039, July 1, 2044, July 1, 2049 and January 1, 2050.

*“Transferred Proceeds”* means the amount on deposit in the Issue 2019-3 Bond Subaccount of the Loan Fund subsequent to the refunding of the Refunded Bonds, as set forth in a certificate of THDA to be delivered on or before the date of issuance of the Issue 2019-3 Bonds.

*“Underwriters”* means, collectively, Raymond James & Associates, Inc., Citigroup Global Markets Inc., and RBC Capital Markets, LLC, their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2019-3 Bonds.

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

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

(e) Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Program Securities and the phrase “Program Loans allocable to the Issue 2019-3 Bonds” shall include any new Program Loans and Program Securities acquired with proceeds of the Issue 2019-3 Bonds.

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

## ARTICLE II

### TERMS AND ISSUANCE

**Section 2.01. Issue Amount and Designation.** In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2019-3 are hereby authorized to be issued in the aggregate principal amount of \$150,000,000. In addition to the title “Residential Finance Program Bond,” the Issue 2019-3 Bonds will bear the additional designation “Issue 2019-3 (Non-AMT).” The Issue 2019-3 Bonds shall be issued only in fully registered form. The Issue 2019-3 Bonds will consist of \$27,500,000 principal amount of Serial Bonds and \$122,500,000 principal amount of Term Bonds.

**Section 2.02. Purposes.** The Issue 2019-3 Bonds are being issued (a) to refund the Refunded Bonds, (b) to finance Program Loans, or participations therein, on single family residences located within the State, (c) if required, to pay capitalized interest on the Issue 2019-3 Bonds, (d) if required, to make a deposit in the Bond Reserve Fund, and (e) if required, to pay

certain costs of issuance relating to the Issue 2019-3 Bonds. As a result of the refunding of the Refunded Bonds, the Transferred Proceeds will become allocated to the Issue 2019-3 Bonds.

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

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

(a) The Issue 2019-3 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing January 1, 2020, at the rate set opposite such date in the following tables:

#### **Issue 2019-3 Bonds**

##### **Serial Bonds**

| <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Interest Rate</b> | <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Interest Rate</b> |
|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|
| July 1, 2020         | \$ 600,000              | 1.100%               | January 1, 2027      | \$ 1,115,000            | 1.700%               |
| January 1, 2021      | 980,000                 | 1.150                | July 1, 2027         | 1,130,000               | 1.750                |
| July 1, 2021         | 990,000                 | 1.200                | January 1, 2028      | 1,145,000               | 1.800                |
| January 1, 2022      | 995,000                 | 1.250                | July 1, 2028         | 1,160,000               | 1.850                |
| July 1, 2022         | 1,005,000               | 1.300                | January 1, 2029      | 1,175,000               | 1.900                |
| January 1, 2023      | 1,020,000               | 1.350                | July 1, 2029         | 1,195,000               | 1.950                |
| July 1, 2023         | 1,030,000               | 1.350                | January 1, 2030      | 1,210,000               | 2.000                |
| January 1, 2024      | 1,040,000               | 1.375                | July 1, 2030         | 1,225,000               | 2.050                |
| July 1, 2024         | 1,055,000               | 1.400                | January 1, 2031      | 1,245,000               | 2.100                |
| January 1, 2025      | 1,060,000               | 1.500                | July 1, 2031         | 1,265,000               | 2.150                |
| July 1, 2025         | 1,075,000               | 1.550                | January 1, 2032      | 1,285,000               | 2.250                |
| January 1, 2026      | 1,090,000               | 1.600                | July 1, 2032         | 1,305,000               | 2.300                |
| July 1, 2026         | 1,105,000               | 1.650                |                      |                         |                      |

##### **Term Bonds**

| <b>Maturity Date</b>  | <b>Principal Amount</b> | <b>Interest Rate</b> |
|-----------------------|-------------------------|----------------------|
| July 1, 2034          | \$ 5,440,000            | 2.400%               |
| July 1, 2039          | 15,430,000              | 2.600                |
| July 1, 2044          | 18,580,000              | 2.800                |
| July 1, 2049          | 22,550,000              | 2.950                |
| January 1, 2050 (PAC) | 60,500,000              | 3.750                |



(b) Whenever the due date for payment of interest on or principal of the Issue 2019-3 Bonds or the date fixed for redemption of any Issue 2019-3 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

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

(a) The Issue 2019-3 Bonds maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2019-3 Bonds maturing in such year. The Issue 2019-3 Bonds are to be lettered “R” and numbered separately from 1 consecutively upwards.

(b) The Issue 2019-3 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2019-3 Bond will be outstanding for each maturity and interest rate of the Issue 2019-3 Bonds in the aggregate principal amount of such maturity and interest rate. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2019-3 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2019-3 Bonds will not receive certificates representing their interest in the Issue 2019-3 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2019-3 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2019-3 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

**Section 2.05. Paying Agent.** The Trustee is hereby appointed as paying agent for the Issue 2019-3 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

**Section 2.06. Execution of Bonds.** The Issue 2019-3 Bonds shall be executed by the manual or facsimile signature of the Chairperson or Vice Chairperson and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2019-3 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2019-3 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2019-3 Bonds upon instructions from THDA to that effect.

**Section 2.07. Place of Payment; Record Date.** While the Issue 2019-3 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2019-3 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2019-3 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2019-3 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2019-3

Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2019-3 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2019-3 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

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

(a) The Issue 2019-3 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2019-3 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

### **Issue 2019-3 Term Bonds due July 1, 2034**

| <b>Date</b>     | <b>Amount Due</b> | <b>Date</b>     | <b>Amount Due</b> |
|-----------------|-------------------|-----------------|-------------------|
| January 1, 2033 | \$1,325,000       | January 1, 2034 | \$1,370,000       |
| July 1, 2033    | 1,350,000         | July 1, 2034*   | 1,395,000         |

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\*Maturity

### **Issue 2019-3 Term Bonds due July 1, 2039**

| <b>Date</b>     | <b>Amount Due</b> | <b>Date</b>     | <b>Amount Due</b> |
|-----------------|-------------------|-----------------|-------------------|
| January 1, 2035 | \$1,420,000       | July 1, 2037    | \$1,555,000       |
| July 1, 2035    | 1,445,000         | January 1, 2038 | 1,585,000         |
| January 1, 2036 | 1,470,000         | July 1, 2038    | 1,615,000         |
| July 1, 2036    | 1,500,000         | January 1, 2039 | 1,640,000         |
| January 1, 2037 | 1,525,000         | July 1, 2039*   | 1,675,000         |

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\*Maturity

### **Issue 2019-3 Term Bonds due July 1, 2044**

| <b>Date</b>     | <b>Amount Due</b> | <b>Date</b>     | <b>Amount Due</b> |
|-----------------|-------------------|-----------------|-------------------|
| January 1, 2040 | \$1,700,000       | July 1, 2042    | \$1,870,000       |
| July 1, 2040    | 1,735,000         | January 1, 2043 | 1,910,000         |
| January 1, 2041 | 1,770,000         | July 1, 2043    | 1,945,000         |
| July 1, 2041    | 1,805,000         | January 1, 2044 | 1,985,000         |
| January 1, 2042 | 1,835,000         | July 1, 2044*   | 2,025,000         |

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\*Maturity

**Issue 2019-3 Term Bonds due July 1, 2049**

| <b>Date</b>     | <b>Amount<br/>Due</b> | <b>Date</b>     | <b>Amount<br/>Due</b> |
|-----------------|-----------------------|-----------------|-----------------------|
| January 1, 2045 | \$2,065,000           | July 1, 2047    | \$2,275,000           |
| July 1, 2045    | 2,100,000             | January 1, 2048 | 2,320,000             |
| January 1, 2046 | 2,145,000             | July 1, 2048    | 2,360,000             |
| July 1, 2046    | 2,190,000             | January 1, 2049 | 2,410,000             |
| January 1, 2047 | 2,230,000             | July 1, 2049*   | 2,455,000             |

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\*Maturity

**Issue 2019-3 Term Bonds due January 1, 2050 (PAC)**

| <b>Date</b>     | <b>Amount<br/>Due</b> | <b>Date</b>      | <b>Amount<br/>Due</b> |
|-----------------|-----------------------|------------------|-----------------------|
| July 1, 2020    | \$ 530,000            | July 1, 2035     | \$ 960,000            |
| January 1, 2021 | 540,000               | January 1, 2036  | 980,000               |
| July 1, 2021    | 550,000               | July 1, 2036     | 1,000,000             |
| January 1, 2022 | 565,000               | January 1, 2037  | 1,020,000             |
| July 1, 2022    | 575,000               | July 1, 2037     | 1,040,000             |
| January 1, 2023 | 585,000               | January 1, 2038  | 1,060,000             |
| July 1, 2023    | 595,000               | July 1, 2038     | 1,080,000             |
| January 1, 2024 | 610,000               | January 1, 2039  | 1,105,000             |
| July 1, 2024    | 620,000               | July 1, 2039     | 1,125,000             |
| January 1, 2025 | 635,000               | January 1, 2040  | 1,150,000             |
| July 1, 2025    | 645,000               | July 1, 2040     | 1,170,000             |
| January 1, 2026 | 660,000               | January 1, 2041  | 1,195,000             |
| July 1, 2026    | 670,000               | July 1, 2041     | 1,220,000             |
| January 1, 2027 | 685,000               | January 1, 2042  | 1,245,000             |
| July 1, 2027    | 700,000               | July 1, 2042     | 1,270,000             |
| January 1, 2028 | 715,000               | January 1, 2043  | 1,295,000             |
| July 1, 2028    | 730,000               | July 1, 2043     | 1,320,000             |
| January 1, 2029 | 745,000               | January 1, 2044  | 1,345,000             |
| July 1, 2029    | 755,000               | July 1, 2044     | 1,370,000             |
| January 1, 2030 | 775,000               | January 1, 2045  | 1,400,000             |
| July 1, 2030    | 790,000               | July 1, 2045     | 1,430,000             |
| January 1, 2031 | 805,000               | January 1, 2046  | 1,455,000             |
| July 1, 2031    | 820,000               | July 1, 2046     | 1,485,000             |
| January 1, 2032 | 835,000               | January 1, 2047  | 1,515,000             |
| July 1, 2032    | 855,000               | July 1, 2047     | 1,545,000             |
| January 1, 2033 | 870,000               | January 1, 2048  | 1,575,000             |
| July 1, 2033    | 885,000               | July 1, 2048     | 1,610,000             |
| January 1, 2034 | 905,000               | January 1, 2049  | 1,640,000             |
| July 1, 2034    | 925,000               | July 1, 2049     | 1,675,000             |
| January 1, 2035 | 940,000               | January 1, 2050* | 1,705,000             |

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\*Maturity

(b) Upon the purchase or redemption of Issue 2019-3 Bonds of any maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2019-3 Bonds and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2019-3 Bonds of such maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such maturity of Issue 2019-3 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

**Section 2.09. Optional Redemption.** Other than the PAC Bonds, the Issue 2019-3 Bonds maturing on and after July 1, 2029, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after 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 prior to their maturity, 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 Bonds<br/>Redemption Price</u> |
|-----------------------------------|---------------------------------------|
| January 1, 2029 to June 30, 2029  | 101.099%                              |
| July 1, 2029 to December 31, 2029 | 100.632                               |
| January 1, 2030 to June 30, 2030  | 100.171                               |
| July 1, 2030 and thereafter       | 100.000                               |

**Section 2.10. Special Optional Redemption.** The Issue 2019-3 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2019-3 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans allocated to the Issue 2019-3 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2019-3 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-3 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof and (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the PAC Bonds Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the

redemption date). The Issue 2019-3 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2019-3 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-3 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

### **Section 2.11. Special Mandatory Redemptions.**

(a) ***Unexpended Proceeds.*** The Issue 2019-3 Bonds are subject to mandatory redemption on May 1, 2020 in the event and to the extent that there are unexpended proceeds of the Issue 2019-3 Bonds on deposit in the Issue 2019-3 Subaccount of the Loan Fund on April 1, 2020; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.02 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2019-3 Bonds are subject to mandatory redemption on March 1, 2023, to the extent any amounts (other than Transferred Proceeds) remain on deposit in the Issue 2019-3 Subaccount of the Loan Fund on February 1, 2023.

The redemption price of the Issue 2019-3 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2019-3 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-3 Bonds then Outstanding.

(b) ***Excess 2019-3 Principal Payments (PAC Bonds).*** The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2019-3 Principal Payments. Any Excess 2019-3 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing July 1, 2020; provided, however, that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

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

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2019-3 Bonds are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2019-3 Principal Payments shall first be applied to redeem the PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

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

The PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2019-3 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.

**(c) Ten Year Rule.**

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2019-3 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, financed with proceeds of the Issue 2019-3 Bonds (directly or through a series of refundings) received more than ten years after the Issue Date of the Issue 2019-3 Bonds (or the date of original issuance of the bonds refunded by the Issue 2019-3 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2019-3 Bonds on or before the next Interest Payment Date with respect to the Issue 2019-3 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2019-3 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2019-3 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the PAC Bonds Planned Amortization Amount only if there are no other Issue 2019-3 Bonds Outstanding.

**Section 2.12. Selection by Lot.** If less than all of the Issue 2019-3 Bonds of like maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

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

### **ARTICLE III**

#### **SALE AND DELIVERY**

##### **Section 3.01. Sale.**

(a) The Issue 2019-3 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chair, Secretary or Assistant Secretary of the Bond Finance Committee and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2019-3 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2019-3 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2019-3 Bonds to the public is hereby authorized and approved.

(c) The Issue 2019-3 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2019-3 Supplemental Resolution.



## ARTICLE IV

### DISPOSITION OF PROCEEDS AND OTHER MONEYS

**Section 4.01. Proceeds of the Issue 2019-3 Bonds.** Upon receipt of the proceeds of the sale of the Issue 2019-3 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2019-3 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-3 Bonds. On the Issue Date, an amount equal to the principal amount of the Refunded Bonds on deposit in the Issue 2019-3 Bond Subaccount of the Loan Fund (representing a portion of the proceeds of the Issue 2019-3 Bonds) shall be allocated to the refunding of the principal of the Refunded Bonds; interest due on the Refunded Bonds on their redemption date will be paid from funds on deposit in the Redemption Account of the Refunded Bonds. On such date, the Transferred Proceeds shall be credited to the Issue 2019-3 Bond Subaccount of the Loan Fund.

**Section 4.02. Loan Fund; Bond Reserve Fund Requirement.** Subsequent to the refunding of the Refunded Bonds, amounts on deposit in the Issue 2019-3 Bond Subaccount of the Loan Fund (including the Transferred Proceeds) shall be applied to (i) the financing of Program Loans, or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iv) payment of Costs of Issuance and (v) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2019-3 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2019-3 Bonds pursuant to Section 2.11(a) hereof, as set forth in the certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-3 Bonds. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2019-3 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2019-3 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2019-3 Bonds shall not exceed 2% of the proceeds of the Issue 2019-3 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2019-3 Bond Subaccount of the Loan Fund in excess of the Transferred Proceeds and which are to be used to finance Program Loans (or other available funds of THDA), shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until September 30, 2020.

The Bond Reserve Fund Requirement with respect to the Issue 2019-3 Bonds shall be an amount equal to 3% of the then current balance of Program Loans (other than Program Loans

underlying Program Securities) allocable to the Issue 2019-3 Bonds plus the amount on deposit in the Issue 2019-3 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund which, together with any excess amounts on deposit in the Bond Reserve Fund, shall satisfy the Bond Reserve Requirement.

**Section 4.03. Program Loan Determinations.** No Program Loan shall be financed with proceeds of the Issue 2019-3 Bonds (including the Transferred Proceeds) unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the fee simple or leasehold estate, of real property located in the State or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed or have a commitment for insurance or guaranty by:
  - (i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans), or
  - (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or
- (c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA) or the sale price of the property securing the Program Loan; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to issue such insurance or guarantee in the State and approved by THDA, and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage

of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or sale price of the property securing the Program Loan, whichever is less.

## **ARTICLE V**

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

**Section 5.01. Form of Bonds.** Subject to the provisions of the General Resolution, the Issue 2019-3 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

**Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication.** The Issue 2019-3 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

#### **(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)**

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

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Officer

## **ARTICLE VI**

### **MISCELLANEOUS**

**Section 6.01. No Recourse Against Members or Other Persons.** No recourse may be had for the payment of principal of or premium or interest on the Issue 2019-3 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2019-3 Bonds and neither the members of THDA nor any person executing the Issue 2019-3 Bonds may be liable personally on the Issue 2019-3 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

**Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America.** The Issue 2019-3 Bonds are not a debt, liability or the obligation of the State

or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2019-3 Bonds. The Issue 2019-3 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2019-3 Bonds.

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

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

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

**Section 6.06. Covenant to Comply with Federal Tax Law Requirements.** THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2019-3 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2019-3 Bonds from time to time.

**Section 6.07. Continuing Disclosure Undertaking.**

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

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

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information

with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

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

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

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

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2019-3 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) substitution of any credit or liquidity provider, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2019-3 Bonds, or other material events affecting the tax status of the Issue 2019-3 Bonds;
- (vii) modifications to rights of the holders of the Issue 2019-3 Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Issue 2019-3 Bonds, if material;

(xi) rating changes;

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

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

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

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

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

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

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2019-3 Bonds or defeasance of any Issue 2019-3 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2019-3 Bonds pursuant to the Resolution.

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

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

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2019-3 Bonds whether or not the Rule applies to such Issue 2019-3 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2019-3 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2019-3 Bonds or (B) the holders of the Issue 2019-3 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2019-3 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2019-3 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2019-3 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

**Section 6.08. Confirmation and Adjustment of Terms by Committee.** The terms of the Issue 2019-3 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2019-3 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2019-3 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

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



**EXHIBIT A**

**BOND PURCHASE AGREEMENT**

## EXHIBIT B

### PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS

| <u>Date</u>     | <u>PAC Bonds</u><br><u>Planned Amortization</u><br><u>Amount</u> |
|-----------------|--|
| July 1, 2020    | \$ 675,000   |
| January 1, 2021 | 2,210,000  |
| July 1, 2021    | 4,620,000  |
| January 1, 2022 | 7,855,000  |
| July 1, 2022    | 11,835,000   |
| January 1, 2023 | 16,195,000   |
| July 1, 2023    | 20,420,000   |
| January 1, 2024 | 24,460,000   |
| July 1, 2024    | 28,315,000   |
| January 1, 2025 | 32,000,000   |
| July 1, 2025    | 35,510,000   |
| January 1, 2026 | 38,850,000   |
| July 1, 2026    | 42,030,000   |
| January 1, 2027 | 45,050,000   |
| July 1, 2027    | 47,920,000   |
| January 1, 2028 | 50,635,000   |
| July 1, 2028    | 53,205,000   |
| January 1, 2029 | 55,635,000   |
| July 1, 2029    | 57,920,000   |
| January 1, 2030 | 60,070,000   |
| July 1, 2030    | 60,500,000   |

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

| <b>Date</b>     | <b>Cumulative<br/>Amount</b> | <b>Date</b>     | <b>Cumulative<br/>Amount</b> |
|-----------------|------------------------------|-----------------|------------------------------|
| January 1, 2020 | \$ 44,453                    | July 1, 2035    | \$ 134,188,170               |
| July 1, 2020    | 1,844,048                    | January 1, 2036 | 134,433,079                  |
| January 1, 2021 | 7,092,911                    | July 1, 2036    | 134,640,928                  |
| July 1, 2021    | 15,644,898                   | January 1, 2037 | 134,817,099                  |
| January 1, 2022 | 26,980,525                   | July 1, 2037    | 134,966,211                  |
| July 1, 2022    | 40,339,190                   | January 1, 2038 | 135,092,233                  |
| January 1, 2023 | 53,550,670                   | July 1, 2038    | 135,198,566                  |
| July 1, 2023    | 65,054,000                   | January 1, 2039 | 135,288,128                  |
| January 1, 2024 | 74,974,478                   | July 1, 2039    | 135,363,418                  |
| July 1, 2024    | 83,527,059                   | January 1, 2040 | 135,426,576                  |
| January 1, 2025 | 90,897,802                   | July 1, 2040    | 135,479,433                  |
| July 1, 2025    | 97,247,723                   | January 1, 2041 | 135,523,556                  |
| January 1, 2026 | 102,716,137                  | July 1, 2041    | 135,560,281                  |
| July 1, 2026    | 107,423,561                  | January 1, 2042 | 135,590,751                  |
| January 1, 2027 | 111,474,223                  | July 1, 2042    | 135,615,940                  |
| July 1, 2027    | 114,958,250                  | January 1, 2043 | 135,636,678                  |
| January 1, 2028 | 117,953,551                  | July 1, 2043    | 135,653,671                  |
| July 1, 2028    | 120,527,464                  | January 1, 2044 | 135,667,520                  |
| January 1, 2029 | 122,738,172                  | July 1, 2044    | 135,678,737                  |
| July 1, 2029    | 124,635,935                  | January 1, 2045 | 135,687,753                  |
| January 1, 2030 | 126,264,160                  | July 1, 2045    | 135,694,935                  |
| July 1, 2030    | 127,660,322                  | January 1, 2046 | 135,700,595                  |
| January 1, 2031 | 128,856,768                  | July 1, 2046    | 135,704,994                  |
| July 1, 2031    | 129,881,406                  | January 1, 2047 | 135,708,354                  |
| January 1, 2032 | 130,758,314                  | July 1, 2047    | 135,710,860                  |
| July 1, 2032    | 131,508,252                  | January 1, 2048 | 135,712,669                  |
| January 1, 2033 | 132,149,116                  | July 1, 2048    | 135,713,913                  |
| July 1, 2033    | 132,696,330                  | January 1, 2049 | 135,714,700                  |
| January 1, 2034 | 133,163,177                  | July 1, 2049    | 135,715,122                  |
| July 1, 2034    | 133,561,098                  | January 1, 2050 | 135,715,259                  |
| January 1, 2035 | 133,899,938                  | July 1, 2050    | 135,715,267                  |

**EXHIBIT C**

**FORM OF BOND**

**REGISTERED**

**R[-1]**

**\$[\_\_\_\_\_]**

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

| <b>Interest Rate</b> | <b>Dated Date</b>  | <b>Maturity Date</b> | <b>Cusip</b>  |
|----------------------|--------------------|----------------------|---------------|
| [____]%              | September 30, 2019 | [_____]              | 880461[_____] |

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL SUM: [\_\_\_\_\_]**

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

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

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

This bond is one of a series of bonds additionally designated “Issue 2019-3” (herein called the “Bonds”) issued in the aggregate principal amount of \$150,000,000 under the General Resolution, a resolution of THDA adopted on July 23, 2019, as amended and supplemented by the Bond Finance Committee of THDA on September 4, 2019 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

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

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

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

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

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

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

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

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

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

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

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

[Remainder of page intentionally left blank]

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

TENNESSEE HOUSING DEVELOPMENT  
AGENCY

By \_\_\_\_\_  
Kim Grant Brown  
Chair  
[SEAL]

Attest:

By \_\_\_\_\_  
Ralph M. Perrey  
Executive Director

## **CERTIFICATE OF AUTHENTICATION**

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

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Signatory

Dated: September 30, 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<br>right of survivorship and<br>not as tenants in common |

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

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

## ASSIGNMENT

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

Dated: \_\_\_\_\_

Social Security Number or  
Employer Identification  
Number of Transferred: \_\_\_\_\_

Signature guaranteed: \_\_\_\_\_

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

**13. OFFICIAL STATEMENT:**

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

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

# Tab # 4

Items:

Audit & Budget Committee Meeting Materials

**Tennessee Housing Development Agency  
Audit & Budget Committee**

**November 19, 2019**

**9:00 a.m. Central Time**

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AGENDA

1. Call to Order .....Hargett
2. Approval of Minutes from September 24, 2019 .....Hargett
3. Disclosure Analysis Report for Board Members ..... Oliver
4. Disclosure Analysis Report for THDA Staff ..... Oliver
5. Enterprise Risk Management Update ..... Oliver
6. Fiscal year 2019 Internal Audit Summary ..... Oliver
7. Fiscal Year 2019 Financial Statement Audit Update ..... Ridley
8. Five Year Financial Plan ..... Beard
9. Annual Performance Evaluation of Director of Internal Audit ..... Hargett
10. Annual Performance Evaluation of Executive Director ..... Hargett
11. Adjourn ..... Hargett

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

Secretary Tre Hargett, Chair  
Dorothy Cleaves  
Mike Hedges  
Treasurer David Lillard  
Austin McMullen  
Christine Rhea

TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUDIT & BUDGET COMMITTEE  
September 24, 2019

Pursuant to the call of the Chair, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, September 24, 2019, at 9:30 a.m., in the Centennial Room of the Read House Hotel, Chattanooga, TN.

The following Committee members were present: Secretary of State Tre Hargett (Chair), Michael Hedges, Dorothy Cleaves, Christine Rhea, and Ashley Fuqua (for Treasurer David Lillard). Austin McMullen was absent. Other Board members present were: Regina Hubbard, Lynn Tully and John Snodderly.

Recognizing a quorum present, Chair Hargett called the meeting to order and asked for approval of the minutes of the July 23, 2019, meeting. Upon motion by Ms. Rhea and second by Mr. Hedges the minutes were unanimously approved.

Chair Hargett recognized Ms. Gay Oliver THDA Director of Internal Audit to present the Executive Director performance evaluation process. Ms. Oliver referenced the memo included in the Board packet that addresses the Executive Director performance evaluation process. She noted that the Audit and Budget Committee Charter and the THDA By-Laws charge the Committee with developing and implementing the evaluation process for the Executive Director. Ms. Oliver summarized the proposed process and noted that it is similar to the process followed the previous year. The consensus of the Committee was to proceed with the proposed process as described in the referenced memo.

The next item for consideration was the Director of Internal Audit performance evaluation process. Chair Hargett referenced the memo included in the Board packet that addresses the Director of Internal Audit performance evaluation process. He noted that the evaluation process for the Internal Audit Director is similar to the process for the Executive Director's performance review, except that this evaluation is wholly within the purview of the Committee, therefore no action by the Board will be required. The consensus of the Committee was to proceed with the process as described in the referenced memo.

Chair Hargett recognized Mr. Joe Brown THDA Controller to present the Fiscal Year 2019 Investment Report. Mr. Brown referenced the memo included in the Board packet dated September 13, 2019, for the quarter ending June 30, 2019 from THDA Chief Financial Officer Trent Ridley. He noted that the report is for information purposes and no Committee or Board action is required.

Chair Hedges indicated the next item for consideration was the proposed Fiscal Year 2021 budget (the "Proposed Budget") and recognized Mr. Joe Brown who provided the following highlights:

- Assets increased to \$3.3 billion;
- Liabilities increased to \$2.8 billion from \$2.2 billion for the fiscal year ended June 30, 2019;

- The fund balance increased to \$525 million from \$514 million for the fiscal year ended June 30, 2019;
- \$2.2 million in savings were realized for the fiscal year ended June 30, 2019 due to mortgage loan servicing being brought in-house;
- The Program Asset to Debt Ratio (“PADR”) for the 2013 General Resolution at June 30, 2019, was 1.29, well above the PADR of 1.04 required by the rating agencies;
- The Proposed Budget includes an improvement for 21 additional positions for the conventional loan program, federal grants, and related administrative functions; and
- The Proposed Budget shows balanced expenditures and revenues.

Chair Hargett noted that following Board approval, the state portion of the Proposed Budget goes through a review and approval process that includes the Department of Finance & Administration, the Governor’s office, and the legislature. Following adoption of the state budget by the legislature, the state portion of the Proposed Budget becomes THDA’s work program for fiscal year 2021. Adjustments during this process are normal and need to be authorized in the approval motion.

Upon motion by Chair Hargett and second by Mr. Hedges, the Committee recommended the Proposed Budget to the Bond Finance Committee and the Board with authorization for staff to make adjustments as required through the State review and approval process.

With no other issues or reports to be presented, Chair Hargett adjourned the meeting.

Respectfully submitted,

Gathelyn Oliver  
Director of Internal Audit

Approved this day 19<sup>th</sup> of November, 2019.



## Tennessee Housing Development Agency

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

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM:

TO: Audit and Budget Committee

FROM: Gathelyn Oliver, Director of Internal Audit   
Bruce Balcom, Assistant Chief Legal Counsel 

DATE: November 7, 2019

SUBJECT: 2019 Potential Conflicts of Interest Disclosure  
By THDA Board Members, Voting Representatives, and  
Staff of Board Members who Deal Directly with THDA

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### INTRODUCTION

We reviewed the disclosures made by THDA Board members, Voting Representatives and Staff of Board members who deal directly with THDA, (the "Board members"), for the fiscal year beginning July 1, 2019. This year Board members completed the long form THDA Board Member and Designee Disclosure, (the "Disclosure Form"). The original forms are in THDA files and are documents open for public inspection, upon request, during regular THDA business hours.

TCA §13-23-128 and the THDA Conflicts of Interest Policy adopted on September 16, 2004, as subsequently amended (the "Board Disclosure Policy"), and the THDA Code of Conduct adopted on March 15, 2007, as amended on September 22, 2015 require that in addition to disclosing potential conflicts annually, any disclosure is to be noted in the official THDA minutes.

In addition to TCA §13-23-128 and the Board Disclosure Policy, certain federal programs administered by THDA have conflicts of interest provisions that apply to Board members, staff and program participants. These include the Section 8 Housing Choice Voucher (HCV) and Performance Based Contract Administration (PBCA) Programs, the HOME Program, the Neighborhood Stabilization Program (NSP), and the Homelessness Prevention and Rapid Re-Housing Program (HPRP). The National Foreclosure Mitigation Counseling (NFMC) and the Hardest Hit Funds (HHF) programs are also federally funded programs that require homeownership educators/counselors to comply with the National Industry Standards Code of Ethics and Conduct for Homeownership Professionals relating to actual and apparent conflicts of interest. The Low Income Housing Tax Credit Program (LIHTC), the Tax-exempt Multi-family Bond Authority Program (TEMFBA), the Tax Credit Assistance Program (TCAP), and the Tax Credit Exchange Program (1602), also administered by THDA, do not have specific conflict of interest provisions.

The disclosure made by Ms. Daisy Fields indicates a direct conflict of interest because she receives a Section 8 HCV from THDA. Ms. Fields, however, occupies the position required by Section 505 of the Quality Housing and Work Responsibility Act of 1998. In addition, the federal regulations at 24 CFR Part 964, Subpart E expressly state that a conflict of this type shall not bar this required membership.

None of the disclosures made by Board members represent conflicts resulting from prohibited interests under TCA §13-23-128, as amended. Even where no conflict actually exists, Board members must refrain from any appearance of impropriety as required by the THDA Code of Conduct adopted March 15, 2007 as amended on September 22, 2015. Federal requirements relating to disclosed interests will be addressed in relation to the specific program in subsequent paragraphs and are based on the question numbers found in the Disclosure Form.

### INCIDENTAL INTERESTS

1. (Question 8) The following Board members disclosed incidental personal banking relationships with financial institutions or entities that may be THDA originating agents. The disclosures include personal savings, checking, investments, IRAs, mortgages, etc.

|                 |                 |                 |
|-----------------|-----------------|-----------------|
| Katie Armstrong | Kevin Bradley   | Dorothy Cleaves |
| Daisy Fields    | Tre Hargett     | John Krenson    |
| David Lillard   | Austin McMullen | Jason Mumpower  |
| Rick Neal       | Steve Osborne   | Jonathan Rummel |
| Sandi Thompson  | Lynn Tully      | Justin Wilson   |

According to the Board Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation.

2. (Question 10) The following Board members disclosed incidental personal or business relationships with THDA, THDA employees, Board members or with persons or entities that do business with THDA.

|                 |              |                 |
|-----------------|--------------|-----------------|
| Mike Hedges     | John Krenson | Austin McMullen |
| Jason Mumpower  | Rick Neal    | Christine Rhea  |
| Jonathan Rummel |              |                 |

According to the Board Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation.

3. (Questions 2, 6, 6a, 6c, and 6d) The following Board members disclosed incidental personal or family employment or relationships with entities that are involved in originating THDA mortgage loans; selling property that may be developed for housing to be sold to THDA borrowers; or selling property or houses to THDA borrowers (as a Realtor or in any other capacity).

|                 |                 |              |
|-----------------|-----------------|--------------|
| Katie Armstrong | Dorothy Cleaves | Tre Hargett  |
| Mike Hedges     | Regina Hubbard  | John Krenson |
| Christine Rhea  | Justin Wilson   |              |



According to the Board Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation. In addition to the list above, Mr. Tre Hargett, Mr. Jonathan Rummel and Mr. Justin Wilson disclosed investments that could include THDA bonds. Board members may own THDA bonds so long as disclosure is made and purchases and sales do not occur when Board members have information about THDA bonds that is not available to the public; therefore, this is treated as a permitted incidental interest.

### INDIRECT INTERESTS

5. (Questions 2, 3b, 3n and 7) Ms. Dorothy Cleaves disclosed allowable indirect personal employment relationship with an entity involved with LIHTC. Potential conflicts related to involvement with this program are considered allowable as long as the entity qualifies in accordance with established program requirements. Ms. Cleaves also disclosed that a relative received HHF Down Payment Assistance (DPA) on a THDA loan that is serviced by Volunteer Mortgage Loan Servicing. Relatives of THDA Board members should be eligible to become THDA borrowers as long as they qualify through an Originating Agent and otherwise meet THDA program requirements. Ms. Cleaves has no responsibility for loan approval or loan administration issues as they relate to her relative and she should also refrain from discussing the matter with THDA staff members.
6. (Questions 2, 3b, 3c, 3i and 4) Mr. Mike Hedges disclosed that he is or has been a principle developer or consultant for projects that have received LIHTC, TCAP, TEMFBA and Community Investment Tax Credit (CITC). Mr. Hedges also disclosed that most or all of the LIHTC properties of which he was involved serve one or more voucher tenants. He has no knowledge of further specifics. In addition to the requirements for Board members to refrain from voting and participation in discussion at committee and Board meetings on any topic that relates specifically to their disclosed indirect interest, waiver requests from the Federal agency with oversight authority for these programs have either already been obtained or may be requested as necessary.
7. (Questions 2, 3b, 3e, 3g, 3i, 3n, 5 and 10) Mr. Rick Neal disclosed indirect interests due to his position with the Pinnacle Bank. Indirect interests in this category may include financing or investments utilizing LIHTC, Multifamily Tax Exempt Authority, BEP, CITC and PBCA. In addition to the requirements for Board members to refrain from voting and participation in discussion at committee and Board meetings on any topic that relates specifically to their disclosed indirect interest, waiver requests from the Federal agency with oversight authority for these programs have either already been obtained or may be requested as necessary.

### SUMMARY OF INTERESTS DISCLOSED

The following is a summary of interests disclosed by Board members in their 2019 Disclosure Forms:

1. Ms. Katie Armstrong – Family member is employed as licensed Realtor and could have clients that obtain THDA loans. Personal banking relationships with financial institutions that may be THDA Originating Agents.
2. Mr. Kevin Bradley – Personal banking relationships with financial institutions that may be THDA Originating Agents.

3. Ms. Dorothy Cleaves – Employed by and personal banking relationship with a financial institution that may be a THDA Originating Agent. Employer's subsidiary has had some involvement with LIHTC. Relative may have a THDA loan with HHF DPA. Personal and business relationships with entities that do business with THDA.
4. Ms. Collen Daniels – None.
5. Ms. Daisy Fields – Section 8 HCV tenant in Gallatin, TN, filling the position required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and the federal regulations at 24 CFR Part 964, Subpart E. Applied for LIHEAP assistance.
6. Mr. Tre Hargett – Personal banking relationships with financial institutions that may be THDA Originating Agents.
7. Mr. Mike Hedges – Is or has been a principle, developer or consultant for projects receiving LIHTC, TCAP, TEMFBA and CITC. Most or all of the LIHTC properties serve one or more voucher tenants. Family member is a Realtor. Reports friendships with THDA staff.
8. Ms. Regina Hubbard– Employed as licensed Realtor and could have clients that obtain THDA loans.
9. Mr. John Krenson - Employed by Operation Stand Down that has a non-financial, service relationship with MDHA. Personal banking relationships with financial institutions that may be THDA Originating Agents.
10. Mr. David Lillard – Personal banking relationship with financial institutions that may be THDA Originating Agents.
11. Mr. Austin McMullen – Personal banking relationship with financial institutions that may be THDA Originating Agents. Employed by a law firm that may represent THDA clients involved in THDA programs.
12. Mr. Stuart McWorter – None.
13. Ms. Erin Merrick – None.
14. Mr. Jason Mumpower – Personal banking relationship with financial institutions that may be THDA Originating Agents. Family member owns a real estate title company.
15. Mr. Rick Neal - Employed by a financial institution that may be a THDA Originating Agent. Employer is an investor and finances developments utilizing LIHTC and TEMFBA provided by THDA. Chairman of Blight Authority of Memphis which has applied for funding through BEP.
16. Mr. Steve Osborne – Personal banking relationship and stock ownership in financial institutions that may be THDA Originating Agents.
17. Ms. Christine Rhea – CEO of a financial institution that is a THDA Originating Agent. Family member is employed by a financial institution that is a THDA Originating Agent.

18. Mr. Jonathan Rummel – Personal banking relationship with financial institutions that may be THDA Originating Agents. Investments may include THDA bonds.
19. Mr. John Snodderly – None.
20. Ms. Sandi Thompson – Personal banking relationship with financial institutions that may be THDA Originating Agents.
21. Mr. David Topping – None.
22. Ms. Lynn Tully – Personal banking relationship with a financial institution that may be a THDA Originating Agent.
23. Mr. Justin Wilson – Personal banking relationship with a financial institution that may be a THDA Originating Agent. Potential beneficiary of investments that may include THDA bonds.

#### SUMMARY OF PROGRAM DISCLOSURES

Mr. Dorothy Cleaves disclosed an indirect allowable interest related to LIHTC.

Mr. Mike Hedges disclosed indirect allowable interests in LIHTC, TCAP, TEMFBA, CITC and HCV.

Mr. John Krenson disclosed incidental allowable interest in LIHTC.

Mr. Rick Neal disclosed indirect and incidental interests in LIHTC, TEMFBA, BEP, CITC and PBCA.

GLO/BB



## 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: Audit and Budget Committee

FROM: Gathelyn Oliver, Director of Internal Audit *GO*  
Bruce Balcom, Assistant Chief Legal Counsel *[Signature]*

DATE: November 7, 2019

SUBJECT: 2019 Potential Conflicts of Interest Disclosure Report for Staff

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### INTRODUCTION

We reviewed the disclosures made by all THDA staff for the fiscal year beginning July 1, 2019. This year all THDA staff members were asked to complete an electronic version of the long form Employee Disclosure of Outside Employment and Personal Interests, (the "Disclosure Form"). The original responses are saved on THDA servers and are open for public inspection, upon written request, during regular THDA business hours.

TCA §13-23-128 and the Staff Disclosure Policy originally adopted on March 19, 1992, as subsequently revised, (the "Staff Disclosure Policy"), require that, in addition to disclosing potential conflicts annually, any disclosure is to be noted in the official THDA minutes. Persons with potential conflicts or indirect interests that create an apparent conflict even if there is no prohibited interest are to refrain from discussion or participation in THDA activity in connection with the identified conflict. None of the disclosures made by employees indicated a conflict resulting from prohibited interests under TCA §13-23-128(a) or the Staff Disclosure Policy. Even where no conflict exists, staff members must refrain from any appearance of impropriety as required by the THDA Code of Conduct adopted by the THDA Board of Directors March 15, 2007 as amended on September 22, 2015.

The specific items mentioned below are tied to question numbers from the Disclosure Forms completed by the employees.

NO OUTSIDE EMPLOYMENT DISCLOSED

The following individuals disclosed no outside employment as of the date of their respective 2019 Disclosure Form:

|                    |                       |                       |                       |
|--------------------|-----------------------|-----------------------|-----------------------|
| Alba Jofre         | Aleisha Carr          | Allison Moore         | Amy Newport           |
| Andrew Tiller      | Anita Lily            | Ann Salyers           | Annette Rader         |
| Belinda Williams   | Berivan Yahya         | Betesia Harris        | Beverly Fears         |
| Bill Lord          | Blake Worthington     | Briana Gardner        | Bruce Balcom          |
| Caroline Rhodes    | Cathey McClung        | Charles Mathews       | Charmaine McNeilly    |
| Christopher Marlin | Christy Hollingsworth | Chuck O'Donnell       | Chuck Pickering       |
| Cindy Ripley       | Craig Stevens         | Cynthia Buntin        | Cynthia Peraza        |
| Cynthia Weber      | Dallisa Kilcrease     | Danna Wall            | Daphanie Scott        |
| Dareyl Adams       | David Castle          | David Pair            | Debbie Reeves         |
| Debby Beard        | Deborah Sanders       | Debra Fuller          | Debra Perkins         |
| DeJuana Lyons      | Denise Hutchinson     | Denise McBride        | Denisha Bumpers       |
| De'Paris Oliver    | Dodi Hopkins          | Don Watt              | Donna Calahan         |
| Donna Duarte       | Doreen Graves         | Ed Yandell            | Ella Harris           |
| Eric Crabtree      | Eric Hall             | Erica Holloway        | Erin Hardy            |
| Fredina Martin     | Gary Goad             | Giulia Vernaschi      | Hannah Kinnaird       |
| Harry Symlar       | Hayden Harville       | Heather Johnson       | India Whatley         |
| Jack Thomas        | Jacklyn VanBrocklin   | Jaime Fox             | JaMyra Carter         |
| Jason Candido      | Jason Ronnow          | Jawon Lauderdale      | Jayna Johnson         |
| Jeremy Heidt       | Jessica Davis         | Jillian Ford          | Jim Hamilton          |
| Joab Shephard      | Joe Bethel            | Joe Brown             | Joseph Speer          |
| Julie Burnette     | Julie Ezell           | Justin Berube         | Kaitlyn Bell          |
| Karen Copeland     | Karen Davis           | Karina Wells          | Katie Ferguson        |
| Katina Brewer      | Kavin Williams        | Keisha Smith-Hill     | Kelly Murph           |
| Kendra Love        | Kenya Forrest-Douglas | Kenyell Chalmers      | Kerry Maloney         |
| Kevin McCarthy     | Kevin Rogers          | Kilolo Dunmore        | Kim Davenport         |
| Kimberly Otts      | Kinisha Floyd         | Kristy Allen          | LaMar Brooks          |
| Lanika Jernigan    | Laura Swanson         | LeAnn Blankman        | Leslie Frierson       |
| Linda Jones        | Linda Lalone          | Lisa Shockley         | Lisa Stover           |
| LiSandra Vaughns   | Lori Cannon           | Lynn Miller           | Lynne Walls           |
| Mandy Garman       | Maree Emberton        | Margaret Donald       | Mark Cantu            |
| Marquisha Griffin  | Marva Hemphill        | Mary Crutcher         | Meg Palmer            |
| Melissa Clouatre   | Melissa Staley        | Melva Boyd            | Mia Billingsley       |
| Michael Kokodynsky | Michelle Lines        | Mike Morren           | Monica Steele Murrell |
| Monique Groom      | Monique Jackson       | Montrice Brown-Miller | Nancy Herndon         |
| Natasha McLaurine  | Nicholas Roberson     | Nicole Lucas          | Nikki Finley          |
| Pam Norris         | Pam Whitfield         | Patrick Adams         | Patrick Harrell       |
| Ralph M. Perrey    | Rashia Holmes         | Ray Levron            | Rebecca Scott         |
| Rebecca Zastrow    | Rebekah Bicknell      | Recanvas Moore        | Reggie Woodard        |
| Rhonda Ellis       | Rhonda Groves         | Rhonda Ronnow         | Ricardo Moore         |
| Robert Burchett    | Robert Kirtz          | Robert Lucas          | Russell Catron        |
| Sandra Poarch      | Sara Mosher           | Sarah Turner-Brooks   | Sarita Hafford        |
| Scott Holden       | Shalanda Ricker       | Shameka Young         | Shannon Ferrell       |
| Shannon Ward       | Shantell Musgrave     | Shareese Todd         | Sharon Putnam         |
| Shay Grier         | Shelby Walls          | Shelia Crunk          | Shenita Haynes        |
| Sherita Roberts    | Sheryle Palmer        | Stella Williams       | Stephanie Bounds      |
| Steve Fisher       | Steve Marrs           | Susan Pinkney         | Tammy Walker          |
| Taveion McCutcheon | Teresa Anderson       | Teresa Luckey         | Terry Benier          |
| Terry Montgomery   | Theresa Smith         | Tim Good              | Tim Robichaud         |
| Timothy James      | Toni Shaw             | Tony White            | Toumie Parrot         |
| Tracy Falk         | Tracy Stram           | Trebia Johns          | Trent Ridley          |

|              |              |               |  |
|--------------|--------------|---------------|--|
| Tyler Murray | Valeri Allen | Vanessa Dowdy |  |
|--------------|--------------|---------------|--|

### INCIDENTAL INTERESTS

1. (Question 19) The following individuals disclosed current or prior incidental, unrelated outside employment, business interests, or volunteer work for themselves as of the date of their respective 2019 Disclosure Form:

|                         |                  |                  |                    |
|-------------------------|------------------|------------------|--------------------|
| Allyson Carroll         | Annalisa Picco   | Beth Pugh        | Bettie Teasley     |
| Carol Buyna             | Casey Wilson     | Cathy Salazer    | Charity Williams   |
| Cherelle Austin         | Courtney Carney  | Courtney Smith   | Crystal Stafford   |
| Dallas Joseph           | Dani Brickman    | Daniel Morgan    | Danielle Nathaniel |
| Darrell Robertson       | Debra Murray     | Denay Thompson   | Donessa Rhodes     |
| Dwayne Hicks            | Eric Wiley       | Evelyn Finch     | Fabiola Caferri    |
| Felita Hamilton         | Gay Oliver       | Glory Johnson    | Gwen Coffey        |
| Hillary Craig           | Holly Hunter     | Hulya Arik       | Janie Pekanyande   |
| Jeboria Scott           | Jim Conner       | Josh McKinney    | Kandice Simms      |
| Kathleen Norkus         | Katie Moore      | Langston Glass   | Larisa Stout       |
| Lindsay Hall            | Lisa Webb        | Lorrie Shearon   | Megan Webb         |
| Mike Clinard            | Mike Costa       | Nekishia Potter  | Rachel Agee        |
| Regina Frasier          | Rhonda Mosier    | Sarah Sisler     | Shari Messer       |
| Sharlene Overa-Gonzalez | Sherry Folk      | Stephen Chinique | Tasheka Verser     |
| Terry Malone            | T'Keyah Chandler | Velma Jackson    | Wayne Beard        |
| Wendy Weaver            | Wesley Bunch     | Zelinka Randle   |                    |

According to the Staff Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation. In addition, it is assumed that all THDA staff have some relationship with financial institutions or other businesses that could interact with THDA, however, unless disclosed otherwise, this connection is considered incidental.

2. (Question 17) The following individuals disclosed incidental, personal relationships with THDA employees, THDA board members, or persons or entities who do business with THDA:

|              |              |                |                 |
|--------------|--------------|----------------|-----------------|
| Danna Wall   | Debra Murray | Joe Bethel     | Kevin McCarthy  |
| Kaitlyn Bell | Larisa Stout | Michelle Lines | Patrick Harrell |
| Tracy Stram  |              |                |                 |

According to the Staff Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation.

3. (Questions 6, 7, 8 and 9) The following individuals disclosed that they or family members participate as either landlords or tenants in the Section 8 Program, but that the vouchers are administered by other Housing Authorities:

|              |                   |              |           |
|--------------|-------------------|--------------|-----------|
| Debra Murray | Shantell Musgrave | Trent Ridley | Toni Shaw |
|--------------|-------------------|--------------|-----------|

According to the Staff Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation.

### INDIRECT INTERESTS

Unless otherwise noted, the indirect interests disclosed by THDA **staff members** and discussed below are permissible under TCA §13-23-128 and the Staff Disclosure Policy so long as the relevant staff member refrains from discussion and participation in connection with the particular indirect matter disclosed.

1. (Questions 4, 5, 10 & 11) Ms. Felita Hamilton disclosed that her cousin, Ms. Jeannie Bond is on the board of the Tennessee Housing Development Corporation (THDC), a non-profit entity owned by the Jackson Housing Authority. This corporation applied for and received competitive Low Income Housing Tax Credits (LIHTC), Neighborhood Stabilization Program (NSP) and tax exempt multi-family bond authority (TEMFBA) with non-competitive tax credits. The staff member should refrain from discussion with other staff and participation in matters relating to the LIHTC and TEMFBA for this entity.

2. (Questions 4, 5, 12 & 13) The following individuals disclosed that they have THDA loans:

|               |               |                    |              |
|---------------|---------------|--------------------|--------------|
| Casey Wilson  | Cindy Ripley  | Danielle Nathaniel | Dwayne Hicks |
| Eric Crabtree | Erin Hardy    | India Whatley      | Lisa Webb    |
| Meg Palmer    | Timothy James |                    |              |

The Staff Disclosure Policy specifically permits THDA staff members to become THDA borrowers so long as the staff member qualifies through an Originating Agent and meets THDA program requirements. In addition, the THDA staff member involved should have no responsibility for loan approval or loan administration issues as they relate to their loan. They should also refrain from discussing the matter with other THDA staff members.

3. (Question 12) Ms. Bettie Teasley, disclosed that she owns stock in financial institutions that may be THDA originators. The THDA staff member should have no responsibility for loan approval or loan administration issues as they relate to the financial institutions disclosed.

4. (Question 17) Ms. Danna Wall disclosed that she has friends at her former employer that owns Lexington Square Apartments, a PBCA property. The staff member should refrain from discussion with other staff and participation in matters relating to this entity.

5. (Question 12 & 19) Ms. Evelyn Finch disclosed that she is a realtor. Ms. Finch has been instructed and has signed a statement indicating her agreement that she will not represent a buyer or seller attempting to finance a purchase or sale through a THDA loan.

6. (Question 19) Mr. Darrell Robertson disclosed that he is a realtor. Mr. Robertson has been instructed and has signed a statement indicating his agreement that he will not represent a buyer or seller attempting to finance a purchase or sale through a THDA loan.
7. (Question 19) Mr. David Pair disclosed that he has a retired real estate license. Mr. Pair has been instructed to disclose any changes with the status of his real estate license.
8. (Questions 4 & 5) Mr. Joe Speer disclosed that his mother, Bettie Kirkland, is the Executive Director of Project Return, a local nonprofit who is a grantee of Competitive Housing Trust Fund Grants. Mr. Speer has been instructed to refrain from discussion with other staff and participation in matters related to this entity
9. (Question 19) Mr. Dwayne Hicks disclosed for his outside employment he performs inspections for mortgage companies for FHA and VA loans that do not have THDA funding. Mr. Hicks also teaches continuing education classes for inspectors.
10. (Question 12) Ms. Michelle Lines has a retired real estate license. Ms. Lines has been instructed to disclose any changes with the status of her real estate license
11. (Question 12) Ms. Rhonda Ronnow disclosed she has her MLO license. This license is not active as Ms. Ronnow has to be employed by a lender. Ms. Ronnow has been instructed to disclose any changes with the status of her MLO license.
12. Ms. Denise Hutchinson has a retired real estate license. Ms. Hutchinson has been instructed to disclose any changes with the status of her real estate license.
13. (Question 4 & 5) Ms. Shannon Ferrell disclosed she is leasing a house through Crossville Housing Authority that is on the HOME program.
14. (Questions 4, 10 & 19) Mr. Mike Clinard disclosed that he is a Board Member of two multi-family developments located in Gallatin, TN. One is a Project Rental Assistance contract receiving HUD/THDA administered Rental Assistance payments and a HUD 2020 development. Both receive rental payments for qualified elderly tenants. Mr. Clinard is working exclusively on closing out NSP under a 900 hour contract (3-4 hours daily, T-F) and has therefore been granted an exception to the THDA Employees Being Appointed to Organizational Boards of Directors Policy. Mr. Clinard has been instructed that he is not to discuss the two developments with THDA staff or hold himself out as a representative of THDA in his role with the two developments.

#### INDIRECT INTERESTS OF FAMILY MEMBERS

Unless otherwise noted, the indirect interests disclosed by THDA staff members with respect to **family members** discussed below are permissible under TCA §13-23-128 and the Staff Disclosure Policy, so long as the relevant staff member refrains from discussion and participation in connection with the disclosed matter.

1. (Question 16) The following individuals disclosed that relatives or close associates are employed by THDA:

|           |              |                 |                   |
|-----------|--------------|-----------------|-------------------|
| Bill Lord | Bruce Balcom | Caroline Rhodes | Darrell Robertson |
|-----------|--------------|-----------------|-------------------|



|                   |              |                     |                   |
|-------------------|--------------|---------------------|-------------------|
| Denise Hutchinson | Eric Hall    | Erin Lord           | Jason Ronnow      |
| Kavin Williams    | Lindsay Hall | Mark Cantu          | Nicole Lucas      |
| Rhonda Ronnow     | Robert Lucas | Sarah Turner-Brooks | Shantell Musgrave |
| Tanya Jackson     | Toni Shaw    |                     |                   |

2. (Question 14 & 17) The following individuals disclosed that relatives or close associates have THDA loans:

|                       |                 |                  |                 |
|-----------------------|-----------------|------------------|-----------------|
| Annette Radar         | Debbie Reeves   | Joe Bethel       | Josh McKinney   |
| Nancy Herndon         | Rebecca Zastrow | Rebekah Bicknell | Sharita Roberts |
| Zelinka Randle Helsup |                 |                  |                 |

Since the Staff Disclosure Policy permits staff members to become THDA borrowers, relatives of THDA staff members should also be eligible to become THDA borrowers so long as they qualify through an Originating Agent and otherwise meet THDA program requirements. In addition, the THDA staff member involved should have no responsibility for loan approval or loan administration issues as they relate to their relative. They should also refrain from discussing the matter with other THDA staff members.

3. (Question 9) The following individuals disclosed that family members participate or have applied to participate in the Section 8 Program administered by THDA either as tenants or landlords:

|                       |             |               |                         |
|-----------------------|-------------|---------------|-------------------------|
| Christy Hollingsworth | Lori Cannon | Shamaka Young | Sharlene Overa-Gonzalez |
| Velma Jackson         |             |               |                         |

These individuals should have no responsibility with respect to administering the Section 8 program as applied to their relatives who participate in the program as tenants or landlords. Other THDA staff members in their respective field offices should be responsible for administering the Section 8 program as applied to the relatives of these individuals.

4. (Questions 5, 12 & 18) The following individuals disclosed that family members own stock in, or are employed by financial institutions that may be THDA Originating Agents, or who otherwise may do business with THDA:

|              |              |                  |               |
|--------------|--------------|------------------|---------------|
| Carol Buyna  | Dwayne Hicks | Gathelyn Oliver  | Katie Moore   |
| Meg Palmer   | Mike Costa   | Rebekah Bicknell | Rhonda Ronnow |
| Terry Malone |              |                  |               |

These individuals should have no direct responsibility for originating or servicing loans from family members' financial institutions if the family members are directly responsible for origination functions. Other THDA staff members should handle these loans.

5. (Questions 5 & 12) The following individuals disclosed that family members are Realtors, builders, contractors or otherwise involved in housing that could be sold to persons obtaining or attempting to obtain financing through THDA:

|                  |                  |                          |
|------------------|------------------|--------------------------|
| Bettie Teasley   | Deborah Sanders  | Debra Murray             |
| Gathelyn Oliver  | Katie Moore      | Larisa Stout             |
| Lorraine Shearon | Rebekah Bicknell | Sharlene Olvera-Gonzalez |
| Terry Malone     |                  |                          |

Under the Staff Disclosure Policy, these interests are considered indirect, therefore, specific disclosure and non-participation is required.

6. (Questions 3, 4, 5, 17 and 18) The following individuals disclosed other indirect interests of a family member as noted:

Ms. Hulya Arik – Husband, Murat Arik, is the Director for the Business & Economic Research Center (BERC) at MTSU. The center has a contract to prepare Quarterly Tennessee Housing Market Report for THDA. Ms. Arik is not involved with any activities related to this contract.

Mr. Jeremy Heidt – Wife is employed by The Tennessee Association of Broadcasters (TAB) for which the THDA Communications division contracts with as part of their public education program to promote THDA's Homeownership for the Brave for the Single Family Mortgage Loan division. His wife does not receive any form of commission from that contract. Furthermore, Mr. Heidt does not have any involvement in the contract selection or execution processes at THDA and this advertising relationship predates his employment with THDA.

Mr. Bruce Balcom – Stepson, Wolfgang Wozniak, resides in Ryman Lofts, a tax credit property.

Ms. Felita Hamilton – Cousin, Jeannie Bond, is affiliated with the THDC, a non-profit entity owned by the Jackson Housing Authority. This corporation is involved in ownership entities that applied for and received both competitive tax credits and tax exempt multi-family bond authority with non-competitive tax credits.

Ms. Debra Murray – Husband, Steve Murray, is the Executive Director of the Williamson County Community Housing Partnership (CHP), a non-profit organization was awarded a 2015 THDA/CHDO HOME grant, a 2014 THDA/HTF grant, a 2014 THDA/CHDO HOME Grant and additionally was awarded a 2012 CHDO/HOME Grant which are all used in the financing of projects. Additionally, CHP has currently 4 projects financed using the Community Investment Tax Credit and there have been numerous examples in the past. Mr. Murray is also a sub-contractor for Buffalo Valley, Inc., conducting HBEI program classes for which he is paid by Buffalo Valley, Inc.

Ms. Caroline Rhodes – Son, Wolfgang Wozniak, resides in Ryman Lofts, a tax credit property.

Ms. Cindy Ripley – Brother, Randy Nichols resides in Trevecca Towers II.

Ms. Dallisa Kilcrease—Sister-in-law resides in Trevecca Towers.

Ms. Valeri Allen—Sister may seek LIHEAP benefits.

Ms. Velma Jackson—Mother, Mary Tate, participates in the Energy Assistance Program in her county.

Mr. Darrell Robertson – Son received a MCC in November 2016 when he purchased his first home.

Ms. Amy Newport – Husband, Michael Newport, is a Parole Hearings officer for the Board of Parole. THDA processes TDOC funding for ex-offenders in the Re-Entry Housing Program (RHP).

Mr. Joe Speer – Mother, Bettie Kirkland is the director of Project Return. She works with ex-offenders to find housing. THDA may indirectly be involved payment processing for TDOC. Project Run has applied for and received funding from CITC and Competitive Grants.

Ms. Bettie Teasley – Father, Charlie Teasley, is a real estate appraiser in Murfreesboro, TN with Appraisal Associates. Mr. Teasley is also chair of the Murfreesboro Housing Authority, which may participate in various housing programs funded by THDA including HOME, LIHTC, TEMFBA, TCAP, 1602, HBEI, NFMC, Stimulus and Preserve Loans, BUILD, ADDI, NSP, CITC, HTF, HPRP, WAP and HHF programs.

Mr. Bill Lord – Spouse, Kristin Lord is the Executive Administrative Assistant, Murfreesboro Housing Authority, Westbrooks Towers, 515 N Walnut Street, Murfreesboro, TN 37130

Under the Staff Disclosure Policy, these interests are considered indirect, therefore, specific disclosure and non-participation is required.

Two employees, Erin Lord and Bryan West are out of the office on extended leave. Their disclosures will be requested upon their return.

#### FEDERAL PROGRAMS

As noted above, several THDA staff members disclosed interests of family members under the Section 8 Program that may rise to the level of a conflict under the Section 8 regulations for which a waiver may be needed. A determination will be made as to whether a waiver is needed and, if so, one will be requested.

GLO/BB



## 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: Audit & Budget Committee

FROM:  Gathelyn Oliver, CPA, Director of Internal Audit

DATE: November 7, 2019

SUBJECT: Review of THDA Enterprise Risk Management Report for 2019

As Responsibility 11 of the Audit & Budget Committee Charter requires, the Committee is responsible for reviewing management's annual risk assessment. The Enterprise Risk Management report is required to be submitted by December 31, 2019. A copy of the report is included with this memorandum for your review and approval. The supporting spreadsheet schedules were sent as a separate attachment.

While the report contains a lot of information, the main point to consider is that each division has prepared their own self-assessment which was then consolidated and reviewed by Internal Audit and executive management. The final report and supporting schedules document the results of the assessment and provide reasonable assurance that THDA's internal controls in effect on a June 30 fiscal year ending basis adequately safeguard assets and when taken as a whole provide reasonable assurance of the proper recording of financial transactions; compliance with applicable laws, regulations, rules, contracts and grant agreements; and support the achievement of operational objectives. While there is always the possibility of additional risks to be noted or that an established control is ineffective, this process documents the main areas that need to be addressed.

In reviewing the report, I would like to highlight a few key risks that have been identified:

#### **Secondary Markets and Conventional Loans**

THDA is preparing to enter secondary markets by offering a conventional mortgage product during Fiscal Year 2020. Much time and effort have been allocated to planning, training and putting systems in place. While the agency has highly qualified staff, entry into a new market has inherent risk. More detail is included in the Secondary Market risk assessment.

**Cybersecurity**

Cybersecurity threats continue to be a risk that management must mitigate. THDA's IT infrastructure includes the use of firewalls, Intrusion Prevention and Detection Systems, strict password policies and mandatory cybersecurity training for all staff. Annual penetration tests are performed to ensure security risks are addressed. With loan servicing now in-house, there are more external partners/vendors accessing customer Private Information. More detail is included in the IT division risk assessment.

**Federal Funding and Compliance**

Because THDA administers a number of federal programs, federal funding uncertainty is a risk that impacts these programs. Management has developed efficient processes to ensure regulatory compliance while containing costs. More detail is included in the risk assessments related to federal programs.

I will provide an overview of the enclosed documents at the November Audit and Budget Committee meeting. I will be happy to answer any questions you may have at that time.



## Tennessee Housing Development Agency

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

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

December 6, 2019

The Honorable Stuart McWorter, Commissioner  
Department of Finance and Administration  
State Capitol  
Nashville, TN 37243

And

The Honorable Justin P. Wilson  
Comptroller of the Treasury  
State Capitol  
Nashville, TN 37243

Re: Tennessee Financial Integrity Act Guidelines

Dear Commissioner McWorter and Comptroller Wilson:

This annual report addresses the agency-wide risk management and internal control requirements of the TCA §9-18-101, known as the *Tennessee Financial Integrity Act*, as amended. In order to assess the effectiveness of our internal control system and of individually significant controls, we conducted an evaluation in accordance with the guidance set forth under TCA §9-18-103. We understand that this guidance was developed using COSO's enterprise risk management framework, and, incorporate the 2014 revision of the Standards for Internal Control in the Federal Government's (known as the Green Book) adaption of COSO's Internal Control – Integrated Framework (2013) and have referred to these frameworks as necessary throughout the evaluation.

The objectives of the Tennessee Housing Development Agency's annual risk management and internal controls assessment are to provide reasonable assurance of the overall adequacy and effectiveness of internal controls related to:

- program objectives;
- operational efficiency and effectiveness;
- financial reporting;
- compliance with laws, regulations, rules, contracts and grant agreements; and,
- fraud, waste and abuse.

The concept of reasonable assurance recognizes that the costs of internal controls should not exceed the benefits derived from those controls. Reasonable assurance is a high but not an absolute level of assurance. In the course of any review, estimates and judgments are required to assess the expected benefits and related costs of control policies and procedures. Errors or fraud may occur and not be detected due to inherent limitations in any system of risk management and internal control, including those limitations resulting from resource constraints, legislative restrictions and other factors. Risk assessment allows the agency to consider the extent to which potential events have an impact on achievement of objectives and to mitigate the risk of events that could have a negative impact.

As head of this Agency, we have performed an entity-wide risk assessment and have fully complied with the requirements specified in TCA 9-18-102. To reduce the effect of unacceptable risks, a system of internal control has been implemented and tested for operating effectiveness. I acknowledge responsibility for establishing, implementing, and maintaining an adequate internal control system to prevent and detect fraud, waste, and abuse and for performing this assessment of the operating effectiveness of the department's risk management and internal controls.

The results of this assessment have given me reasonable assurance that no material weakness or lack of compliance was reported. The Agency's internal controls in effect on a June 30 fiscal year ending basis, adequately safeguard assets, and when taken as a whole provide reasonable assurance of the proper recording of financial transactions; compliance with applicable laws, regulations, rules, contracts and grant agreements; and the achievement of operational objectives, subject to the limitations described in the previous paragraph. As head of this agency, I acknowledge responsibility for establishing, maintaining and assessing internal control effectiveness for this agency.

The documented results of our agency-wide risk assessment are maintained by our Internal Audit staff and are available to you upon request.

Sincerely,

Ralph M. Perrey  
Executive Director

## To Be Sent Separately

### Audit & Budget Committee

Agenda Item No.

5. ERM Updates

Documentation regarding this item will be provided prior to the November 19 Committee meeting.



Ralph M. Perrey, Executive Director



**Internal Audit Division - Audit Section**

**Report to the Audit & Budget Committee of FYE 2019 IA Activity Summary**

The Internal Audit division is required by TCA Section 4-3-304(7), to submit a copy of our annual audit plan to the State Comptroller's Office in July of each fiscal year to allow them to adequately coordinate the state's audit resources. While this plan includes a number of projects scheduled for completion during the year, other matters arise that may require a shift in priority and/or audit completion during the year. The Internal Audit division released, from 7/1/2018 through 6/30/2019, 26 review reports, 15 investigative reports on various issues, 12 quality control reviews for Mortgage Loan Servicing and three compilation projects as noted below. While we have a number of projects that are currently in process, the summary below lists those reports and reviews that have been completed and issued during the aforementioned fiscal year period.

**Quality Review of Mortgage Loans**

These annual reviews have been performed to confirm the existence of a sample of loans, to ensure that the loans complied with Section 143 of the IRS Code, and to ensure that the loans were properly insured. Single Family Loan Operations division personnel have been very receptive to the recommendations made and continue to improve their processes.

| <b>Report Issued</b> | <b>Covering the Period</b> | <b>Findings</b> | <b>Exceptions</b> | <b>Observations</b> |
|----------------------|----------------------------|-----------------|-------------------|---------------------|
| 2/27/2019            | 10/1/2018 – 12/31/2018     | 0               | 0                 | 0                   |

**Repurchase Agreement Collateral Monitoring Review for the FYE 6/30/2017**

This review was performed to ensure collateralization of repurchase agreements and to verify that the internal procedures performed by the Finance division are being completed as required. The report issued 11/7/2018, reported no issues.

**Quality Control Review of the Hardest Hit Fund (HHF) Program**

These reviews were performed to ensure that HHF Program staff was adequately complying with the guideline outlined in the HHF Program Guide, the HHF Policy and Procedures Manual, and the Commitment to Purchase Financial Instrument and HFA Participation Agreement, as amended. Twelve reports were issued:

| <b>Report Issued</b> | <b>Covering the Period</b> | <b>New Findings</b> | <b>Repeat Findings</b> | <b>Corrected Findings</b> | <b>Exceptions</b> | <b>Observations</b> |
|----------------------|----------------------------|---------------------|------------------------|---------------------------|-------------------|---------------------|
| <u>KMTH</u>          |                            |                     |                        |                           |                   |                     |
| 9/13/2018            | 4/1/2018 – 6/30/2018       | 0                   | 0                      | 0                         | 0                 | 0                   |
| 1/22/2019            | 7/1/2018 – 9/30/2018       | 0                   | 0                      | 0                         | 0                 | 0                   |
| 5/14/2019            | 10/1/2018 – 12/31/2018     | 0                   | 0                      | 0                         | 0                 | 0                   |

BEP

|            |                      |   |   |   |   |   |
|------------|----------------------|---|---|---|---|---|
| 11/26/2018 | 4/1/2018 – 6/30/2018 | 3 | 0 | 0 | 0 | 0 |
| 6/28/2019  | 7/1/2018 – 9/30/2018 | 2 | 0 | 0 | 0 | 0 |

DPA

|            |                        |   |   |   |   |   |
|------------|------------------------|---|---|---|---|---|
| 10/12/2018 | 1/1/2018 – 3/31/2018   | 2 | 0 | 0 | 0 | 0 |
| 11/27/2018 | 4/1/2018 – 6/30/2018   | 1 | 1 | 0 | 0 | 0 |
| 6/17/2019  | 7/1/2018 – 9/30/2018   | 1 | 1 | 0 | 0 | 0 |
| 6/28/2019  | 10/1/2018 – 12/31/2018 | 0 | 0 | 0 | 0 | 0 |

PRRPLE

|            |                      |   |   |   |   |   |
|------------|----------------------|---|---|---|---|---|
| 12/12/2018 | 1/1/2018 – 3/31/2018 | 1 | 0 | 0 | 0 | 0 |
| 12/12/2018 | 4/1/2018 – 6/30/2018 | 1 | 1 | 0 | 0 | 0 |
| 6/28/2019  | 7/1/2018 – 9/30/2018 | 0 | 0 | 0 | 0 | 0 |

ROP

|            |                      |   |   |   |   |   |
|------------|----------------------|---|---|---|---|---|
| 12/12/2018 | 1/1/2018 – 3/31/2018 | 1 | 0 | 0 | 0 | 0 |
| 1/14/2019  | 4/1/2018 – 6/30/2018 | 1 | 1 | 0 | 0 | 0 |
| 6/28/2019  | 7/1/2018 – 9/30/2018 | 0 | 1 | 0 | 0 | 0 |

**Subrecipient Monitoring**

These reviews were performed to ensure internal controls, expenditures and awards and delivery of services by subrecipients of Federal and State awards in accordance with Central Procurement Office Grant Management and Subrecipient Monitoring Policy and Procedures. Five reports were issued.

| <b>Report Issued</b> | <b>Covering the Period</b> | <b>Findings</b> | <b>Exceptions</b> | <b>Observations</b> |
|----------------------|----------------------------|-----------------|-------------------|---------------------|
| 8/29/2018            | 7/1/2016 – 6/30/2018       | 1               | 0                 | 0                   |
| 10/12/2018           | 5/1/2015 – 6/30/2018       | 2               | 0                 | 0                   |
| 12/28/2018           | 9/30/2014 – 9/30/2018      | 2               | 0                 | 0                   |
| 5/9/2019             | 9/30/2014 – 12/31/2018     | 1               | 0                 | 0                   |
| 6/13/2019            | 9/30/2014 – 12/31/2018     | 0               | 0                 | 0                   |

**Quality Review of Development District**

This project involved a review of internal controls, expenditure of awards and delivery of services by one development district that has been awarded HOME and ERP funding by THDA.

| <b>Report Issued</b> | <b>Covering the Period</b> | <b>Findings</b> | <b>Exceptions</b> | <b>Observations</b> |
|----------------------|----------------------------|-----------------|-------------------|---------------------|
| 5/16/2019            | 9/1/2017 – 8/24/2018       | 5               | 0                 | 0                   |

**ESG Review 7/1/2017 through 6/30/2018**

This project involved a review of the ESG program for adequate compliance with the guidelines outlined in the THDA 2015 ESG Program Policies and Procedures Manual and 24 CFR Part 576 “Emergency Solutions grants Program. The report issued 6/28/2019, reported no issues.

**MOR Quality Control Review 7/1/2018 through 9/30/2018**

This review involved the quality control review of Management Occupancy Reviews (MORS) for the period 7/1/2018 through 9/30/2018. The report issued 11/8/2018, reported no issues.

### **Review of US Bank's Servicing Responsibilities—Relation to THDA Loan Portfolio**

This project involved review of US Bank's Servicing responsibilities related to the THDA loan portfolio. Although exceptions were identified, there were no findings of fraud. Report issued 8/30/2018

### **Investigation of Alleged Fraud, Waste, Abuse, or Other Matters**

Fifteen allegations of potential fraud, waste, abuse situations, or other matters were investigated with reports released throughout the period. These investigations and subsequent reports covered the following main issues:

- One allegation regarding suspected discriminatory practices based on race, color and age towards tenants at a Low Income Housing Tax Credits (LIHTC/Tax Credit Assistance Program (TCAP)/Section 1602 property with THDA and financed through Rural Housing Services (RHS) with the United States Department of Agriculture (USDA) was investigated. The information gathered during the investigation did not substantiate the allegations of discriminatory practices based on race, color and/or age. The case is closed. The report was issued 6/17/2019.
- An allegation was received concerning a Nashville, Tennessee development district partner of inappropriate bidding processes for the HOME program. The interviews and the documentation gathered resulted in the validity of the allegation of inappropriate bidding processes for two home projects. The report was issued 5/16/2019.
- An allegation by one individual was received in regards to a Section 8 Rental Assistance (S8RA) Housing Choice Voucher participant in Lebanon, Tennessee. The allegation stated the participant did not have primary custody of two children and indicated other dependents may have been falsely claimed as occupying the residence and the participant falsified a disability. Based on the information gathered, the allegation that the participant did not have primary custody of two children was valid. The parts of the allegation that the participant falsely claimed other dependents and a disability were not substantiated. The participant will be counseled in a forthcoming case conference and the voucher will be reduced from a three bedroom unit to a one bedroom unit. This case is closed. The report was issued 1/14/2019.
- An allegation was received involving a quality control report conducted for a loan in the Hardest Hit Fund Down Payment Assistance program appeared fraudulent. While the intent of committing fraud could not be definitively be established, the quality control report was falsified. The case is closed. The report was issued 8/22/2018.
- An investigation into the report of a stolen portable computer was conducted. Based on the evidenced gathered, the employee did not violate the THDA Portable Computer Policy. The case is closed. The report was issued 8/24/2018.
- One parking violation notice was investigated. The employee paid the violation. The case is closed. The report was issued 10/19/2018.
- Two allegations were received that the borrowers were not occupying the THDA mortgaged property. For one allegation, the allegation could not be substantiated. The borrower provided the required evidence to demonstrate proof of occupancy. The case is closed. The report was issued 4/29/2019. For the second allegation, the allegation was valid; however, an acceptable explanation was provided since the borrower was in the process of selling the property. The case is closed. The report was issued 12/27/2018.

- Notification of fraudulent checks being produced on one of THDA's bank accounts. During the investigation, fraudulent wires were also identified using the same THDA bank clearing account. In the instances reported, THDA funds were not expended and/or the transaction was reversed. Additional controls have been placed on THDA bank accounts. The case is closed. The report was issued 2/22/2019.
- Two allegations were received from the Office of the Inspector General regarding issues related to waste/abuse of funds for the Section 8 Rental Assistance Housing Choice Voucher program in Gallatin, Tennessee, and Rocky Top, Tennessee. These cases are closed. The reports were issued 11/7/2018 and 5/14/2019.
- Four allegations were received from the Tennessee's Comptroller of the Treasury's Fraud, Waste and Abuse Hotline. The allegations received involved waste/abuse of funds involving various THDA programs. These cases are closed. The reports were issued 9/5/2018, 1/14/2019, 2/13/2019, and 2/13/2019.

### **Quality Control Reviews for Mortgage Loan Servicing**

The Quality Control Reviews for Mortgage Loan Servicing were performed to ensure compliance with federal insurer and THDA policy. Twelve reports were issued:

| <b>Review for</b> | <b>Date issued</b> |
|-------------------|--------------------|
| February 2018     | 7/9/2018           |
| March 2018        | 7/28/2018          |
| April 2018        | 9/11/2018          |
| May 2018          | 10/19/2018         |
| June 2018         | 3/25/2019          |
| July 2018         | 3/27/2019          |
| August 2018       | 2/5/2019           |
| September 2018    | 3/28/2019          |
| October 2018      | 6/6/2019           |
| November 2018     | 6/6/2019           |
| December 2018     | 6/14/2019          |
| February 2019     | 6/14/2019          |

### **2018 Prevention, Detection and Deterrence of Fraud Memo:**

Each year the Internal Audit division issues a report to all THDA staff reiterating the proactive responsibility for maintaining effective internal controls to prevent fraud. This report, along with the document entitled "Management Antifraud Programs and Controls," excerpted from Statement on Auditing Standards Number 99, is a tool made available to all staff to provide guidance to help prevent and deter fraud. The report was issued 12/10/2018.

### **Financial Integrity Act/Enterprise Risk Management Assessment**

Our office coordinated the completion of THDA's annual Enterprise Risk Management process and the resulting report dated 12/10/2018, was sent to the Comptroller of the Treasury and the Commissioner of F&A, as required by TCA Section 9-18-102, (the Tennessee Financial Integrity Act). This report did not identify any material weaknesses or unresolved problems.

### **Staff and Board Disclosure Analysis**

The Staff disclosure analysis report was issued on 11/5/2018, and presented to the Audit & Budget Committee of the Board on 11/13/2018. None of the disclosures made by staff members indicated conflicts resulting from prohibited interests under TCA Section 13-23-128(a), or the Staff Disclosure Policy. The Board disclosure analysis report was issued on 11/5/2018, and presented to the Audit & Budget Committee of the Board on 11/13/2018. It also revealed no situations that were specific conflicts resulting from prohibited interests under the previously mentioned statute or Board Disclosure Policy that could not be addressed by the exemption language in the statute, or for federal programs, by appropriate waiver requests from the federal agency providing the funding.

### **Future goals:**

Our priorities for this year are to complete the work that is currently in process, and to follow our audit plan to accomplish scheduled projects. Continue to be aware that the Internal Audit division is available to address any concerns the Audit & Budget Committee members may have. I can be reached by phone at (615) 815-2132 or by email at [goliver@thda.org](mailto:goliver@thda.org).

Respectfully,



Gathelyn Oliver  
Director of Internal Audit

## Audit & Budget Committee

### Agenda Item No. 7

Fiscal Year 2019 Financial Statement Audit Updates

⇒ Verbal Updates



# Tennessee Housing Development Agency

502 Deaderick Street, Third Floor

Nashville, TN 37243

(615) 815-2200

**Bill Haslam**  
Governor

**Ralph M. Perrey**  
Executive Director

## **MEMORANDUM:**

TO: THDA Bond Finance Committee  
THDA Board of Directors

FROM: Wayne Beard, Director of Finance

SUBJECT: FY20-24 Five Year Financial Plan

DATE: November 7, 2019

---

Attached is THDA's FY20-24 Five Year Strategic Financial Plan (Plan). The Plan is developed using guiding principles established in our enabling legislation as well as objectives established in our Debt Management Policy approved by the Board on November 29, 2011. The main objective of the Plan is to effectively balance the use of our financial resources to fund mortgage programs and other initiatives that fulfill our statutory purpose without compromising our financial strength or credit ratings.

The Plan anticipates total bond issuance of approximately \$1.13 billion (\$94.65 million refunding) over the next five years all without the moral obligation of the State. Annual loan production is assumed to be \$600 million the first year of the plan and \$400 million the final 4 years. Total withdrawals and uses of resources from the various Bond Indentures is estimated to be \$338.1 million, which will be offset by \$85.7 million in bond premiums, DPA/New Start recoveries and mortgage servicing fee savings for net withdrawals and uses of approximately \$252.4 million.

The Plan anticipates future bond issuance and mortgage production under the 2013 General Resolution, which does not carry the "moral obligation" of the State and projects less than \$50 million bonds outstanding that are subject to the moral obligation of the State by June 2024. To support future bond issuance and maintain a strong PADR under the 2013 General Resolution, the Plan assumes a transfer of resources from the 1985 General Resolution of \$26.7 million and of \$20.3 million from the 2009 Resolution.

In summary, the Plan maintains an overall Weighted Average PADR above 1.10 and continues to set aside \$25 million as required by the Bond Finance Committee, while providing for new loan production and funding the various THDA housing initiatives and operations.

We engaged the services of our financial advisor, CSG Advisors, to provide the various scenarios, analyses, input, and graphs to ensure the plan is viable according to industry methodologies.

If you have any questions regarding the Plan or if you would like more information, please do not hesitate to call me at (615) 815-2157 or contact me via e-mail at [wbeard@thda.org](mailto:wbeard@thda.org).



**TENNESSEE HOUSING DEVELOPMENT AGENCY**  
**SUMMARY OF NEW PRODUCTION AND PROGRAM WITHDRAWALS**  
**EXPECTED BOND VOLUME**  
**STRATEGIC FINANCIAL PLAN: 2020 - 2024**  
**150% PSA**

Fiscal Year Ending June 30

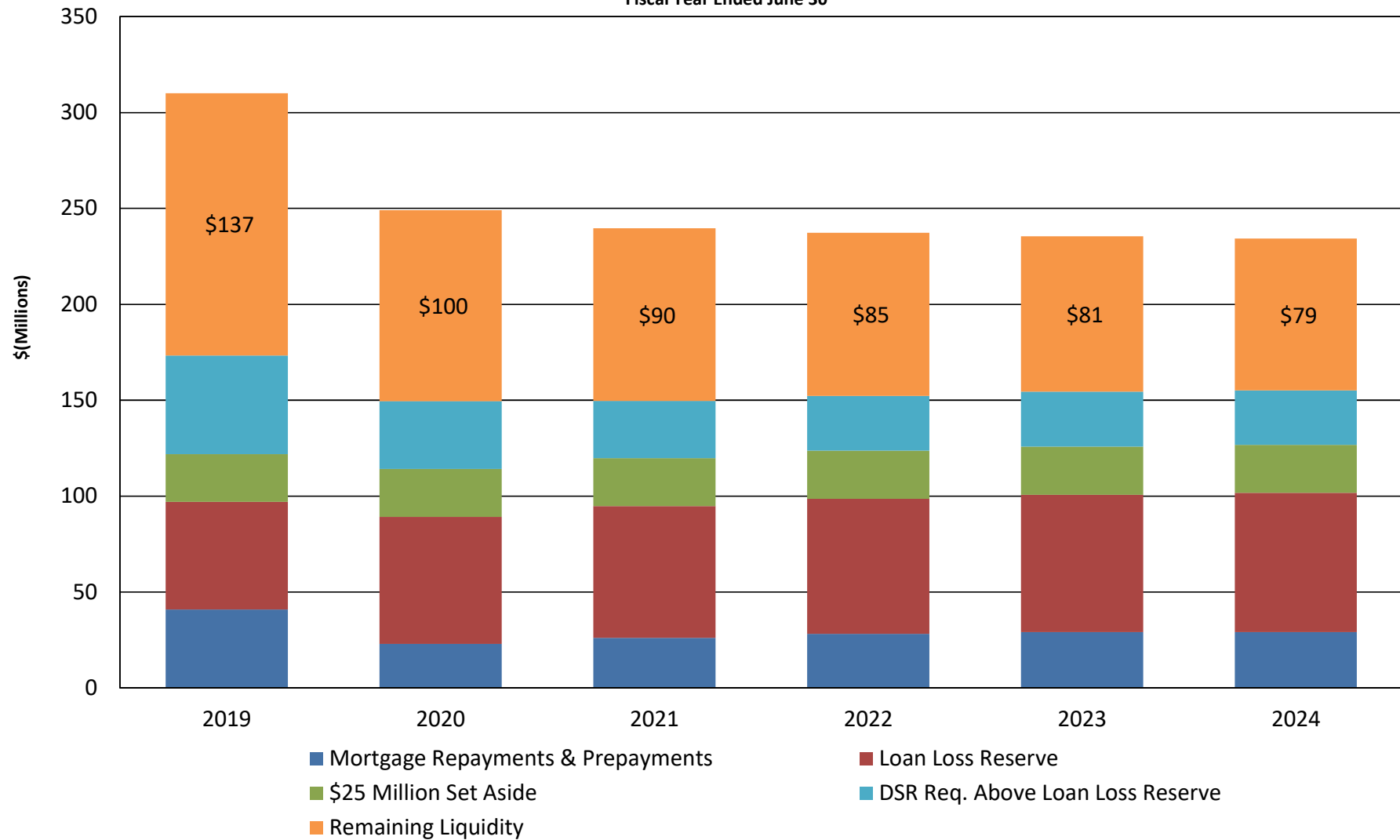
|   | 2020                  | 2021                  | 2022                  | 2023                  | 2024                  | Total                   |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| <b>HOMEOWNERSHIP PRODUCTION:</b>                        |                       |                       |                       |                       |                       |                         |
| <u>Bonds Issued:</u>                                    |                       |                       |                       |                       |                       |                         |
| To Date (partial 2019-2, 2019-3):                       | \$ 244,000,000        | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ 244,000,000          |
| Future Issues:  | 383,690,000           | 439,955,000           | 385,000,000           | 385,000,000           | 385,000,000           | 1,978,645,000           |
| Total Bonds Issued                                      | 627,690,000           | 439,955,000           | 385,000,000           | 385,000,000           | 385,000,000           | 2,222,645,000           |
| Zero Participation Loans from Prior Bond Deals          | 115,100,000           | 103,100,000           | 88,100,000            | 73,100,000            | 58,100,000            | 437,500,000             |
| Zero Participation Proceeds held for future production  | (103,100,000)         | (88,100,000)          | (73,100,000)          | (58,100,000)          | (43,100,000)          | (365,500,000)           |
| Less Refunding Bonds                                    | (39,690,000)          | (54,955,000)          | -                     | -                     | -                     | (94,645,000)            |
| Total Funds Available for Production <sup>1</sup>       | <u>\$ 600,000,000</u> | <u>\$ 400,000,000</u> | <u>\$ 400,000,000</u> | <u>\$ 400,000,000</u> | <u>\$ 400,000,000</u> | <u>\$ 2,200,000,000</u> |
| <b>PROGRAM WITHDRAWALS AND USES OF CASH:</b>            |                       |                       |                       |                       |                       |                         |
| <u>1974 Resolution:</u>                                 |                       |                       |                       |                       |                       |                         |
| New Start Loans (for future production)                 | 2,000,000             | 2,000,000             | 5,000,000             | 5,000,000             | 5,000,000             | 19,000,000              |
| Less: Future New Start Loan Recoveries                  | (31,060)              | (152,785)             | (331,728)             | (790,616)             | (1,228,616)           | (2,534,806)             |
|   | 1,968,940             | 1,847,215             | 4,668,272             | 4,209,384             | 3,771,384             | 16,465,194              |
| <u>1985 Resolution:</u>                                 |                       |                       |                       |                       |                       |                         |
| Unrestricted Mortgage Transfer                          | 21,658,776            | -                     | -                     | -                     | -                     | 21,658,776              |
| THDA Operating Expenses                                 | 5,000,000             | -                     | -                     | -                     | -                     | 5,000,000               |
| Housing Trust Fund                                      | 11,500,000            | 7,500,000             | 7,500,000             | 7,500,000             | 5,000,000             | 39,000,000              |
| Program Compliance Reserve                              | 1,046,000             | 1,046,000             | 1,046,000             | 1,046,000             | 1,046,000             | 5,230,000               |
| New Start Loans (for future production)                 | 3,000,000             | 3,000,000             | -                     | -                     | -                     | 6,000,000               |
| Less: Future New Start Loan Recoveries                  | (46,590)              | (229,178)             | (497,592)             | (527,078)             | (526,550)             | (1,826,987)             |
|   | 42,158,186            | 11,316,822            | 8,048,408             | 8,018,922             | 5,519,450             | 75,061,789              |
| <u>2009 Resolution:</u>                                 |                       |                       |                       |                       |                       |                         |
| Downpayment Assistance (from '09 DPA & Agency Fees)     | 604,382               | 534,679               | 471,929               | 415,485               | 364,753               | 2,391,228               |
| THDA Operating Expenses                                 | -                     | -                     | -                     | 4,000,000             | 16,319,000            | 20,319,000              |
|   | 604,382               | 534,679               | 471,929               | 4,415,485             | 16,683,753            | 22,710,228              |
| <u>2013 Resolution:</u>                                 |                       |                       |                       |                       |                       |                         |
| <u>2019-3:</u>  |                       |                       |                       |                       |                       |                         |
| Bond Reserve Fund                                       | 3,291,007             | -                     | -                     | -                     | -                     | 3,291,007               |
| Downpayment Assistance                                  | 7,451,250             | -                     | -                     | -                     | -                     | 7,451,250               |
| Underwriters' Fees                                      | 899,578               | -                     | -                     | -                     | -                     | 899,578                 |
| Cost of Issuance  | 269,000               | -                     | -                     | -                     | -                     | 269,000                 |
| Capitalized Interest                                    | 1,000,000             | -                     | -                     | -                     | -                     | 1,000,000               |
| Less: Bond Premium                                      | (6,459,585)           | -                     | -                     | -                     | -                     | (6,459,585)             |
|   | 6,451,250             | -                     | -                     | -                     | -                     | 6,451,250               |
| <u>New Production</u>                                   |                       |                       |                       |                       |                       |                         |
| Bond Reserve Fund                                       | 11,510,700            | 12,000,000            | 12,000,000            | 12,000,000            | 12,000,000            | 59,510,700              |
| Downpayment Assistance                                  | 21,749,368            | 19,335,321            | 19,398,071            | 19,454,515            | 19,505,247            | 99,442,522              |
| Underwriters' Fees                                      | 2,240,000             | 2,570,000             | 2,250,000             | 2,250,000             | 2,250,000             | 11,560,000              |
| Cost of Issuance  | 506,600               | 1,013,200             | 1,013,200             | 1,013,200             | 1,013,200             | 4,559,400               |
| Capitalized Interest                                    | 2,302,000             | 2,000,000             | 2,000,000             | 2,000,000             | 2,000,000             | 10,302,000              |
| THDA Operating Expenses                                 | 9,500,000             | 14,935,000            | 15,383,000            | 11,844,000            | -                     | 51,662,000              |
| Housing Trust Fund                                      | -                     | -                     | -                     | -                     | 2,500,000             | 2,500,000               |
| Servicing Net Cash Outlays / (Receipts)                 | 2,613,723             | (3,005,429)           | (3,548,842)           | (3,685,971)           | (3,745,499)           | (11,372,017)            |
| Conventional Loan Product Net Cash Outlays / (Receipts) | 4,805,162             | 15,215,895            | 12,392,566            | 9,874,329             | 7,677,497             | 49,965,448              |
| Less: Bond Premium                                      | (10,150,415)          | (11,640,000)          | (10,190,000)          | (10,190,000)          | (10,190,000)          | (52,360,415)            |
| Less: 2013 DPA Loan Recoveries                          | (4,558,956)           | (5,882,013)           | (6,924,928)           | (7,935,280)           | (9,019,682)           | (34,320,859)            |
|   | 40,518,182            | 46,541,973            | 43,773,067            | 36,624,793            | 23,990,763            | 191,448,779             |
| <u>Transfers In/Out:</u>                                |                       |                       |                       |                       |                       |                         |
| Less: 1985 Excess Debt Service Reserve Transfer         | -                     | -                     | -                     | -                     | -                     | -                       |
| Less: 1985 Unrestricted Mortgage Transfer               | (21,658,776)          | -                     | -                     | -                     | -                     | (21,658,776)            |
|   | (21,658,776)          | -                     | -                     | (4,000,000)           | (16,319,000)          | (41,977,776)            |
| <b>Total 2013 Resolution</b>                            | <b>\$ 25,310,656</b>  | <b>\$ 46,541,973</b>  | <b>\$ 43,773,067</b>  | <b>\$ 32,624,793</b>  | <b>\$ 7,671,763</b>   | <b>\$ 155,922,253</b>   |
| <b>Total Program Withdrawals and Uses of Cash</b>       | <b>\$ 70,042,164</b>  | <b>\$ 60,240,690</b>  | <b>\$ 56,961,676</b>  | <b>\$ 49,268,584</b>  | <b>\$ 33,646,351</b>  | <b>\$ 270,159,464</b>   |

**Assumptions:**

1. Bond premium on new issues used to offset THDA's costs of issuance, underwriter fees and capitalized interest.
2. Bond premium generated on each new issue was assumed to equal 2.65% of the bond issuance par amount.  
*(assumes PACs raise 6.6% of premium and comprise 40% of the bonds)*
3. Capitalized interest, costs of issuance and underwriter fees were approximately 1.37% of bond issuance par amount.

1974, 1985, 2009 & 2013 Resolutions  
Consolidated Cash & Investment Composition  
150% PSA

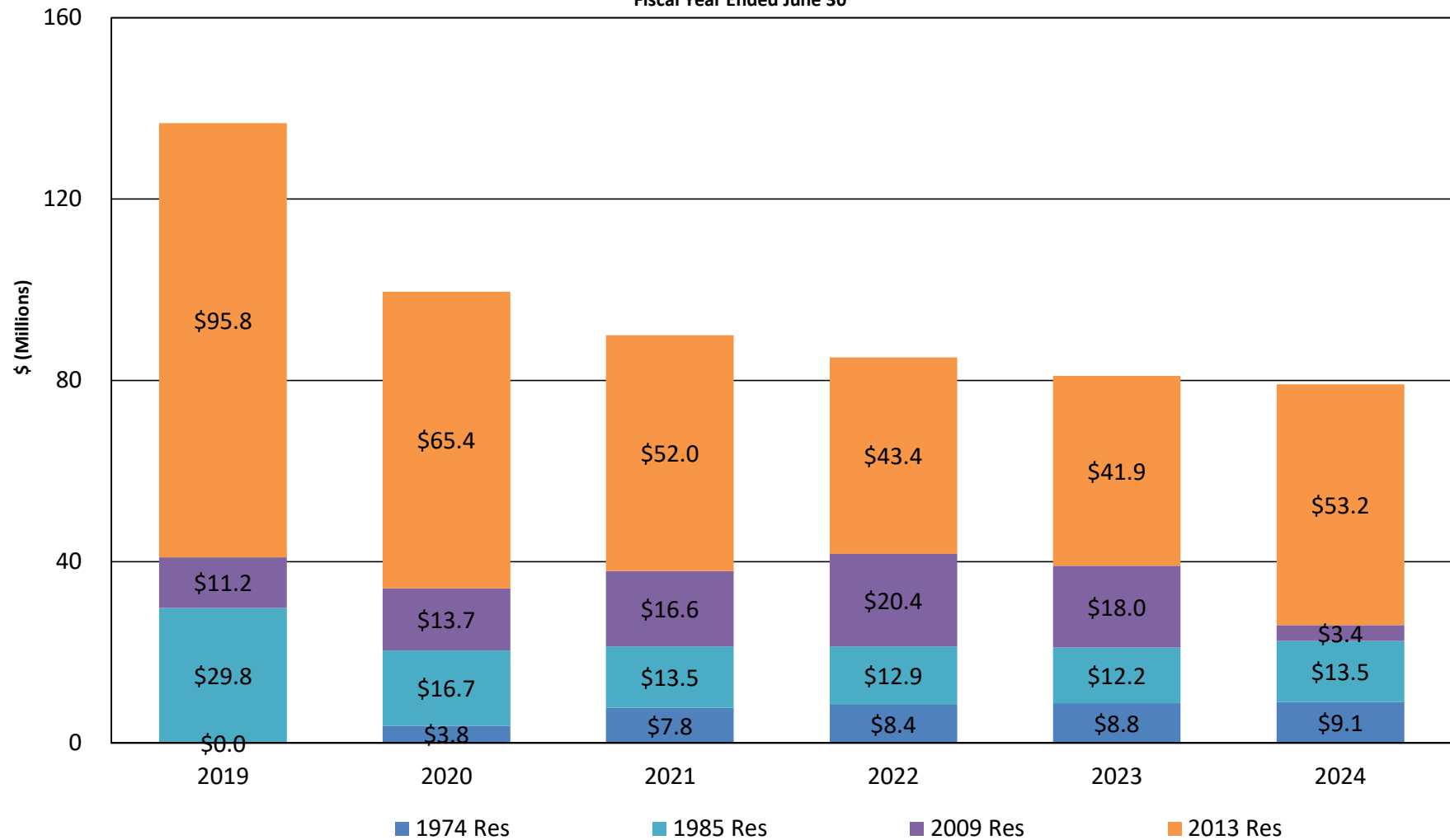
Fiscal Year Ended June 30



- Excluding Acquisition Funds held for the purchase of future loan originations.

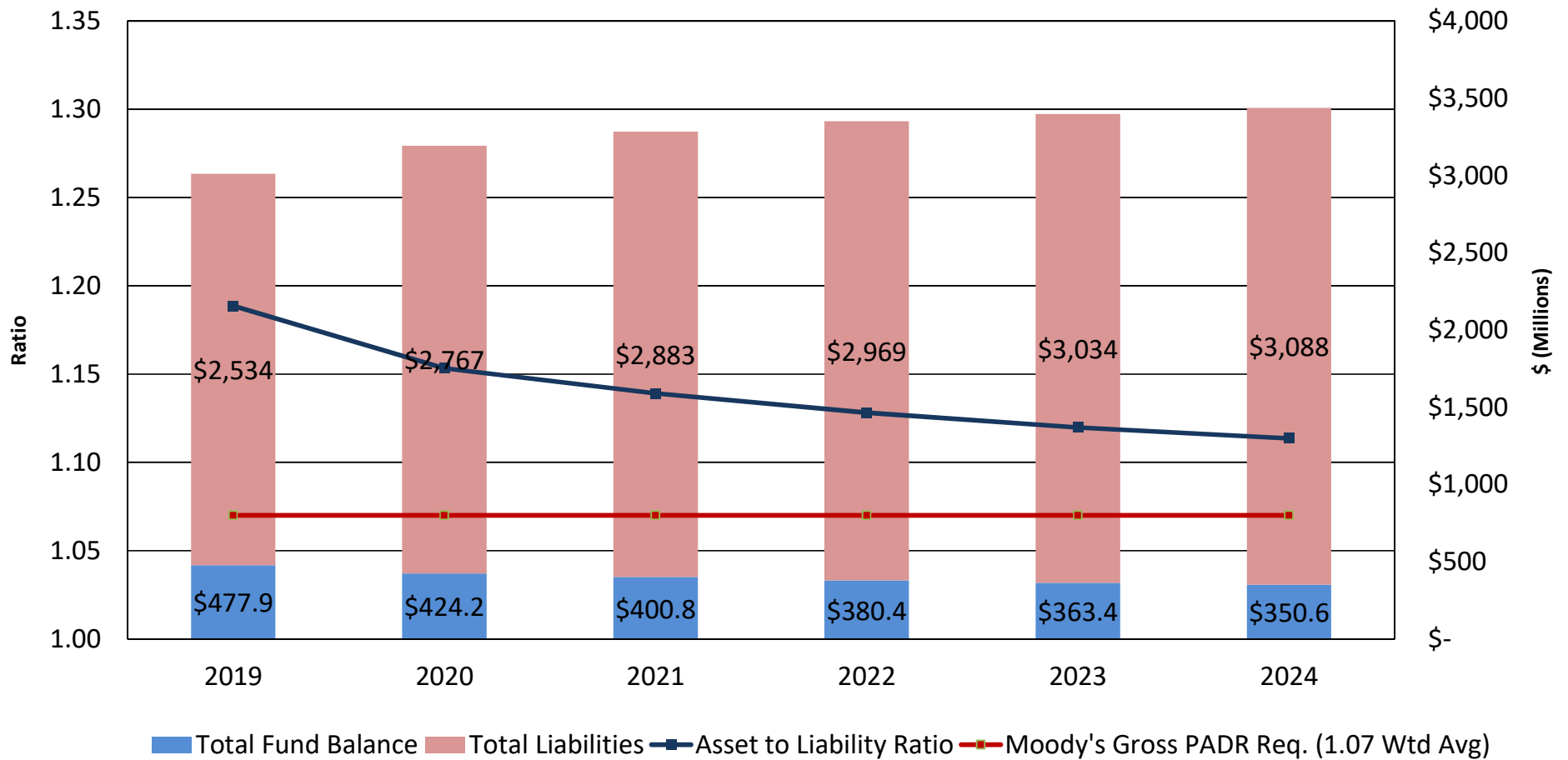
**1974, 1985, 2009 & 2013 Resolutions  
Consolidated Remaining Liquidity  
150% PSA**

Fiscal Year Ended June 30



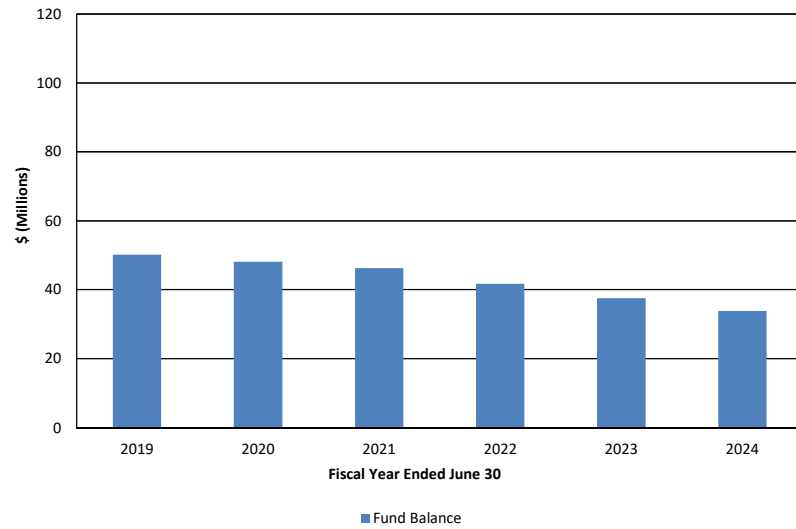
- Excluding Acquisition Funds held for the purchase of future loan originations.

**1974, 1985, 2009 & 2013 Resolutions**  
**Balance Sheet Measurements**  
**150% PSA**  
**Fiscal Year Ended June 30**

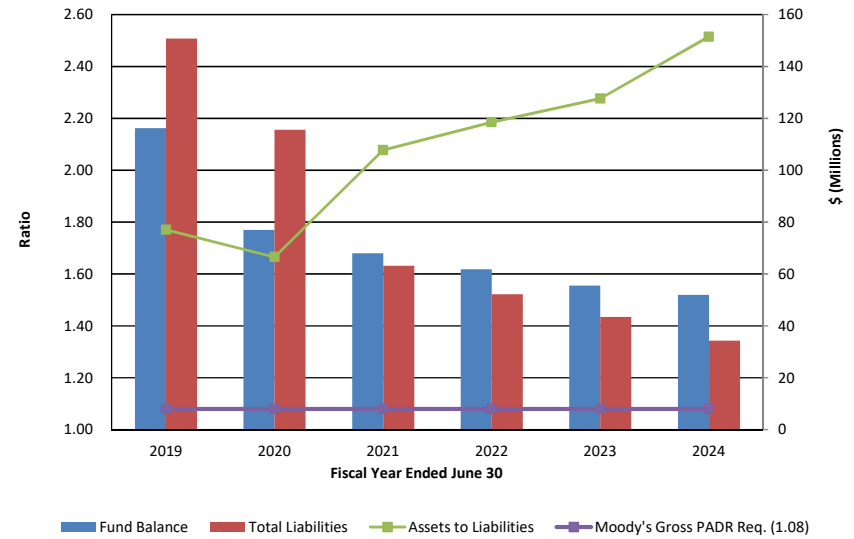


- Moody's Gross PADR Requirement represents the minimum PADR inclusive of Loan Loss Reserve requirements as determined by Moody's based on the percentage of loan insured (FHA, VA, RD, PMI)
- Assets and Fund Balance exclude existing Plus DPA 2nd Mortgage Loans as well as \$109 million of future originations during forecast period.

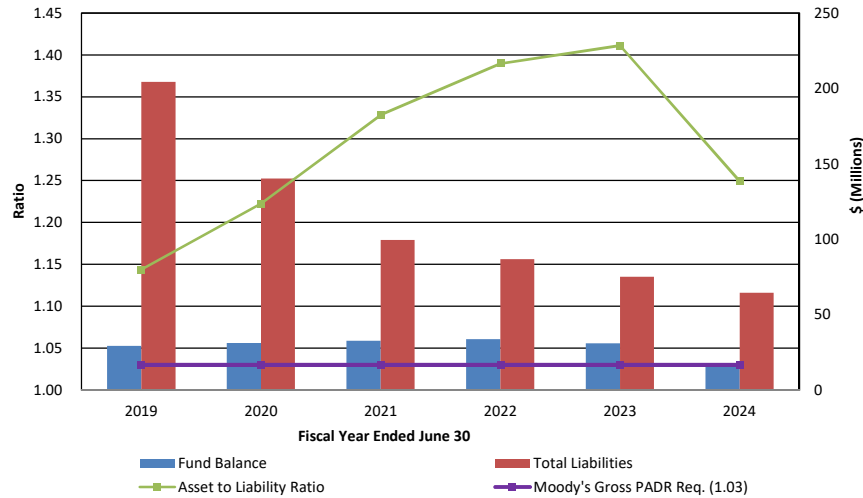
**1974 Resolution**  
Balance Sheet Measurements  
150% PSA



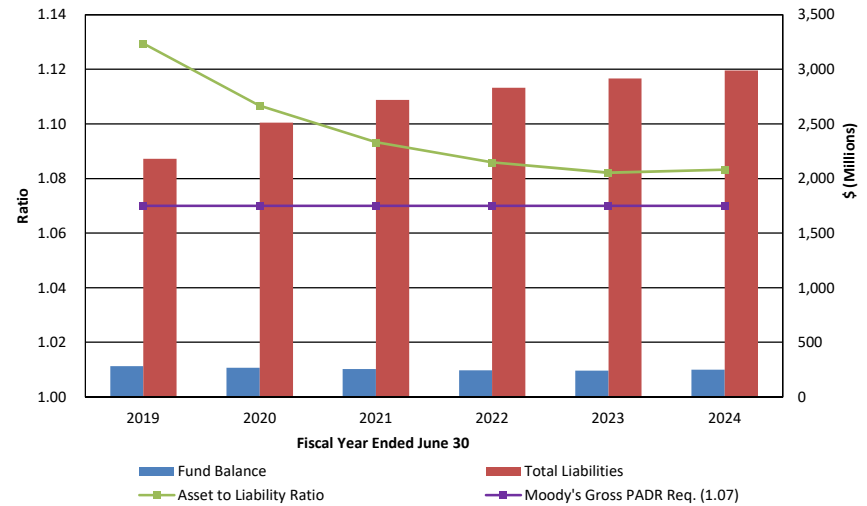
**1985 Resolution**  
Balance Sheet Measurements  
150% PSA



**2009 Resolution**  
Balance Sheet Measurements  
150% PSA



**2013 Resolution**  
Balance Sheet Measurements  
150% PSA



# TENNESSEE HOUSING DEVELOPMENT AGENCY

## CASH FLOW ASSUMPTIONS

### Mortgage Finance Program Bonds (1974 Resolution)

#### Prepayment Speeds on all Mortgage Loans

|                                |          |
|--------------------------------|----------|
| -Expected Prepayment Scenario: | 150% PSA |
| -Slow Prepayment Scenario:     | 75% PSA  |
| -Fast Prepayment Scenario:     | 300% PSA |

#### Reinvestment Rates

-1.5% investment rate

#### Surplus Revenues

-available to pay future debt service and/or to fund future program withdrawals

#### Additional Assumptions

- all loan and investment balances as of July 1, 2019 are derived from the June 30, 2019 audited financials
- cash and investments that is restricted for prior year program allocations are not included
- no new bond issuance under the Resolution
- multifamily loans excluded
- Future originations of New Start Loans are not included as assets of the Resolution.

# TENNESSEE HOUSING DEVELOPMENT AGENCY

## CASH FLOW ASSUMPTIONS

### Homeownership Program Bonds (1985 Resolution)

#### Prepayment Speeds on all Mortgage Loans

|                                |          |
|--------------------------------|----------|
| -Expected Prepayment Scenario: | 150% PSA |
| -Slow Prepayment Scenario:     | 75% PSA  |
| -Fast Prepayment Scenario:     | 300% PSA |

#### Reinvestment Rates

-1.5% investment rate

#### Bond Redemptions

- modeled semi-annually
- principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

#### Debt Service Reserve Fund

-2.5% investment rate

#### Surplus Revenues

-available to pay future debt service and/or to fund future program withdrawals

#### Liquidity Reserve Requirement

- S&P requirement is 2% of the combined outstanding loan and acquisition fund balance to cover cash flow deficiencies
- 2.25% set aside was used in the cash flow analysis to be conservative
- funded from cash in the revenue fund and from long term investments
- less stressful than THDA's Reserve Fund Requirement of 100% of maximum annual debt service

#### Additional Assumptions

- all loan and investment balances as of July 1, 2019 are derived from the June 30, 2019 audited financials
- no new bond issuance under the Resolution
- excess revenues not used to redeem bonds
- DPA Reimbursement & Agency Fees were transferred to the 2013 Resolution
- Resolution rated Aa1
- A-L Ratio maintenance of 108% (Moody's PADR requirement of 104% + 4% for loan loss)
- Future originations of New Start Loans are not included as assets of the Resolution.
- \$21 million of loans with no bonds outstanding were transferred to the 2013 Resolution.

# TENNESSEE HOUSING DEVELOPMENT AGENCY

## CASH FLOW ASSUMPTIONS

### Housing Finance Program Bonds (2009 Resolution)

#### **Prepayment Speeds on all Mortgage Loans**

|                                |          |
|--------------------------------|----------|
| -Expected Prepayment Scenario: | 150% PSA |
| -Slow Prepayment Scenario:     | 75% PSA  |
| -Fast Prepayment Scenario:     | 300% PSA |

#### **Reinvestment Rates**

-1.5% investment rate

#### **Bond Redemptions**

- modeled semi-annually
- principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

#### **Surplus Revenues**

-available to pay future debt service and/or to fund future program withdrawals subject to NIBP requirements

#### **Bond Reserve Requirement**

- THDA Reserve Requirement is 3% of outstanding Program Loans plus amounts on deposit in the Loan Fund
- 2.5% investment rate

#### **Additional Assumptions**

- all loan and investment balances as of July 1, 2019 are derived from the June 30, 2019 audited financials
- no new bond issuance under the Resolution
- excess revenues not used to redeem bonds
- DPA Reimbursement & Agency Fees were transferred to the 2013 Resolution
- Resolution rated Aa2
- A-L Ratio maintenance of 103% (Moody's PADR requirement of 102% + 1% for loan loss)



# TENNESSEE HOUSING DEVELOPMENT AGENCY

## CASH FLOW ASSUMPTIONS

### Residential Finance Program Bonds (2013 Resolution)

#### Prepayment Speeds on all Mortgage Loans

|                                |          |
|--------------------------------|----------|
| -Expected Prepayment Scenario: | 150% PSA |
| -Slow Prepayment Scenario:     | 75% PSA  |
| -Fast Prepayment Scenario:     | 300% PSA |

#### Reinvestment Rates

-1.5% investment rate

#### Debt Service Reserve Fund

-2.5% investment rate

#### Bond Redemptions

- modeled semi-annually
- principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

#### 25MM Asset Set-Aside

- \$25mm set-aside is required by the Bond Finance Committee
- \$25mm is set aside in the 2013 Resolution from FY 2020 through FY 2024.
- funded from cash in the revenue fund and from excess long term investments

#### Bond Reserve Fund-Future Bond Issuances

- 2.50% investment rate
- THDA Reserve Requirement is 3% of outstanding Program Loans plus amounts on deposit in the Loan Fund

#### New Mortgage Loan Mix (FY 2020 and beyond)

|                                     |         |
|-------------------------------------|---------|
| -Great Choice (and Vet) w/ 2nd      | 99.35%  |
| -Great Choice (and Vet) without 2nd | 0.65%   |
|                                     | <hr/>   |
|                                     | 100.00% |

- 99.35% of loans assumed to use Plus loan downpayment assistance deferred 2nd mortgage in order to conservatively forecast the cash needed for Plus loan downpayment assistance.

#### Additional Assumptions

- all loan and investment balances as of July 1, 2019 are derived from the June 30, 2019 audited financials
- all new bond issuance assumed in 2013 Resolution (see Summary of New Production)
- future downpayment assistance loans assumed originated from the 2013 Resolution
- excess revenues not used to redeem bonds
- mortgage rates for new bond issues were set at rates necessary to earn 1.00% yield spread
- Resolution rated Aa1
- A-L Ratio maintenance of 107% (Moody's PADR requirement of 104% + 3% for loan loss)
- \$21 million of loans with no bonds outstanding were transferred to the 2013 Resolution.

## Audit & Budget Committee

Agenda Item Nos.

9. Annual Performance Evaluation of Director of Internal Audit
10. Annual Performance Evaluation of Executive Director



These items will be distributed and discussed at the meeting only.

# Tab # 5

Items:

Grants Committee Meeting Materials

**Tennessee Housing Development Agency  
Grants Committee**

**November 19, 2019**

**9:15 a.m. Central Standard Time**

---

AGENDA

1. Call to Order ..... McMullen
2. Approval of Minutes for September 24, 2019 Meetings ..... McMullen
3. 2020 Emergency Solutions Grant Program Description ..... Watt
4. 2020 HOME Program Description ..... Watt
5. 2020 Spring Round Tennessee Housing Trust Fund Competitive Grants Program  
Description ..... Watt
6. 2020 Capacity Building Grant Programs Re-Authorization ..... Watt
7. 2016 Spring Tennessee Housing Trust Fund Competitive Grants Program Grant Extension  
Request ..... Watt
8. 2015-2016 HOME Grant Extension Requests ..... Watt
9. 2020 HOME Bright Futures Bridge Subsidy Proposal ..... Watt
10. Adjourn ..... McMullen

LOCATION

Tennessee Tower  
312 Rosa L. parks Ave, Third Floor  
Nashville, TN 37243

The Nashville Room

COMMITTEE MEMBERS

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

TENNESSEE HOUSING DEVELOPMENT AGENCY  
GRANTS COMMITTEE  
September 24, 2019

Pursuant to the call of the Chair, the Grants Committee of the Tennessee Housing Development Agency Board of Directors met in regular session on Tuesday, September 24, 2019, at 9:50 a.m. Eastern Time in the Centennial Room at The Read House, Chattanooga, Tennessee.

The following Committee members were present: Lynn Tully (chaired the meeting in the absence of Austin McMullen), Secretary of State Tre Hargett, Katie Armstrong (for Comptroller Justin Wilson), and Mike Hedges (Board Chair). Committee members absent were: John Krenson and Austin McMullen.

Chair Tully called the meeting and called for consideration of the minutes from the July 23, 2019, meeting. Upon motion by Secretary Hargett, second by Ms. Armstrong, the minutes were approved.

Chair Tully then recognized Don Watt, Director of Community Programs, to present the request for approval of the 2016 HOME grant extension request for Fentress County. Mr. Watt referenced his memo dated September 12, 2019, and explained that THDA awarded a \$375,000 HOME grant to Fentress County to rehabilitate nine owner-occupied units with a contract that originally expired on June 30, 2019. He explained that THDA approved a prior extension to October 1, 2019. He noted that this request is to extend the contract to March 31, 2019 to use \$25,000 in unobligated grant funds to assist one additional household. He also noted that 93% of the grant has been expended to assist six homeowners, with one additional unit under construction and two units in the contractor procurement phase. Mr. Watt noted that staff is supportive of this request as the request is in conformance with the extension period approved for other 2015-2016 HOME contracts encountering similar implementation. Upon motion by Secretary Hargett, second by Mr. Hedges, the extension request was approved for recommendation to the Board.

Chair Tully next recognized Mr. Watt who referenced his memo dated September 12, 2019 requesting a delegation of authority to the Executive Director to extend grant contracts in the event of routine construction and project implementation delays. Mr. Watt noted the Board currently requires that all requests for grant award extensions be presented for consideration to the Grants Committee. He explained that most grant extension requests are for more routine reasons as described in the referenced memo and noted that requests involving non-routine issues will continue to come to the Committee and Board. He noted staff will continue to provide an annual report to the Grants Committee listing extensions granted by the Executive Director and describing the progress of each grantee. The Committee determined that this authority would only be for the first extension and that the Committee and Board would receive a listing of extensions and other information at the meetings following the grant of an extension. Upon a motion by Ms. Armstrong, second by Mr. Hedges, motion carried to recommend this delegation of authority to the Board, subject to the above requirements.

Chair Tully next recognized Mr. Watt who referenced his memo dated September 12, 2019 and described the 2020 Challenge Grant funding recommendation. He noted that the

recommendation is to award \$500,000 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. Mr. Watt explained that THDA received six applications as provided in the summary in the Board package, however, five were determined to be ineligible for the reasons described in the referenced memo. Mr. Watt explained that the recommended award to Knoxville Habitat for Humanity will be implemented in celebration of its 35<sup>th</sup> anniversary and will be for the construction of a 35-unit subdivision in the Carter community of Knox County. He noted the application proposed additional funding from THDA's annual contribution to Habitat for Humanity of Tennessee, however, the staff recommendation is to prohibit this source of funding. Upon motion by Ms. Armstrong, second by Mr. Hedges, the award was recommended to the Board, subject to the prohibition described above.

Chair Tully next recognized Mr. Watt who referenced his memo dated September 12, 2019 regarding the Creating Homes Initiative-2 (CHI-2) Program Description. Mr. Watt noted that the Board authorized \$3,000,000 in THDA funds to be used in collaboration with the Tennessee Department of Mental Health and Substance Abuse Services (TDMHSAS) to expand housing options for individuals recovering from opioid use disorder. Mr. Watt reviewed the highlights of the CHI-2 Program Description and reviewed the schedule for applications, funding awards and contracts. Mr. Watt noted that the staff 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. Armstrong, second by Mr. Hedges, the Committee recommended approval of the CHI-2 Program Description to the Board.

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

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved the 19<sup>th</sup> day of November, 2019.



## Tennessee Housing Development Agency

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

**Bill Haslam**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: November 7, 2019

RE: 2020 Emergency Solutions Grants Program Description

---

Subject to final approval of the federal budget for 2020, THDA expects to receive approximately \$3 million in Federal FY2020 Emergency Solutions Grants (ESG) resources. Combined with monies remaining from prior year allocations, THDA will make these resources available under this program description provided for your consideration.

Staff is proposing only very limited changes from the approved 2019 ESG Program Description, including:

- Added the City of Chattanooga as a Set-Aside City under the 2020 ESG Program. HUD has notified the city that the city will no longer qualify as an ESG entitlement jurisdiction beginning with the FY2020 grant year.
- Removed the City of Knoxville as a Set-Aside City under the 2020 ESG Program. HUD has notified the city of its qualification as an ESG entitlement jurisdiction beginning with the FY2020 funding year.
- Added a limitation that Eligible Applicants with a main office inside the jurisdictional boundaries of a Set-Aside City may apply for funding under the Competitive Allocation; however, the total of the funds received by an Eligible Applicant under both the Set-Aside and Competitive Allocations may not exceed \$150,000.
- Clarified that the main office location of an eligible applicant must be outside the jurisdictional limits of Knoxville, Memphis, and Nashville-Davidson County. Organizations located within these communities may access ESG funds directly from these ESG entitlement jurisdictions.
- Added a requirement that all ESG Grantees must comply with the requirements of the Violence Against Women Act (VAWA) as required by the implementing regulations of VAWA.
- Adjusted the allocation rating scale to consolidate some evaluation factors (i.e. Housing First/barriers to accessing homeless services, past performance) under broader categories and to re-introduce a score based on the Housing Need of the counties within the service area of the applicant.

To implement the 2020 ESG Program, THDA will observe the following schedule:

- Mid-January 2020 – Application Workshops
- March 12, 2020, 11:59:59 PM – Application Due Date
- By June 1, 2020 – Application Award Announcement
- July 1, 2020 – June 30, 2021 - Effective dates of all Award Agreements

For the first time, applications will be accepted and evaluated through THDA's Grants Management System. This will be the second program to move to an electronic application process.

Staff recommends approval of the 2020 ESG Program Description as attached and authorization of the Executive Director or his designee to award ESG funds available under the approved Program Description to applications scored by staff based on the rating scale contained in the approved Program Description in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description. Staff will provide information to the Committee and Board regarding the 2020 ESG funding awards at the meetings that immediately follow the date of the awards.





## **202019 EMERGENCY SOLUTIONS GRANTS PROGRAM**

### **Program Description Tennessee Housing Development Agency**

The Emergency Shelter Grants Program was established by the Homeless Housing Act of 1986 in response to the growing issue of homelessness in the United States. In 1987, the program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. Sec. 11371-11378), now known as the McKinney-Vento Homeless Assistance Act. The U.S. Department of Housing and Urban Development (HUD) awards these funds to the State of Tennessee. The Governor of Tennessee has designated the Tennessee Housing Development Agency (THDA) to administer ESG funds on behalf of the State.

The Emergency Solutions Grants (ESG) Program was created to replace the Emergency Shelter Grants program when the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) was signed into law on May 20, 2009. The HEARTH Act amended and reauthorized the McKinney-Vento Homeless Assistance Act, and included major revisions to the Emergency Shelter Grant Program.

The new ESG Program is designed to identify sheltered and unsheltered homeless persons, as well as those at risk of homelessness, and provide the services necessary to help those persons to regain stability quickly in permanent housing after experiencing a housing crisis and/or homelessness. The change in program name reflects the change in focus from addressing the needs of the homeless in emergency or transitional shelters to assisting people to regain stability in permanent housing.

Under the HEARTH regulations, the State is required to consult with each Continuum of Care (CoC) that serves its jurisdiction to determine how to allocate ESG funds. THDA will consult with each CoC as part of the application evaluation process to assess the applicant's participation in and coordination with the activities of the CoC.

The purpose of this Program Description is to explain the requirements and the application process for the ESG Program. Agencies applying for 202019 ESG funding must include in their application documentation that is supported by data showing: 1) need for the program; 2) evidence of homelessness or at-risk of homelessness population within the community; 3) a plan that summarizes how funds will be used to address the unmet needs of their community; and 4) evidence that the applicant has collaborated with the local Continuum of Care (CoC) and that activities selected will help the CoC to meet its goals to address and end homelessness. Preference is given to applicants whose programs will help to meet priorities identified by HUD, the State of Tennessee, and the local Continuum of Care. Programs that will provide access to permanent rapid re-housing are preferred.

ESG funds are awarded on a competitive basis to local units of governments and to 501(c)(3) or 501(c)(4) non-profit organizations outside the ESG entitlement communities that receive their own ESG

funding directly from HUD. The Tennessee entitlement communities that receive their own allocation of ESG funds are Chattanooga, Memphis, and Nashville-Davidson County.

Applications ~~under the ESG Competitive Allocation for the ESG program~~ must be received by THDA on or before ~~411:00-59:59 PM CDT on Thursday, March 12, 14, 2020~~2019. ~~Applications under the ESG Set-Aside City Allocation must be received by THDA on or before 11:59:59 PM CDT on Thursday, April 30, 2020.~~ Contingent upon receipt of a 202019 ESG allocation from HUD, THDA anticipates notifying successful applicants by ~~May 3~~June 1, 202019 and issuing ~~2019-2020~~ ESG contracts by June 30, 202019 for the period July 1, 202019 through June 30, 202120. An applicant must apply for at least \$35,000 and may apply for a maximum of \$150,000 in ESG funding.

The program description is followed by the application package. The program description and application is also available at [www.thda.org](http://www.thda.org). Once at the THDA website, click on Grant Administrators/ESG Program. There will be a link for the program description, the application and the application attachments. If you have questions, contact Shay Grier, Lead Coordinator of Homelessness Programs with the Community Programs Division of THDA at (615) 815-2114.

## THE ESG PROGRAM

The ESG Program in Tennessee is governed by Title 24 Code of Federal Regulations, Parts 91 and 576 (ESG Regulations) and this Program Description. ESG Regulations are incorporated by reference in this Program Description. In cases of conflicting requirements, the more stringent requirement will apply.

The objectives of the ESG program are:

1. Reduce the length of time program participants experience homelessness;
2. Exit program participants to permanent housing;
3. Limit returns to homelessness one year after exiting the program; and,
4. Based on the activity, all ESG resources must be used to benefit individuals who are defined by HUD as “homeless” in the ESG Regulations.

HUD defines “homeless” as:

- (1) *Category 1*: An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:
  - (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport or camping ground;
  - (ii) An individual or family living in a supervised publicly or privately operated shelter designed to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or

- (iii) An individual who is exiting an institution where he or she resided for 90 day or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;
- (2) *Category 2:* An individual or family who will imminently lose their primary nighttime residence, provided that:
- (i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;
  - (ii) No subsequent residence has been identified; and
  - (iii) The individual or family lacks the resources or support networks, e.g., family friends, faith-based or other social networks, needed to obtain other permanent housing;
- (3) *Category 3:* Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:
- (i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637 of the Head Start Act (42 U.S.C. 9832), section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), SECTION 17(b) or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434A);
  - (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing the 60 days immediately preceding the date of application for assistance;
  - (iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and
  - (iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or
- (4) *Category 4:* Any individual or family who:
- (i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;
  - (ii) Has no other residence; and
  - (iii) Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing.

HUD defines an “at risk” individual or family as follows:

(1) *Category 1*

- a. Has family income below 30 percent of median income for the geographic area;
- b. Has insufficient resources immediately available to attain housing stability; and
- c. Meets one or more of the following criteria:
  - i. Has moved frequently because of economic reasons
  - ii. Is living in the home of another because of economic hardship
  - iii. Has been notified that their right to occupy their current housing or living situation will be terminated
  - iv. Is living in a hotel or motel
  - v. Lives in severely overcrowded housing
  - vi. Is exiting an institution; or
  - vii. Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness (as defined in the Consolidated Plan for the jurisdiction).

(2) *Category 2*

- a. Such term includes all families with children and youth defined as homeless under other Federal statutes. Note that there are limits on expenses within this category in CoCs where homelessness (sheltered and unsheltered) is 1/10 or more of 1% of the total population (See CPD-12-001).

(3) *Category 3*

- a. This category includes children/youth who qualify as homeless under the Education for Children and Youth project (Section 725\*(2) of the McKinney-Vento Act) and the parents or guardians of that child/youth if living with him/her.

**A. CONSISTENCY WITH THE CONSOLIDATED PLAN**

All applicants serving a county located within a local HUD Consolidated Plan jurisdiction must obtain a “certificate of consistency” with the local HUD Consolidated Plan. Local HUD Consolidated Plan jurisdictions include:

- |                        |                        |                        |
|------------------------|------------------------|------------------------|
| • City of Bristol      | • City of Jackson      | • City of Morristown   |
| • City of Clarkesville | • City of Johnson City | • City of Murfreesboro |
| • City of Cleveland    | • City of Kingsport    | • City of Oak Ridge    |
| • City of Franklin     | • City of Knoxville    | • County of Knox       |

- County of Shelby

Organizations serving communities located outside of those noted above are covered by the State's Consolidated Plan. THDA will provide a certification of consistency with the State's Consolidated Plan during the application review process.

## B. ALLOCATION OF FUNDS

ESG funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. THDA anticipates an ESG allocation in 2020~~19~~ of approximately \$3 million. THDA will make available under this program description any FY20~~20~~~~19~~ ESG funds allocated to the State of Tennessee as well as any funds determined by THDA to be available from prior year funding allocations.

THDA will spend up to 7.5% of its 2020~~18~~ ESG allocation for administrative and planning expenses. THDA will share the amount available for administration with successful local government applicants. **Non-profit agencies are not eligible to receive funds for administration.**

The remaining ESG funds will be allocated as follows:

Set-Aside City Allocation. THDA will allocate \$150,000 each to the cities of Chattanooga, Clarksville, Johnson City, ~~Knoxville~~, and Murfreesboro. Each of these jurisdictions ("Set-Aside Cities") have either recently lost their direct ESG allocation from HUD or are the location of a major entity serving veterans, a key priority under the Tennessee State Plan to End Homelessness. Each program will operate its ESG program in accordance with its approved Consolidated Plan. Eligible activities include street outreach, shelter operation, homelessness prevention, rapid re-housing, data collection through Homeless Management Information System (HMIS) or a comparable system, and administration.

Eligible Applicants with a main office inside the jurisdictional boundaries of a Set-Aside City may apply for funding under the Competitive Allocation; however, the total of the funds received by an Eligible Applicant under both the Set-Aside and Competitive Allocations may not exceed \$150,000.

Competitive Allocation. The remaining ESG funds will be allocated to eligible applicants in a competitive grant application process.

## C. ELIGIBLE APPLICANTS

The State of Tennessee, through THDA, will accept applications for the ESG Program from non-profit organizations and local units of governments. Non-profit applicants must submit **PART V: Non-Profit Checklist** with supporting documentation, and **PART VI: Non-Profit Board Composition**.

To be eligible for ESG funding, the non-profit organization must:

1. Must meet one of the two following criteria:

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

Or

- b. Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of state dated **no more than thirty (30) days** prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated **no more than thirty (30) days** prior to the application date).
2. Must demonstrate at least two (2) years of experience providing affordable housing or affordable housing related services in the state of Tennessee satisfactory to THDA, in its sole discretion.
  3. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual.
  4. Be established for charitable purposes and whose activities include, but are not limited to, the promotion of social welfare and the prevention or elimination of homelessness, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of shelter and services to the homeless.
  5. Have standards of financial accountability that conform to 24 CFR 84.21, Standards of Financial Management Systems.
  6. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status.
  7. Faith-based organizations receiving ESG funds, like all organizations receiving HUD funds, must serve all eligible beneficiaries without regard to religion.
  8. Have approved established ESG Written Standards in accordance with Continuum of Care Coordinated Entry process.
  9. Be active member of the CoC and compliant with HMIS reporting.
  10. Have the main office location outside of Knoxville, Memphis, and Nashville-Davidson County.

In accordance with 24 C.F.R. Section 576.202(a)(2), non-profit organizations are eligible to receive funding for emergency shelter activities only if such funding for emergency shelter activities is approved by the local government jurisdiction where the emergency shelter activities are physically located. Each application from a nonprofit must contain **PART VII: Certification of Local Government Approval** specific to the emergency shelter housing and service locations that it controls within each jurisdiction. This Attachment must be submitted to THDA at the time of application. If the organization intends to provide emergency shelter assistance in a number of jurisdictions, a certification of approval must be submitted by each unit of local government in which the emergency shelter activities are to be located.

## **D. ELIGIBLE ACTIVITIES**

1. ***Street Outreach:*** Essential services to eligible participants provided on the street or in parks, abandoned buildings, bus stations, campgrounds, and in other such settings where unsheltered persons are staying. Staff salaries related to carrying out street outreach are also eligible.

***Eligible Program Participants:*** Unsheltered individuals and families who qualify as homeless under Category 1 of HUD's Definition of "Homeless".

### ***Allowable Activities:***

- a. ***Engagement.*** The costs of activities to locate, identify, and build relationships with unsheltered homeless people and engage them for the purpose of providing immediate support, intervention, and connections with homeless assistance programs and/or mainstream social services and housing programs. These activities consist of making an initial assessment of needs and eligibility; providing crisis counseling; addressing urgent physical needs, such as providing meals, blankets, clothes or toiletries; and actively connecting and providing information and referrals to programs targeted to homeless people and mainstream social services and housing programs, including emergency shelter, transitional housing, community-based services, permanent supportive housing and rapid re-housing programs. Eligible costs include the cell phone costs of outreach workers during the performance of these activities.
- b. ***Case Management.*** The cost of assessing housing and service needs, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant. Eligible services and activities are as follows: using the centralized or coordinated assessment system as required under § 576.400(d); conducting the initial evaluation required under § 576.401(a), including verifying and documenting eligibility; counseling; developing, securing and coordinating services; obtaining Federal, State, and local benefits; monitoring and evaluating program participants progress; providing information and referrals to other providers; and developing an individualized housing and service plan, including planning a path to permanent housing stability.
- c. ***Emergency Health Services.***
  - (i) Eligible costs are for the direct outpatient treatment of medical conditions and are provided by licensed medical professionals operating in community-based settings, including streets, parks, and other places where unsheltered homeless people are living.
  - (ii) ESG funds may be used only for these services to the extent that other appropriate health services are inaccessible or unavailable within the area.
  - (iii) Eligible treatment consists of assessing a program participant's health problems and developing a treatment plan; assisting program participants to understand their health needs; providing directly or assisting program participants to obtain appropriate emergency medical treatment; and providing medication and follow-up services.
- d. ***Emergency Mental Health Services.***

- (i) Eligible costs are the direct outpatient treatment by licensed professionals of mental health conditions operating in community-based settings, including streets, parks, and other places where unsheltered people are living.
  - (ii) ESG funds may be used only for these services to the extent that other appropriate mental health services are inaccessible or unavailable within the area.
  - (iii) Mental health services are the application of therapeutic processes to personal, family, situational, or occupational problems in order to bring about positive resolutions of the problem or improved individual or family functioning or circumstances.
  - (iv) Eligible treatment consists of crisis interventions, the prescription of psychotropic medications, explanation about the use and management of medications, and combinations of therapeutic approaches to address multiple problems.
- e. *Transportation.* The transportation costs of travel by outreach workers, social workers, medical professionals, or other service providers are eligible, provided that this travel takes place during the provision of services eligible under this section. The costs of transporting unsheltered people to emergency shelters or other service facilities are also eligible. These costs include the following:
- (i) The cost of a program participant's travel on public transportation;
  - (ii) If service workers use their own vehicles, mileage allowance for service workers to visit program participants;
  - (iii) The cost of purchasing or leasing a vehicle for the Grantee in which staff transports program participants and/or staff serving program participants, and the cost of gas, insurance, taxes, and maintenance for the vehicle; and
  - (iv) The travel costs of Grantee staff to accompany or assist program participants to use public transportation.
- f. *Services to Special Populations.* ESG funds may be used to provide services for homeless youth, victim services, and services for people living with HIV/AIDS, so long as the costs of providing these services are eligible under paragraphs (a) through (e) of this section. The term victim services means services that assist program participants who are victims of domestic violence, dating violence, sexual assault, or stalking, including services offered by rape crisis centers and domestic violence shelters, and other organizations with a documented history of effective work concerning domestic violence, dating violence, and sexual assault, or stalking.

2. ***Emergency Shelter:*** Funds may be used to cover the costs of providing essential services to homeless families and individuals in emergency shelters and operational expenses of emergency shelters.

***Eligible Participants:*** Individuals and families who qualify as homeless under Categories 1, 2, 3 and 4 of HUD's Definition of "Homeless".

***Allowable Activities:***



- a. *Essential Services.* This includes services concerned with employment, health, drug abuse, education and staff salaries necessary to provide these services and may include, but are not limited to:
- (i) *Case Management.* The cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant is eligible. Component services and activities consist of:
    - (A) Using the centralized or coordinated assessment system as required under §576.400(d);
    - (B) Conducting the initial evaluation required under §576.401(a), including verifying and documenting eligibility;
    - (C) Counseling;
    - (D) Developing, securing, and coordinating services and obtaining Federal, State and local benefits;
    - (E) Monitoring and evaluating program participant progress;
    - (F) Providing information and referrals to other providers;
    - (G) Providing ongoing risk assessment and safety planning with victims of domestic violence, dating violence, sexual assault, and stalking; and
    - (H) Developing an individualized housing and service plan, including planning a path to permanent housing stability.
  - (ii) *Child Care.* The costs of child care for program participants, including providing meals and snacks, and comprehensive and coordinated sets of appropriate developmental activities, are eligible. The children must be under the age of 13, unless they are disabled. Children with disabilities must be under the age of 18. The child-care center must be licensed by the jurisdiction in which it operates in order for its costs to be eligible.
  - (iii) *Education Services.* When necessary for the program participant to obtain and maintain housing, the costs of improving knowledge and basic educational skills are eligible. Services include instruction or training in consumer education, health education, substance abuse prevention, literacy, English as a Second Language, and General Educational Development (GED). Component service or activities are screening, assessment and testing; individual or group instruction; tutoring; provision of books, supplies and instructional material; counseling; and referral to community resources.
  - (iv) *Employment Assistance and Job Training.* The costs of employment assistance and job training programs are eligible, including classroom, online, and/or computer instruction; and services that assist individuals in securing employment, acquiring learning skills, and/or increasing earning potential. The cost of providing reasonable stipends to program participants in employment assistance and job training programs is an eligible cost. Learning skills include those skills that can be used to secure and retain a job, including the acquisition of vocational licenses and/or certificates. Services that assist individuals in securing employment consist of employment screening, assessment, or testing; structured job skills and job-seeking skills; special training and tutoring, including literacy

training and prevocational training; books and instructional material; counseling or job coaching; and referral to community resources.

- (v) *Outpatient Health Services.* Eligible costs are for the direct outpatient treatment of medical conditions and are provided by licensed medical professionals. Emergency Solutions Grant (ESG) funds may be used only for these services to the extent that other appropriate health services are unavailable within the community. Eligible treatment consists of assessing a program participant's health problems and developing a treatment plan; assisting program participants to understand their health needs; providing directly or assisting program participants to obtain appropriate medical treatment, preventive medical care, and health maintenance services; including providing medication and follow-up services; and providing preventive and noncosmetic dental care.
- (vi) *Legal Services.*
  - (A) Eligible costs are the hourly fees for legal advice and representation by attorneys licensed and in good standing with the bar association of the State in which the services are provided, and by person(s) under the supervision of the licensed attorney, regarding matters that interfere with the program participant's ability to obtain and retain housing.
  - (B) ESG funds may be used only for these services to the extent that other appropriate legal services are unavailable or inaccessible within the community.
  - (C) Eligible subject matters are child support, guardianship, paternity, emancipation, and legal separation, orders of protection and other civil remedies for victims of domestic violence, dating violence, sexual assault, and stalking, appeal of veterans and public benefit claim denials, and the resolution of outstanding criminal warrants.
  - (D) Component services or activities may include client intake, preparation of cases for trial, provision of legal advice, representation at hearings, and counseling. (E) Fees based on the actual service performed (i.e., fee for service) are also eligible, but only if the cost would be less than the cost of hourly fees. Filing fees and other necessary court costs are also eligible. If the Grantee is a legal services provider and performs the services itself, the eligible costs are the Grantee's employees' salaries and other costs necessary to perform the services.
  - (E) Legal services for immigration and citizenship matters and issues relating to mortgages are ineligible costs. Retainer fee arrangements and contingency fee arrangements are ineligible costs.
- (vii) *Life Skills Training.* The costs of teaching critical life management skills that may never have been learned or have been lost during the course of physical or mental illness, domestic violence, substance use, and homelessness are eligible costs. These services must be necessary to assist the program participant to function independently in the community. Component life skills training are budgeting resources, managing money, managing a household, resolving conflict, shopping

for food and needed items, improving nutrition, using public transportation, and parenting.

(viii) *Mental Health Services.*

- (A) Eligible costs are the direct outpatient treatment by licensed professionals of mental health conditions.
- (B) ESG funds may only be used for these services to the extent that other appropriate mental health services are unavailable or inaccessible within the community.
- (C) Mental health services are the application of therapeutic processes to personal, family, situational, or occupational problems in order to bring about positive resolution of the problem or improved individual or family functioning or circumstances. Problem areas may include family and marital relationships, parent-child problems, or symptom management.
- (D) Eligible treatment consists of crisis interventions; individual, family, or group therapy sessions; the prescription of psychotropic medications or explanations about the use and management of medications; and combinations of therapeutic approaches to address multiple problems.

(ix) *Substance Abuse Treatment Services.*

- (A) Eligible substance abuse treatment services are designed to prevent, reduce, eliminate, or deter relapse of substance abuse or addictive behaviors and are provided by licensed or certified professionals.
- (B) ESG funds may only be used for these services to the extent that other appropriate substance abuse treatment services are unavailable or inaccessible within the community.
- (C) Eligible treatment consists of client intake and assessment, and outpatient treatment for up to 30 days. Group and individual counseling and drug testing are eligible costs. Inpatient detoxification and other inpatient drug or alcohol treatment are not eligible costs.

(x) *Transportation.* Eligible costs consist of the transportation costs of a program participant's travel to and from medical care, employment, child care or other eligible essential services facilities. These costs include the following:

- (A) The cost of a program participant's travel on public transportation;
- (B) If service workers use their own vehicles, mileage allowance for service workers to visit program participants;
- (C) The cost of purchasing or leasing a vehicle for the Grantee in which staff transports program participants and/or staff serving program participants, and the cost of gas, insurance, taxes, and maintenance for the vehicle; and
- (D) The travel costs of Grantee staff to accompany or assist program participants to use public transportation.

- (xi) *Services for Special Populations.* ESG funds may be used to provide services for homeless youth, victim services, and services for people living with HIV/AIDS, so long as the costs of providing these services are eligible under paragraphs (a)(1)(i) through (a)(1)(x) of this section. The term victim services means services that assist program participants who are victims of domestic violence, dating violence, sexual assault, or stalking, including services offered by rape crisis centers and domestic violence shelters, and other organizations with a documented history of effective work concerning domestic violence, dating violence, sexual assault, or stalking.
- b. *Operations.* Eligible costs are the costs of maintenance (including minor or routine repairs), rent, security, fuel, equipment, insurance, utilities, food, furnishings, and supplies necessary for the operation of the emergency shelter. Where no appropriate emergency shelter is available for a homeless family or individual, eligible costs may also include a hotel or motel voucher for that family or individual.

Prohibition against involuntary family separation. The age of a child under age 18 must not be used as a basis for denying any family's admission to an emergency shelter that uses ESG funding or services and provides shelter to families.

**Expenditures limits of combined Street Outreach and Emergency Shelter services cannot exceed 60% of the entire ESG allocation. THDA reserves the right to adjust applicants' budgets, if needed, to remain within this requirement.**

- 3. *Prevention Activities:* Activities related to preventing persons from becoming homeless and to assist participants in regaining stability in their current or other permanent housing.

*Eligible Participants:* Extremely low-income individuals and families with household incomes of at or below 30% of Area Median Income who qualify as homeless under Categories 2, 3 and 4 of HUD's Definition of "Homelessness" or any category of HUD's Definition of "At Risk of Homelessness".

- 4. *Rapid Re-Housing Activities:* Activities related to help a homeless individual or family to move into permanent housing.

*Eligible Participants:* Individuals and families who meet HUD's definition of "Homeless" under Categories 1 and 4.

***Allowable Activities for Prevention and Rapid Re-Housing:***

- a. *Financial Assistance* – ESG funds may be used to pay housing owners, utility companies, and other third parties for the following costs:
  - (i) Rental application fees. ESG funds may pay for the rental housing application fee that is charged by the owner to all applicants.
  - (ii) Security deposits. ESG funds may pay for a security deposit that is equal to no more than 2 months' rent.
  - (iii) Last month's rent. If necessary to obtain housing for a program participant, the last month's rent may be paid from ESG funds to the owner of that housing at the

time the owner is paid the security deposit and the first month's rent. This assistance must not exceed one month's rent and must be included in calculating the program participant's total rental assistance, which cannot exceed 24 months during any 3-year period.

- (iv) Utility deposits. ESG funds may pay for a standard utility deposit required by the utility company for all customers for the utilities listed in paragraph (5) of this section.
  - (v) Utility payments. ESG funds may pay for up to 24 months of utility payments per program participant, per service, including up to 6 months of utility payments in arrears, per service. A partial payment of a utility bill counts as one month. This assistance may only be provided if the program participant or a member of the same household has an account in his or her name with a utility company or proof of responsibility to make utility payments. Eligible utility services are gas, electric, water, and sewage. No program participant shall receive more than 24 months of utility assistance within any 3-year period.
  - (vi) Moving costs. ESG funds may pay for moving costs, such as truck rental or hiring a moving company. This assistance may include payment of temporary storage fees for up to 3 months, provided that the fees are accrued after the date the program participant begins receiving assistance under paragraph (b) of this section and before the program participant moves into permanent housing. Payment of temporary storage fees in arrears is not eligible.
- b. Service Costs. ESG funds may be used to pay the costs of providing the following services:
- (i) *Housing search and placement.* Services or activities necessary to assist program participants in locating, obtaining, and retaining suitable permanent housing, include the following:
    - (A) Assessment of housing barriers, needs and preferences;
    - (B) Development of an action plan for locating housing;
    - (C) Housing search;
    - (D) Outreach to and negotiation with owners;
    - (E) Assistance with submitting rental applications and understanding leases;
    - (F) Assessment of housing for compliance with ESG requirements for habitability, lead-based paint, and rent reasonableness;
    - (G) Assistance with obtaining utilities and making moving arrangements; and
    - (H) Tenant counseling.
  - (ii) *Housing stability case management.* ESG funds may be used to pay cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to facilitate housing stability for a program participant who resides in permanent housing or to assist a program participant in overcoming immediate barriers to obtain housing. This assistance cannot exceed 30 days during the

period the program participant is seeking permanent housing and cannot exceed 24 months during the period the program participant is living in permanent housing. Component services and activities consist of:

- (A) Using the centralized or coordinated assessment system as required under §576.400(d) to evaluate individuals and families applying for or receiving homeless prevention or rapid re-housing assistance;
  - (B) Conducting the initial evaluation required under §576.401(a), including verifying and documenting eligibility, for individuals and families applying for homelessness prevention or rapid re-housing assistance.
  - (C) Counseling
  - (D) Developing, securing, and coordinating services and obtaining Federal, State, and local benefits;
  - (E) Monitoring and evaluating program participant progress;
  - (F) Providing information and referrals to other providers;
  - (G) Developing an individualized housing and service plan, including planning a path to permanent housing stability; and
  - (H) Conducting re-evaluations required under §576.401(b).
- (3) *Mediation.* ESG funds may pay for mediation between the program participant and the owner of person(s) with whom the program participant is living, provided that the mediation is necessary to prevent the program participant from losing permanent housing in which the program participant currently resides.
- (4) *Legal Services.* ESG funds may pay for legal services, as set forth in §576.102(a)(1)(vi), except that the eligible subject matters also include landlord/tenant matters, and the services must be necessary to resolve a legal problem that prohibits the program participant from obtaining permanent housing or will likely result in the program participant losing the permanent housing in which the program participant currently resides.
- (5) *Credit Repair.* ESG funds may pay for credit counseling and other services necessary to assist program participants with critical skills related to household budgeting, managing money, accessing a free personal credit report, and resolving personal credit problems. This assistance does not include the payment or modification of a debt.

**The Grantee may set a maximum dollar amount that a program participant may receive for each type of financial assistance. The Grantee may also set a maximum period for which a program participant may receive any of the types of assistance or services.**

**Financial assistance cannot be provided to a program participant who is receiving the same type of assistance through other public sources.**

c. *Short and Medium Term Rental Assistance Requirements and Restrictions*

- (i) Compliance with FMR (Fair Market Rents) and Rent Reasonableness.

- (ii) For purposes of calculating rent, the rent must equal the sum of the total rent, any fees required for rental (excluding late fees and pet deposits), and, if the tenant pays separately for utilities (excluding telephone) the monthly allowance for utilities as established by the public housing authority for the area in which the housing is located.
- (iii) Compliance with minimum habitability standards.
- (iv) Tenant based rental assistance means that participants select a housing unit in which to live and receive rental assistance. Project based rental assistance means that grantees identify permanent housing units that meet ESG requirements and enter into a rental assistance agreement with the owner to reserve the unit and subsidize it so that eligible program participants have access to the unit.
- (v) A standard and legal lease must be in place.
- (vi) No rental assistance can be provided to a household receiving assistance from another public source for the same time period (with the exception of rental arrears).
- (vii) Participants must meet with a case manager at least monthly for the duration of the assistance (participants who are victims of domestic violence are exempt if meeting would increase the risk of danger to client).
- (viii) The Grantee must develop an individualized plan to help the program participant remain in permanent housing after the ESG assistance ends.
- (ix) The Grantee must make timely payments to each owner in accordance with the rental agreement. The Grantee is solely responsible for paying late payment penalties that it incurs with non-ESG funds.

5. ***Homeless Management Information System (HMIS) Data Collection:*** Eligible costs include hardware; software; equipment costs; staffing for operating HMIS data collection, monitoring and analysis; reporting to the HMIS Lead Agency; training on HMIS use; and obtaining technical support. Domestic violence agencies may use HMIS funds to pay for costs in obtaining and operating a data collection program comparable to HMIS, including user fees, software, equipment, training, and maintenance.

Local government recipients may distribute all or a part of their ESG funds to eligible, private 501(c)(3) or 501(c)(4) non-profit organizations for allowable ESG activities.

**For each of the eligible activities, THDA reserves the right to adjust funding requests to remain within the required percentages.**

## **E. INELIGIBLE ACTIVITIES**

- 1. *Under Street Outreach Services*, ESG funds may not be used for the following:
  - a. Emergency medical and/or mental health services accessible or available within the area under an existing program; and

- b. Maintenance of existing services already being provided within the past 12 months prior to funding.
2. *Under Emergency Shelter Services*, ESG may not be used for the following:
- a. Acquisition of real property;
  - b. New construction or rehabilitation of an emergency shelter for the homeless;
  - c. Property clearance or demolition;
  - d. Staff training or fund raising activities;
  - e. Salary of case management supervisor when not working directly on participant issues;
  - f. Advocacy, planning, and organizational capacity building;
  - g. Staff recruitment and/or training
  - h. Transportation costs not directly associated with service delivery.
  - i. Recruitment or on-going training of staff;
  - j. Depreciation;
  - k. Costs associated with the organization rather than the supportive housing project (advertisements, pamphlets about the agency, surveys, etc.)
  - l. Staff training, entertainment, conferences or retreats;
  - m. Public relations or fund raising;
  - n. Bad debts or bank fees; and
  - o. Mortgage payments.
3. *Under Prevention and Rapid-Rehousing Activities*, ESG funds may not be used for the following:
- a. Mortgage loan payments;
  - b. Pet deposits;
  - c. Late fees incurred if grantee does not pay agreed rental subsidy by agreed date;
  - d. Payment of temporary storage fees in arrears;
  - e. Payment of past debt not related to rent or utility; and
  - f. Financial assistance to program participants who are receiving the same type of assistance through other public sources or to a program participant who has been provided with replacement housing payments under URA during the same time period.
4. *Under HMIS Data Collection*: Grantees that are not compliant with HUD's standards on participation, data collection, and reporting under a local HMIS will not be eligible for reimbursement for HMIS activities.

**F. MATCHING FUNDS**



The ESG program requires a dollar for dollar match for the ESG funds. Each application must contain **PART VIII: Certification of Matching Funds**. All Grantees must supplement their ESG funds with equal amounts of funds or in-kind support from non-ESG sources. Certain other federal grants contain language that may prohibit their being used as a match. Matching funds or in-kind support must be provided after the date of the grant award to the Grantee and within the period of the ESG contract with THDA. The Grantee may not include funds used to match any previous ESG grant.

## **G. OTHER FEDERAL REQUIREMENTS**

1. **NON-DISCRIMINATION AND EQUAL OPPORTUNITY**. Grantees must make facilities and services available to all on a nondiscriminatory basis, and publicize the facilities and services. The procedures a Grantee uses to convey the availability of such facilities and services should be designed to reach persons with disabilities or persons of any particular race, color, religion, sex, age, familial status, or national origin within their service area who may qualify for them. If not, the Grantee must establish additional procedures that will ensure that these persons are made aware of the facilities and services. Grantees must adopt procedures to disseminate information to anyone who is interested regarding the existence and location of services or facilities that are accessible to individuals with disabilities.

Grantees must also comply with the requirements of 24 CFR Parts 5, 200, 203, et al Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity. The regulation is available at <http://www.gpo.gov/fdsys/pkg/FR-2012-02-03/pdf/2012-2343.pdf>. Grantees should include in their ESG standards a written policy for Fair Housing to all persons and/or families regardless of sexual orientation, gender identity or family identification.

2. **LEAD BASED PAINT**. Housing assisted with ESG funds is subject to the Lead-Based Paint Poisoning Prevention Act and the Act's implementing regulations at 24 CFR Part 35, Subparts C through M for any building constructed prior to 1978. Grantees using ESG funds only for essential services and operating expenses must comply with Subpart K to eliminate as far as practical lead-based paint hazards in a residential property that receives federal assistance for acquisition, leasing, support services or operation activities.
3. **PROPERTY MANAGEMENT STANDARDS**. Grantees are required to follow uniform standards for using and disposing of capital improvements and equipment. Equipment is defined as having a useful life of one year and a per unit value of \$5,000 or more.
4. **RELOCATION AND DISPLACEMENT**. Grantees are required to take reasonable steps to minimize the displacement of persons, families, individuals, businesses, non-profit organizations or farms as a result of administering projects funded through ESG. Any persons displaced by the acquisition of property must be provided with relocation assistance (24 CFR 576.59).
5. **ENVIRONMENTAL REVIEW**. In implementing the ESG program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Part 58. THDA as the Responsible Entity and the units of local government funded by THDA will be responsible for carrying out environmental reviews.

THDA will review the release of funds for local governments and must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews. ESG funds

cannot be committed until the environmental review process has been completed. Commitments for expenditures made prior to the approval of the environmental review cannot be reimbursed with ESG funds.

6. CONFLICT OF INTEREST. Each ESG Grantee must adopt a conflict of interest policy which prohibits any employee, persons with decision making positions or having information about decisions made by an organization, from obtaining a personal or financial interest or benefit from the organization's activity, including through contracts, subcontracts, or agreements. (24 CFR 576.57).
7. ASBESTOS. Prior to renovation, Tennessee State law requires an asbestos inspection for any structure that is not a residential building having four or fewer dwelling units. The costs of asbestos removal may be included in the grant request.
8. CONTRACTUAL AGREEMENT. All Grantees must enter into a contractual agreement with THDA. This Working Agreement includes all requirements contained in the ESG Interim Rule (24 CFR Part 576 and 91) in addition to all other applicable rules and regulations. The Working Agreement will include, but is not limited to the following:
  - a. BUILDING STANDARDS. Grantees must ensure that any building for which ESG funds are used for meets the local government standards for safety and sanitation.
  - b. CERTIFICATION OF ASSISTANCE. Grantees must certify that on-going assistance will be provided to homeless individuals to obtain appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision and other services essential for achieving independent living and other federal, state local and private assistance available for such persons.
  - c. CONFIDENTIALITY. Grantees must develop procedures to ensure the confidentiality of victims of domestic violence.
  - d. DRUG AND ALCOHOL-FREE FACILITIES. Grantees must administer a policy designed to ensure that each assisted homeless facility is free from the illegal use, possession or distribution of drugs or alcohol by its beneficiaries.
  - e. CLIENT PARTICIPATION. Grantees must involve the homeless individuals and families in the maintenance and operation of facilities, and in the provision of services to residents of these facilities to the maximum extent possible. The involvement of homeless persons is required through the Housing and Community Development Act of 1992.
  - f. PROCUREMENT PROCEDURES. Each ESG Grantee must have an appropriate procurement procedure in place. At a minimum, three telephone bids must be obtained for any equipment or furniture purchases to be charged totally or in part to ESG.
  - g. FAIR HOUSING. All ESG Grantees must perform and document action in the area of enforcement and/or promotion to affirmatively further fair housing. During the grant year Grantees must carry out a minimum of one activity to promote fair housing. Non-discrimination and equal opportunity are applicable to ESG programs (24 CFR 5.105(a) as amended).

- h. TERMINATING ASSISTANCE. All ESG Grantees must have a formal process for terminating assistance to an individual or family. At a minimum, there must be an appeals procedure with one level of administrative review for clients who are evicted or refused service from the facility for any reason.
- i. REPORTING REQUIREMENTS. Each ESG Grantee must complete quarterly reporting forms as required by THDA. Quarterly reports must be submitted by the 15<sup>th</sup> of the month following the close of the quarter. If the 15<sup>th</sup> falls on a weekend or holiday, the report must be submitted by the next business day.

ESG Grantees also are required to upload the ESG Consolidated Annual Performance and Evaluation Report (CAPER) via Comma Separated Valued (CSV) into the Sage HMIS Reporting Repository. Domestic violence agencies must also upload CAPER information from their comparable data system as required by HUD.

Additional reports may be required by THDA at its sole and absolute discretion.

- j. HMIS PARTICIPATION. All ESG Grantees must certify that they will fully utilize the Homelessness Management Information System (HMIS) for the Continuum of Cares in which the assistance is delivered, or if a victim services provider, the ESG Grantee will operate a comparable database that collects client-level data over time (i.e. longitudinal data) and generates unduplicated aggregate reports based on the data. Grantees that are not victim services providers must work with their local CoC to coordinate HMIS access and technical assistance. All ESG Grantees assume full responsibility for all reporting to THDA. Please check the following website for local CoC contact information and for information on the geographic areas covered by each CoC: <http://thda.org/business-partners/esg>.
- k. COORDINATED ENTRY. All Grantees must participate in the Coordinated Entry process of the Continuum of Care in which services are delivered. Grantees serving multiple Continuums of Care must participate in each Coordinated Entry process established by each CoC.
- l. SERVING FAMILIES WITH CHILDREN. Organizations that use ESG funds for emergency shelter to families with children under the age of 18 shall not deny admission to any family based on the age of any child under age 18. Providing these families with stays in a hotel/motel or other off-site facility does not suffice. If the Grantee's facility serves families, provisions must be made for the facility to accommodate **all** families.
- l.m. Violence Against Women Act (VAWA). All ESG Grantees are required to apply the requirements of the Violence Against Women Act to all victims of domestic violence, dating violence, sexual assault, and stalking, regardless of sex, gender identity, or sexual orientation, consistently across all HUD administered programs along with all nondiscrimination and fair housing requirements.

## H. APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that meets the requirements of the ESG Regulations; Written ESG Standards, Habitability Standards, Confidentiality and Privacy Policies; and compliance with and participation in the applicable CoC. Additionally, to be considered for funding, the application must be signed with an original signature by a nonprofit entity's Chairman of the Board or the Executive Director, or the Mayor of the local government.

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

Additional requirements for non-profit organizations are included in the application at **Part X: Non-Profit Checklist**. Documentation must be submitted along with the completed Checklist to demonstrate that the organization meets threshold requirements and has the capacity to provide shelter, essential services and/or operations for programs serving the homeless. Applications meeting the threshold criteria will be scored and ranked in descending numerical order.

THDA will provide a limited opportunity of five (5) business days for applicants to correct the following threshold factors:

- Failure to upload all required documents to PIMS.
- Failure to submit a Certificate of Existence that was issued within the required time established by the application instructions.
- Failure of the Mayor, Executive Director, or the Board Chairman to sign the application.

**All applicants that are required to submit corrections for an issue identified above will receive an automatic 10 point deduction to the final application score.** The point deduction will be assessed regardless of the number of the above threshold items requested to be corrected.

THDA will not provide an opportunity to correct other application items nor will THDA extend the time period for correction of the threshold item beyond the period identified above.

### Key Applicant Eligibility Factors

- Eligible non-profit agency or unit of general local government
- No outstanding findings or other issues from any program operated by THDA
- Experienced homeless services/prevention provider
- Must be able to meet recordkeeping and reporting requirements, including use of HMIS

- Must be able to meet HMIS requirements or, if a domestic violence program provider, a comparable database that collects client level data over time and generates unduplicated aggregate reports based on the data
- Must be certified by local CoC Lead Agency as a participating member
- Must receive a Certification of Consistency with the Consolidated Plan if seeking funding for an emergency shelter and serving a community in which a Consolidated Plan is prepared locally
- Must receive local government approval if a nonprofit entity seeking funding to provide emergency shelter using ESG resources
- Must submit ESG Written Standards
- Must be participating in the Coordinated Entry process set up by the regional CoC.
- Must submit audit or financials dated not more than 12 months prior to the date of the application.
- Proposed activities must be in compliance with HUD requirements as specified in this Program Description.

## ESG COMPETITIVE ALLOCATON RATING SCALE

100 POINTS

### 1. PROGRAM DESIGN POINTS

UP TO 4025

The degree to which the proposed program demonstrates:

- a. An understanding of the ESG objectives and requirements, including whether the proposed activities are eligible by category, are realistic and are needed in the community.
- b. A cost effective project with documentable and realistic outcomes, and, if the proposed project is a continuation of an on-going program, the applicant's demonstration that performance outcomes been met.
- c. Support for the local CoC to end homelessness, including whether the proposed activities duplicate other resources within the region and the applicant's demonstration of participation in the coordinated entry process.
- d. A strategic plan to leverage and support other funding sources to reduce and end homelessness;
- e. The program design meets the objectives of providing housing solutions without unnecessary barriers or program requirements.
- f. The use of rapid re-housing to move individuals and families from homelessness to permanent housing; and,
- g. Degree to which the project shows success in finding permanent housing solutions for the population served.

### 2. APPLICANT CAPACITY

UP TO 2025 POINTS

- a. Relative experience of the individual(s) on staff of the applicant who shall have primary responsibility for the oversight and management of the proposed project;
- b. Relative capacity of applicant's organizational infrastructure to establish and administer the project, including demonstrated capacity to meet HUD reporting requirements through HMIS and to provide all HUD required deliverables in an accurate and timely manner.
- c. Demonstrated experience of the applicant in establishing and operating ESG eligible activities, or similar projects, for at-risk and literally homeless persons.
- d. Relative performance similar to existing or previously funded projects (i.e. past performance outcomes).
- e. Relative experience in collaborating with relevant public and/or private entities to obtain appropriate mainstream services on behalf of the population to be served.

- f. Active involvement of board of directors and volunteers to support the mission of the project.

**3. FISCAL CAPACITY  
POINTS**

**UP TO 12025**

- a. Clear and specific documentation of match, including the source and level of committed match. Letters of support, documentation of real value of buildings or donated lease are included. Donations are supported by documentation of current year's donations or financial records. Sample volunteer job descriptions/timesheets are included.
- b. Completeness of budget, which includes both the narrative and the budget pages, demonstrating realistic staff compensation specific to the category of ESG activity and showing eligible line items under the ESG Regulations.
- c. Applicant audit and/or financial records support applicant's ability to cash-flow a reimbursement program.
- d. Applicant's ~~ability~~ success at drawing down previous years ESG funding allocation.

**4. ~~PERFORMANCE~~**

**~~UP TO 15 POINTS~~**

~~THDA will award up to 15 points based on the applicant's past performance with the administration of THDA grant funds and compliance with program policy, including:~~

- ~~— Submission of accurate monthly draws reports and timely response to requests for information or documentation;~~
- ~~— Current percentage of drawdown of THDA ESG funded grants.~~
- ~~— Past monitoring of and compliance with ESG Regulations.~~

~~THDA will evaluate current ESG grantees based on the total funds drawn as of March 1, 2019. New applicants will be given the average score of all applicants with existing ESG grants.~~

**14.4. COORDINATION WITH COC PRIORITIES  
POINTS**

**UP TO 15 5**

THDA will award up to 155 points for an application that actively participates in and coordinates with the local CoC.

**15.5. HOUSING NEED~~HOUSING FIRST MODEL~~  
POINTS**

**UP TO 15 5**

THDA has calculated need factors using poverty statistics for counties. The need factors include extremely or very low income households, the population receiving food stamps, reported domestic violence victims, unemployment rates, and homeless persons reported. THDA will

award up to 5 points for an application that meets the objectives of the Housing First model in providing permanent housing solutions without unnecessary barriers or program requirements.





## Tennessee Housing Development Agency

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

**Bill Haslam**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: November 7, 2019

RE: 2020 HOME Program Description

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THDA anticipates the receipt of approximately \$12,960,298 in federal 2020 HOME funds to implement eligible activities across Tennessee. THDA may combine these 2020 resources with any returned or leftover funds from the 2019 or early funding rounds as determined at the time of award in May 2020. All available funds will provide resources for the implementation of homeowner rehabilitation, second mortgage assistance, and the development of housing for sale to low and moderate income home buyers.

Staff is proposing the attached program description for the 2020 HOME Program (the "2020 HOME Program Description"), with the following more substantive changes and clarifications from the 2019 HOME Program Description:

1. Updated the Spend Down requirements for organizations funded under past Urban or Rural Matrices and the Commitment and Spend Down requirements for organizations funded under past CHDO Matrices.
2. Clarified the approximate funding amounts that are anticipated to be available under the funding competition. Final amounts will be determined based on Congressional budget approval and amounts left over from prior funding rounds that are made available under this program description.
3. Added a restriction that ALL entities with past HOME grants from THDA that failed to spend a minimum of 75% of any previous HOME grant award within the term of their HOME contract, including approved extensions, will be ineligible to apply for any additional HOME grants for a period of three years following the end of their contract term, including approved extensions.
4. Modified the requirement for home buyer education to meet new HUD standards that such counseling must be provided by a certified housing counselor who has passed the HUD

certification examination and is employed by a HUD approved housing counseling agency prior to purchase.

5. Clarified that developer fees must be charged on a project-by-project basis.
6. Updated the HOME Per Unit Subsidy Limits in accordance with updated limits provided by the U.S. Department of Housing and Urban Development.

To implement the 2020 HOME Program, THDA will observe the following schedule:

- Mid-January 2020 – Application Workshops
- March 5, 2020, 11:59:59 PM – Application Due Date
- By June 1, 2020 – Application Award Announcement
- July 1, 2020 – June 30, 2023 - Term of Award Agreements

Staff recommends adoption of the proposed 2020 HOME Program Description and authorization of the Executive Director or a designee to award 2020 HOME funds to applicants for applications scored by staff based on the rating scale contained in the approved 2020 HOME Program Description in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved 2020 HOME Program Description. Staff will provide information to the Committee and Board regarding 2020 HOME funding awards at the meetings that immediately follow the date of the awards.



**HOUSING GRANT APPLICATION**  
**HOME PROGRAM FOR FISCAL YEAR 201920**

**Program Description**  
**Tennessee Housing Development Agency**

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

HOME funds are awarded through a competitive application process to cities, counties and non-profit organizations outside local participating jurisdictions. Local participating jurisdictions (Local PJs) are those local governments in Tennessee that receive HOME funds directly from the Department of Housing and Urban Development (HUD). The Local PJs are Clarksville, Chattanooga, Jackson, Knoxville, Memphis, Nashville-Davidson County, Knox County, Shelby County, and the Northeast Tennessee/Virginia Consortium (the cities of Bristol, Kingsport, Johnson City, Bluff City, Sullivan County, and Washington County, excluding the Town of Jonesborough). Non-profit organizations located in a local participating jurisdiction may apply for projects located outside the local participating jurisdictions. *For the 2019-2020 application cycle, nonprofit organizations seeking designation as a Community Housing Development Organization (CHDO) serving a local participating jurisdiction may apply for projects located within the local participating jurisdictions.* An applicant must apply for at least \$100,000 and may apply for a maximum HOME grant of \$500,000 if applying for funding under Urban or Rural Matrices, or \$750,000 if seeking funding as a CHDO. There is a \$750,000 limit on the amount of HOME funds that can be awarded in any one county under the Urban and Rural Matrices.

Applications for the HOME program must be received by THDA on or before ~~4:00 PM CST~~ 4:00 PM CDT on Thursday, March ~~7~~ 25, 201920. THDA anticipates notifying successful applicants by ~~May 3~~ June 1, 201920.

1. HOME contracts for applicants funded under the Urban or Rural Matrices will begin July 1, 201920 and will end June 30, 20223.
2. HOME Reservation of Funds for applicants funded under the CHDO Matrix will begin July 1, 201920 and will end June 30, 20223.

The program description is followed by the application package. The program description and application link are also available at [www.thda.org](http://www.thda.org). Once at the THDA website, click on BUSINESS PARTNERS and then Grant Administrators for the links to the HOME program. Click on HOME for the link to the 201920 HOME Program Description, [Application](#) and the application attachments. If you have questions, please call Bill Lord at (615) 815-2018.

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**The HOME Program**

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

#### A. ELIGIBLE APPLICANTS

The State of Tennessee, through THDA, will accept applications for the HOME program from cities, counties, and private, non-profit organizations.

To be eligible, a non-profit organization must:

1. Meet one of the two following criteria:

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

Or

- b. Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of State dated no more than thirty (30) days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

2. Demonstrate at least two (2) years of experience providing affordable housing or affordable housing related services in the state of Tennessee satisfactory to THDA, in its sole discretion.

2.3. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;

3.4. Have among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of housing to low income households;

4.5. Have standards of financial accountability that conform to 2 CFR Part 200, *Uniform Administrative Requirements, Audit Requirements and Cost Principles*; and

5.6. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status.

THDA will also accept HOME applications from nonprofit organizations seeking designation as a community housing development organization (CHDO). A CHDO is a private, non-profit organization that meets all the requirements for a non-profit listed above, plus the following additional requirements:

1. Not be controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the CHDO. If a CHDO is sponsored or created by a for-profit entity, all of the following shall apply:

- a. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer or real estate management firm;
  - b. The for-profit entity may not have the right to appoint more than one-third of the membership of the CHDO's governing body. CHDO board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
  - c. The CHDO must be free to contract for goods and services from vendors of its own choosing;
  - d. The officers, directors, owners (stockholders, managers, members, etc.) or employees of the for-profit entity cannot be officers, directors, owners (stockholders, managers, members, etc.) or employees of the CHDO.
2. Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO; however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of recipient governmental entity. Board members appointed by the State or local government may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers of the Board or employees of a CHDO
3. Maintains accountability to low income community residents by:
- a. Including residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in at least one-third of the CHDO's governing board's membership. For urban areas, "community" may be a neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and
  - b. Providing a formal process for low-income program beneficiaries to advise the CHDO in its decisions regarding the design, site selection, development, and management of affordable housing. Board participation by low income individuals or individuals representing low income persons or neighborhoods does not satisfy this requirement.
4. Has a demonstrated capacity to successfully carry out housing projects assisted with HOME funds. A CHDO undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employee(s) with housing development experience who will work on projects assisted with HOME funds. Paid staffing may be documented by providing copies of the most recent W-2 or W-4 a minimum of two (2) months of current wage statements or copies of payroll checks, as applicable, issued by the nonprofit entity for each staff member. For its first year of funding as a CHDO, a CHDO may satisfy this requirement through a contract with a qualified consultant who has housing development experience to train appropriate key CHDO staff. A CHDO that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of 24 CFR 92.300(a)(2). A CHDO does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated or cost allocated by another organization, or by hiring a consultant beyond the initial year of operation.

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5. Has a history of serving the community within which the housing to be assisted with HOME funds is to be located. In general, a CHDO must be able to show at least one year of serving the community through housing activities benefiting low income persons or families before HOME funds may be awarded to that CHDO. However, a newly created CHDO formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least one year of serving the community through housing activities benefiting low income persons or families.

Nonprofit organizations seeking CHDO designation may only apply for HOME funding for projects in which the nonprofit organization is the owner and developer. Nonprofit organizations seeking CHDO designation must submit all supporting documentation required to determine eligibility as a CHDO. Failure to submit required documentation will render the application ineligible for funding consideration.

Applicants with past HOME grants from THDA under the Urban or Rural Matrices must meet both of the following requirements:

1. Requested (submitted an official Request for Payment Form with supporting documentation) the following percentages of their grants by February 28, 2020 to be eligible for the 2020 HOME program:

| HOME GRANT YEAR                 | SPEND DOWN REQUIREMENT |
|---------------------------------|------------------------|
| 1992 – 2014                     | 100%                   |
| 2015-2016 Urban or Rural Rounds | 75%                    |
| 2017 Urban or Rural Rounds      | 50%                    |
| 2018 Urban or Rural Rounds      | 25%                    |

These spending requirements also apply to applications from CHDOs. In addition, CHDOs that were funded for homeownership programs that generate CHDO proceeds will have to demonstrate a need for additional HOME funds and documentation that neighborhood market conditions demonstrate a need for the project to be eligible for the 2020 HOME program.

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3. To be eligible, all applicants for the 2020 HOME application cycle must demonstrate a need for the HOME funds and be in compliance with all other THDA programs in which they participate and have no outstanding findings for any THDA program.

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The following commitment and spending requirements apply to applications from CHDOs. In addition, CHDOs that were funded for homeownership programs that have generated CHDO proceeds will have to demonstrate the use of or plan to use previous CHDO proceeds and a need for additional HOME funds. CHDOs must also provide documentation that neighborhood market conditions demonstrate a need for the project or projects to be eligible for the 2020 HOME program.

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Applicants with past HOME grants from THDA under the CHDO Matrix must meet both all of the following requirements:

1. Met the following Commitment and Spend Down Requirements:

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| HOME PROGRAM DESCRIPTION                                       | COMMITMENT REQUIREMENT | SPEND DOWN REQUIREMENT |
|--|------------------------|------------------------|
| 2015-2016 CHDO Round and CHDO Mini-Rounds 1 & 2012 CHDOs       | 100%100%               | 100%100%               |
| 2017 CHDO and CHDO Mini-Rounds 1 and 2013 CHDOs                | 100%100%               | 100%100%               |
| 2018 CHDO Round or CHDO Mini-Rounds 1 or 2014 CHDOs            | 75%100%                | 50%100%                |
| 2019 CHDO Round2015-2016 CHDO Round and CHDO Mini-Rounds 1 & 2 | 25%100%                | 0%0%                   |
| 2017 CHDO and CHDO Mini-Rounds 1 and 2                         | 50%                    | 25%                    |
| 2018 CHDO Round or CHDO Mini-Rounds 1 or 2                     | 25%                    | 0%                     |

The Commitment Requirement is met upon issuance of an agreement between THDA and the CHDO for the development of housing at a specific site address in an amount equal to the cited percentage of development funds allocated under the applicable grant. The Spend Down Requirement is met based on the CHDO's submission of an official request for payment with supporting documentation for the applicable percentage of development funds allocated under their prior grant. To be eligible under the 2019 HOME program, the CHDO must have met the commitment and spend down requirements by February 28, 2019.

2. In addition, CHDOs that were funded for homeownership programs that have generated CHDO proceeds will have to demonstrate the use of or plan to use previous CHDO proceeds and a need for additional HOME funds. CHDOs must also provide documentation that neighborhood market conditions demonstrate a need for the project or projects to be eligible for the 2019 HOME program.

All entities with past HOME grants from THDA that failed to spend a minimum of 75% of any previous HOME grant award within the term of their HOME contract, including approved extensions, will be ineligible to apply for any additional HOME grants for a period of three years following the end of their contract term, including approved extensions.

In addition, CHDOs that were funded for homeownership programs that generate CHDO proceeds will have to demonstrate a need for additional HOME funds and documentation that neighborhood market conditions demonstrate a need for the project to be eligible for the 2019 HOME program.

3. To be eligible, all applicants under the 2019 HOME CHDO Matrix must be in compliance with all other THDA programs in which they participate.

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## B. ALLOCATION OF FUNDS

HOME funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. The amount of the 2019 HOME allocation is unknown until

there is an approved federal budget; however, THDA anticipates receipt of an amount equivalent to the amount received in FY 20189, approximately \$14,400,00012,960,298. Additionally, THDA may make available any returned or leftover funds from the 2018-2019 or earlier funding rounds as determined at the time of award in May 202019.

Based on the FY 2019 funding allocation, THDA anticipates the following funding availability:

|   |              |
|---|--------------|
| CHDO Set-Aside for Homeownership Development (18%):       | \$2,332,854  |
| CHDO Operating Assistance:                                | \$250,000    |
| Urban/Rural Funding Competition:                          | \$9,081,415  |
| Administrative Funds for Urban/Rural Funding Competition: | \$544,885    |
| Administrative Funds for THDA Costs:                      | \$751,144    |
| Total:  | \$12,960,298 |

#### Administrative Funds:

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THDA will spend up to ten percent (10%) of its 201920 HOME allocation for administrative and planning expenses. THDA will use four percent (4%) of these funds for its own administrative expenses. The remaining six percent (6%) is available to pay the administrative costs of local governments and non-CHDO non-profit grant recipients.

#### CHDO Operating Assistance:

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THDA will also set-aside up to 5%\$250,000 of its 201920 HOME allocation for CHDO operating expenses. Any funding remaining in the set-aside for CHDO operating expenses after all eligible CHDOs have been funded will be transferred to the Urban/Rural allocation.

#### CHDO Set-Aside for Homeownership Development:

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THDA will set aside up to 20% of its total 2020 HOME allocation for a competitive Rental Housing Development program under a separate program description and scoring matrix. Any funding remaining in the set-aside for Rental Housing Development after all eligible applicants have been funded may be transferred to the Urban/Rural or CHDO allocation.

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THDA will set aside up to 5% of its total 2020 HOME allocation for a Tenant Based Rental Assistance Demonstration Program under a separate program description. Any funding remaining in the set-aside for Tenant Based Rental Assistance Demonstration Program after all eligible programs have been funded may be transferred to any other qualified HOME activity allocation.

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The balance of THDA's FY 2019 HOME allocation, not including the 10% for administration and the 5% for CHDO operating expenses, will be divided as follows: THDA will set aside 18% of its total 2020 HOME allocation for

~~CHDO Set aside~~ EighteenFifteen percent (1815%) of the total 201920 HOME allocation will be reserved for eligible applications from CHDOs, including CHDOs serving Local PJs. Any HOME funds remaining or returned from prior application rounds and designated as CHDO funds may also be made available for this 201920 set-aside. The THDA HOME funding to successful CHDO applicants serving a Local PJ will be reduced by the amount of funding the CHDO receives from the Local PJs to keep within the \$750,000 maximum grant.

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

Beginning with the 2015 HOME allocation, HUD no longer considers a PJ as meeting its 24-month CHDO commitment through a cumulative total of CHDO commitments since 1992, and each grant year must meet its own 24-month commitment deadline. In addition, the execution of a HOME Working Agreement and the establishment of a CHDO sub-grant in IDIS is insufficient to meet this requirement. Thus, a successful CHDO that receives an allocation of 201920 CHDO funds must commit those funds to specific units no later than June 30, 20242. Any 201819 HOME funds awarded to an organization must be committed to specific units no later than June 30, 20201. ~~HUD will recapture any 2020 CHDO funds not committed to specific CHDO activities by June 30, 2022; dates specified in its Reservation of Funds. 2019 CHDO funds not committed to specific CHDO activities by June 30, 2021 and will recapture any 2018 CHDO funds not committed to specific CHDO activities by June 30, 2020.~~ CHDO applicants need to be aware of these dates and have a pipeline of eligible home buyers so they can begin their projects as soon as the environmental reviews are completed. If in the opinion of THDA, the applications submitted do not contain viable proposals or are from a CHDO that lacks the organizational potential to comply with all HOME affordability requirements, THDA may choose not to award any or all of the funds set-aside for CHDOs in the current application round.

#### Urban/Rural Allocation/Funding Competition:

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~~Sixty-Forty-Five-Seven percent (6745%) of the total 201920 HOME funds noted in the table above will be available allocated will be allocated for eligible projects in Urban and Rural areas of the State outside of a local Participating Jurisdiction. The urban areas include the following counties: Anderson, Blount, Bradley, Carter, Coffee, Dyer, Gibson, Hamilton, Hamblen, Haywood, Loudon, Madison, Maury, Montgomery, Putnam, Roane, Rutherford, Sumner, Unicoi, Williamson and Wilson. All other counties are considered Rural. The urban allocation is 45% of the remaining 6745% of the funding amount, and the rural allocation is 55%. The percentages are based on the low-income population in the designated urban and rural counties. However, the urban areas do not include the low income populations of the local participating jurisdictions of Chattanooga, Clarksville, Jackson, Knox County, Knoxville, Memphis, Metropolitan Nashville-Davidson County, Shelby County, Sullivan County, and Washington County, excluding the Town of Jonesborough. THDA will score, rank and fund urban and rural applications separately. To be considered for funding, an application must receive a minimum threshold score of 95, an amount equal to 50% of the total points available under the urban or rural matrices. All applications will be ranked in descending order from highest to lowest score and HOME funds will be awarded until all funds are awarded or until the lowest scoring application that meets the threshold score is funded. Applications that do not meet the threshold score will not be considered for funding. Should an insufficient number of applications receive the minimum threshold score to award all funds allocated to either the urban or rural matrix, THDA may re-allocate the remaining funds to the other (Urban or Rural) matrix. There is a \$750,000 maximum grant per county. Grants to successful applicants in the same county will be reduced proportionately should there be multiple successful applicants~~

from the same county with a minimum grant of \$250,000; however, the THDA Board of Directors may award less than \$250,000 should there be more than three successful applicants from the same county.

Funding Requirements:

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HOME awards will be in the form of a reimbursement grant. Grantees will be required to repay any HOME funds expended on projects that are not completed and ready for occupancy within 3 years of the date the Written Agreement is executed between the Grantee and THDA. Grantees may also be required to repay HOME funds as described in the Working Agreement. Required HOME land use restrictive covenants and/or deeds of trust must be recorded prior to any other financing documents.

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### C. ELIGIBLE ACTIVITIES

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

#### 1. Homeowner Rehabilitation Program.

*Homeowner Rehabilitation:* The use of HOME funds will include the rehabilitation and reconstruction of existing housing units that are the principal residence of the owner. For the purposes of the HOME program, rehabilitation includes the demolition and rebuilding or reconstruction of substandard housing.

"Reconstruction" is defined as the rebuilding, on the same lot, of housing standing on a site at the time of project commitment, except that housing that was destroyed by a disaster may be rebuilt on the same lot if HOME funds are committed within 12 months of the date of destruction. The number of housing units on the lot may not be decreased or increased as part of a reconstruction project. However, the number of rooms per unit may be increased or decreased depending upon the needs and the size of the household. The reconstructed housing must be substantially similar to the original housing unit. All reconstructed housing will have a compliance period of 15 years.

For all homeowner rehabilitation activities, the value of the HOME assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area.

If the proposed HOME investment for hard construction costs into a unit to be rehabilitated exceeds 75% of the after rehabilitation appraised value of the unit, the unit must be reconstructed, unless an exception is provided in accordance with the requirements outlined in the THDA HOME Manual at the sole and absolute discretion of THDA. Hard construction costs exclude those for building inspections, lead-based paint inspections, energy related inspections, and work write-ups, but includes all remaining costs associated with addressing lead-based paint hazards for the unit.

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Priority should be given to the Uniform Property Condition Standards (UPCS) Checklist deficiencies identified during the initial inspection. Level 3, 2, and 1, respectively, rate the severity of the item needing the repair, including, but not limited to: roofs, HVAC systems, electrical systems, plumbing

systems, foundation problems, water supply issues, exterior painting to maintain the structure, and limited interior painting. The structure must exhibit at least one code violation as revealed by the initial code inspection.

HOME regulations require that after the work is complete, the entire structure must meet the Uniform Physical Condition Standards (UPCS) and the adopted building code in effect for the jurisdiction in which the housing unit is located, or in the absence of a local building code, the Existing Building Code of the International Code Council (ICC). Units assisted with HOME funds must require at least \$1,000 of rehabilitation work to bring the unit into compliance with the applicable codes. Housing units that cannot be brought up to the applicable code using the maximum grant funds are ineligible.

*Housing Rehabilitation Costs and Lead-based Paint.* If a unit to be rehabilitated was built after 1978, the rehabilitation costs are capped by the HOME subsidy limit. *All units built prior to 1978 will require a risk assessment by a qualified lead inspector.* If the risk assessment of a pre-1978 unit discloses no lead, then the cap for rehabilitation costs will be the HOME subsidy limit. If the risk assessment for a pre-1978 unit reveals the presence of lead-based paint and the estimated rehabilitation costs are less than \$25,000, then standard treatments will apply and the HOME subsidy for rehabilitation is limited to \$25,000. If the risk assessment reveals the presence of lead-based paint and the estimated rehabilitation costs exceed \$25,000, then abatement will be required by a qualified abatement contractor to provide rehabilitation assistance up to the HOME subsidy limit.

## **2. Homeownership Programs.**

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

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

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

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

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

*Cities, counties and non-profit organizations (non-CHDO).* Homeownership programs are restricted to a soft second mortgage necessary to qualify the household for permanent financing.

*Soft second mortgages.* Any HOME funds used for a soft second mortgage in homeownership programs are limited to the lesser of \$14,999 in HOME funds or the amount of HOME funds necessary to qualify the household for permanent financing, but not less than \$1,000. All grant recipients using HOME for soft second mortgages must use the THDA single-family underwriting template to determine the amount of HOME assistance, and must submit the determination to THDA for review and final approval. If the underwriting template indicates that the home buyer does not have an unmet need for the soft second mortgage, the grant recipient may not provide direct HOME assistance to that home buyer. The amount of the soft second mortgage is the "direct HOME subsidy" provided to the home buyer and subject to recapture.

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

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

*Sales Price.* All units must be sold for an amount not to be lower than the appraised value of the unit.

*Sales Price Limits.* The sales price limit for homeownership programs are the Property Value Limits. See Attachment Two: Property Value Limits for **Existing Homes HOME Purchase Price and New Homes HOME Purchase Prices** posted on the THDA web site at <https://thda.org/business-partners/home>.

*Underwriting.* Front and back end ratios may not exceed twenty-nine (29%) and forty-one percent (41%), respectively. Lower ratios are encouraged.

*Permanent Financing.* Under homeownership programs, THDA expects the use of THDA mortgage loans whenever suitable. Other financing may be used if it is comparable to a THDA mortgage loan. Permanent financing is considered comparable if the interest rate does not exceed the

prevailing THDA Great Choice interest rate by more than one percentage point and when it is demonstrated that the home buyer represents a commensurate underwriting risk to the lender. All loans must have a fixed interest rate fully amortizing over the 30 year term of the loan. There can be no pre-payment penalty for early payoffs.

*Home Buyer Contribution.* The home buyer must make a contribution from their own funds equal to one percent (1%) of the purchase price of the property.

*Home Buyer Education.* All home buyers must complete a home buyer education program from ~~a THDA~~ a certified housing counselor who has passed the HUD certification examination and is employed by a HUD approved housing counseling agency-qualified home buyer education provider prior to purchase.

*Neighborhood market conditions.* Applicants proposing homeownership projects must document that neighborhood market conditions demonstrate a need for the project and must complete a market study as part of the 2018-2020 application cycle for homeownership programs.

*Deadline for Sale.* Homeownership units must be sold to an eligible home buyer within nine (9) months of project completion. If a homeownership unit is not sold to an eligible home buyer within nine months of the Certificate of Occupancy, the unit must be converted to rental housing for the appropriate rental affordability period or the HOME funds must be repaid by the grant recipient to THDA.

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

### 3. CHDO Operating Expenses, Developer's Fees and CHDO Proceeds.

a. *CHDO Operating Expenses.* A CHDO may request up to 7% of the funds awarded for the acquisition and rehabilitation or new construction of housing for sale to low and moderate income home buyers as CHDO operating expenses to help with the administrative costs of operating the organization. Operating expenses are separate from project funds and are funded from the 5% set-aside for CHDO operating expenses from the annual HOME allocation.

b. *Developers Fees.* A CHDO may also request an 8% developer's fee if the CHDO is acting as a developer of housing. The developer's fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit. Developers Fees must be charged on a project by project basis and applicable only to the project charged. The developer's fee is a project soft cost and counts against the maximum per unit subsidy limit.

c. *CHDO Proceeds.* CHDO proceeds are the HOME funds returned to a CHDO upon the sale of a unit developed by the CHDO from the buyer's permanent financing. The CHDO must use its CHDO proceeds to develop more housing for homeownership. A CHDO may use 15% of the CHDO proceeds for operating expenses, divided as follows: Maximum of 7% for general operational expenses relative to staff salaries and maximum of 8% for developer's fees relative to projects developed using the proceeds. Once the CHDO proceeds are used a second time to develop more housing for homeownership, the HOME restrictions on the use of proceeds are eliminated. The 25% cap on the amount of CHDO proceeds that can be used for operating or

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administrative expenses has been eliminated. This policy applies retroactively to current, active CHDO grants.

#### 4. Project Soft Costs.

In planning their programs, applicants may include the costs for inspections and work write-ups as a project-related soft cost. The costs for ~~inspections~~progress reviews and work write-ups are capped at \$2,500. In addition to the costs for ~~inspections~~progress reviews and work write-ups, the costs for lead-based paint inspections, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. All project soft costs count toward the HUD maximum per unit subsidy limit.

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#### D. PROHIBITED ACTIVITIES

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

#### E. LAYERING

Layering is the combining of other federal resources on a HOME-assisted project that results in an excessive amount of subsidy for the project. Such activity is prohibited. Grantees must analyze each project to insure

that only the minimum amount of assistance is allocated to the project. In no case may the amount of HOME funds exceed the HUD Maximum Per Unit Subsidy Limit.

## F. MATCH

For the FY 2019~~20~~ HOME program, THDA will continue to provide the required federal match for projects submitted under the Urban/Rural Round and CHDO Rounds. Although no local match is required, THDA will award points based on the contribution of eligible match reflected in an application as specified in the scoring matrix. THDA will count any non-federal project funds or other resources reflected in successful applications that qualify as match under the HOME rule toward the match requirement.

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

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

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

## G. LEVERAGE

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

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

## H. HOME PROGRAM REQUIREMENTS

### 1. INCOME LIMITS

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

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

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

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

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### 2. FORMS OF ASSISTANCE

*Homeowner rehabilitation programs.* Assistance from grant recipients to program beneficiaries will be limited to grants that are completely forgiven after a specified period of time as long as the beneficiary adheres to the conditions of the grant.



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

### 3. COMPLIANCE PERIOD

*Homeowner rehabilitation.* Grants for homeowner rehabilitation projects that do not include reconstruction shall have a compliance period of five years with a forgiveness feature of 20% annually unless the cost to rehabilitate exceeds 75% of the after rehabilitation value. Projects where rehabilitation costs exceed 75% of the after rehabilitation value shall have a compliance period of fifteen years with a forgiveness feature of 6.67% annually. In order to enforce the compliance period, THDA will require that grant recipients obtain a grant note and a recorded deed of trust executed by the homeowners.

Commented [BL12]: Incorporated new policy passed by THDA board July 2019.

Grants for homeowner rehabilitation projects that include reconstruction shall have a compliance period of fifteen years with a forgiveness feature of 6.67% annually. In order to enforce the compliance period, THDA will require that grant recipients obtain a grant note and a recorded deed of trust executed by the homeowners.

If the homeowner of a property that has been rehabilitated dies during the compliance period and the property is inherited by heirs, the property may be rented without repaying the unforgiven portion of the HOME subsidy to THDA. However, if the house is sold by the heirs during the affordability period, the remaining unforgiven portion must be repaid to THDA. This policy may be applied retroactively to prior HOME projects as needed.

### 4. AFFORDABILITY PERIOD

*Down Payment Programs by Local Governments or Non-CHDO Non-Profit Organizations.* A grant recipient that is a local government, or a non-CHDO non-profit agency may provide down payment and closing cost assistance as a soft second mortgage loan in an amount equal to the lesser of \$14,999 in HOME funds or the amount of HOME funds necessary to qualify a household for permanent financing, but not less than \$1,000. There will be an affordability period of five years, secured by a Note and Deed of Trust between the grant recipient and the home buyer. The HOME loan is forgiven at the end of the fifth year if the unit remains in compliance with HOME requirements. This means that the property remains the primary residence of the initial home buyer and is not leased or vacated; and if the property is sold or transferred at the end of the affordability period, the home buyer has complied with these recapture provisions. If the unit is sold or transferred during the affordability period, the amount of HOME subsidy subject to recapture will be reduced by twenty percent (20%) per year of occupancy by the initial home buyer. If the unit is leased or vacated during the affordability period, the entire HOME subsidy must be repaid to THDA by the Grantee.

*CHDOS.* At the time of the sale of the unit to an eligible home buyer, the CHDO must leave HOME funds in the unit as a soft second mortgage loan in an amount equal to the lesser of \$14,999 or the amount of HOME funds necessary to qualify a household for permanent financing, but not less than \$1,000. There will be an affordability period of five years secured by a Note and Deed of Trust between the CHDO and the home buyer. The HOME loan is forgiven at the end of the fifth year if the unit remains in compliance with HOME requirements. This means that the property remains the primary residence of the initial home buyer and is not leased or vacated;

and if the property is sold or transferred at the end of the affordability period, the home buyer has complied with these recapture provisions. If the unit is sold or transferred during the affordability period, the amount of HOME subsidy subject to recapture will be reduced by twenty percent (20%) per year of occupancy by the initial home buyer. If the unit is leased or vacated during the affordability period, the entire HOME subsidy must be repaid to THDA.

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

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

$$\frac{\text{HOME Subsidy}}{\text{HOME Subsidy} + \text{Homeowner Investment}} = \frac{\text{Net Proceeds} - \text{HOME}}{\text{Net Proceeds} - \text{HOME}}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Subsidy} + \text{Homeowner Investment}} = \frac{\text{Net Proceeds} - \text{HOME}}{\text{Net Proceeds} - \text{HOME}}$$

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

- a. *Application of Forgiveness Feature.* Once the net proceeds are determined from the sale of the property, the grant recipient shall reduce the amount due based on the length of time the home buyer has occupied the home in relation to the affordability period. Soft second mortgages up to \$14,999 have a five year affordability period and a forgiveness feature of 20% per year.
- b. *Amount subject to recapture.* The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the home buyer to buy the housing unit. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e., the

development subsidy).

- c. After the full HOME investment has been repaid, any excess profits will belong to the homeowner.

*Construction Financing.* For CHDOs using HOME for construction financing to develop homeownership units, the initial affordability period will be based on the amount of HOME funding invested in the development of the unit under the resale provisions of the HOME regulations. In order to enforce the provisions of the Working Agreement with the CHDO, THDA will require that a Restrictive Covenant and Deed of Trust be recorded against the property prior to drawing down HOME funds for construction. When the unit is sold to an eligible home buyer, THDA will provide the closing agent a copy of the release for Restrictive Covenant and Deed of Trust. The CHDO must provide the closing agent with a Grant Note and Deed of Trust between the CHDO and the home buyer for the soft second mortgage loan under the recapture provisions. Upon receipt by THDA of a copy of the Grant Note, the recorded Deed of Trust between the home buyer and the CHDO, the recorded deed from the seller to the home buyer, and the fully executed final TILA-RESPA Integrated Disclosure (TRID) Settlement Statement, the original Release of Lien is forwarded to the closing agent for recording.

#### 4. LEVEL OF SUBSIDY

The maximum HOME investment per unit is provided below:

| MINIMUM HOME DOLLARS | \$ 1,000     | PER UNIT                     |
|----------------------|--------------|------------------------------|
| MAXIMUM HOME DOLLARS | \$64,284.45  | 0-BEDROOM (EFFICIENCY) LIMIT |
|                      | \$70,250.58  | 1-BEDROOM LIMIT              |
|                      | \$85,427.07  | 2-BEDROOM LIMIT              |
|                      | \$140,512.61 | 3-BEDROOM LIMIT              |
|                      | \$124,307.11 | 4-BEDROOM OR MORE LIMIT      |

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

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#### 5. PROPERTY STANDARDS

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

In the absence of a local code, new construction of single-family units or duplexes must meet the current, State-adopted edition of the International Residential Code for One- and Two-Family

Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc.

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

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

HOME funded units must also conform, as applicable, to the THDA Minimum Design Standards for New Construction of Single Family and Multifamily Housing Units and with THDA's Minimum Design Standards for Rehabilitation of Single Family and Multi-family Housing Units. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.

The International Code books are available at: [www.iccsafe.org](http://www.iccsafe.org)

*Disaster Mitigation.* All new construction should be built in a method and/or location that would attempt to protect all new construction from possible disaster due to either a man-made issue, or an act of God that may cause physical or structural damage to the home. The methods should include any items that may be recommended, or required by either local, state, or federal agencies dealing with disasters.

*Energy Code.* New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.

*Energy Conservation.* In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (HERS) rater or achieve a HERS index of 85 or less when tested by a certified rater.

*Section 504.* Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.

## 6. AFTER REHABILITATION PROPERTY VALUE

For homeowner rehabilitation projects, the maximum after rehabilitation value permitted for the type of single-family housing (1-4 family residence, condominium, cooperative unit,) shall not exceed 95% of the median purchase price for the area as established by HUD. ~~See Attachment Two: Property Value Limits – Existing Homes HOME Purchase Price~~ are posted online at <https://thda.org/business-partners/home>

## 7. SALES PRICE LIMITS

The sales price limit for homeownership programs are based on whether the unit was existing prior to the investment of HOME funds or newly constructed as a result of the investment of HOME funds. ~~See Attachment Two: Property Value Limits Existing Homes HOME Purchase Price and New Homes HOME Purchase Price~~ are posted online at <https://thda.org/business-partners/home>

## I. UNIVERSAL DESIGN/VISITABILITY

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

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

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

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

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

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

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

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

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

## J. HOME RELOCATION REQUIREMENTS

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

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

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

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

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

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

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

**WHO IS NOT A DISPLACED PERSON?** - A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations. A person with no legal right to occupy the property under State or local law (e.g., squatter). A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, it's possible impact on

the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project. A person, after being fully informed of their rights, waives them by signing a Waiver Form.

#### **HOW IS DISPLACEMENT TRIGGERED?**

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

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

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

#### **K. HOME RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN**

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

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

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

of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

## L. EQUAL OPPORTUNITY AND FAIR HOUSING

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

|   |  |
|---|--|
| Fair Housing Act  | 24 CFR Part 100  |
| Executive Order 11063, as amended<br>(Equal Opportunity in Housing)   | 24 CFR Part 107  |
| Title VI of the Civil Rights Act of 1964<br>(Nondiscrimination in Federal programs)   | 24 CFR Part 1  |
| Age Discrimination Act of 1975  | 24 CFR Part 146  |
| Section 504 of the Rehabilitation Act of 1973   | 24 CFR Part 8  |
| Section 109 of Title I of the Housing and Community<br>Development Act of 1974  | 24 CFR Part 6  |
| Title II of the Americans with Disabilities Act   | 42 U.S.C. §12101 <i>et seq.</i>                                      |
| Equal Access to Housing in HUD Programs Regardless of<br>Sexual Orientation or Gender Identity  | 24 CFR Parts 5, 200, 203,<br>236, 400, 570, 574, 882,<br>891 and 982 |
| Section 3 of the Housing & Urban Development Act of 1968  | 24 CFR 135   |
| <ul style="list-style-type: none"> <li>Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.</li> </ul> |  |
| Executive Order 11246, as amended<br>(Equal Employment Opportunity Programs)  | 41 CFR 60  |
| Executive Order 11625, as amended (Minority Business Enterprises)   |  |
| Executive Order 12432, as amended (Minority Business Enterprise Development)  |  |
| Executive Order 12138, as amended (Women's Business Enterprise)   |  |
| <ul style="list-style-type: none"> <li>Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and</li> </ul>  |  |



women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA.

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

Architectural Barriers Act of 1968 at 42 U.S.C. §4151 *et seq.*

Executive Order 12892, as amended  
(Affirmatively Furthering Fair Housing)

Executive Order 12898

Executive Order 13166  
(Limited English Proficiency)

Executive Order 13217  
(Community-based living arrangements for persons with disabilities)

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

#### **M. SITE AND NEIGHBORHOOD STANDARDS**

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

#### **N. AFFIRMATIVE MARKETING**

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

1. Methods for informing the public, owners and potential tenants about fair housing laws and the local program's policies;
2. A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME funds;
3. A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;

4. Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and
5. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

#### **O. ENVIRONMENTAL REVIEW**

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

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

#### **P. LEAD-BASED PAINT**

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

#### **Q. LABOR STANDARDS**

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

#### **R. DEBARMENT AND SUSPENSION**

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

#### **S. FLOOD PLAINS**

HOME funds may not be used to construct new housing in an area identified by the Federal Emergency Management Agency as having special flood hazards. In addition, THDA discourages the rehabilitation of units located in special flood hazard areas, but, ~~with in a few instances and approved mitigation steps or where an official flood zone map revision has been obtained and~~ with written permission from THDA, houses located in a floodplain may be assisted. ~~When a unit in a special flood zone is assisted, the community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.~~

Commented [BL13]: To make the PD consistent with current policy.

## T. CONFLICT OF INTEREST

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

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

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

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

## U. PROCUREMENT

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties and non-profit organizations must follow their procurement policies

and meet all state and federal requirements. At a minimum, applicants must comply with 2 CFR 200.318 – 326 General Procurement Standards.

Commented [BL14]: Added the full range of applicable Procurement law: 200.218-326

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

Commented [BL15]: This is for clarification

## V. APPLICATION AND EVALUATION PROCEDURE

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

All non-profit applicants must submit the following required documentation in accordance with the application instructions:

- A. Evidence that the applicant is organized and existing under the laws of Tennessee or, if organized and existing under the laws of another state, evidence that applicant is organized and existing in that state and authorized to do business in Tennessee.
- B. Documentation of an IRS designation under Section 501(c)(3) or 501(c)(4) of the federal tax code. A 501(c)(3) non-profit organization may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary material with the IRS and received a response from the IRS demonstrating 501(c)(4) status.
- C. Copy of Organizational Charter
- D. Copy of Organizational By-laws
- E. List of Board members including: names; home address; occupation; a description of their primary contribution; length of service; phone #; email address; and date the term of service expires.
- F. Business plan or strategic management plan that demonstrates the agency's short term and long term goals, objectives, and plans to achieve them.
- G. The most recent financial audit or audited financial statements of the organization.
- H. Applicant Board Member and Corporate Disclosure Forms *completed, signed by the organization's Executive Director and each Board Member and notarized.*
- I. Applicant/Board Member and Corporate Disclosure Form completed, *signed by the Chairman of the Board or Executive Director on behalf of the organization and notarized.*

- J. One page explanation of how the Board of Directors is involved in the operation of the agency, including how often the Board meets, how the Board monitors and provides oversight for the agency's programs.
- K. Resolution by the Board of Directors authorizing the submission of this application.
- L. List of staff members employed by the organization, including how many are full-time or part-time, their specific responsibilities related to housing programs, and how many years of experience each staff member has in housing development.
- M. Documentation of agency operating funds from other sources, including how much annually and from what sources.
- N. Explanation of any other programs operated by the organization, including the program(s) and its funding source(s).
- O. Explanation of the agency's experience in housing, particularly in providing housing to low and very low income households in Tennessee.

All documentation must be submitted to demonstrate that the organization meets threshold requirements and has the capacity to provide affordable housing for low income households, including the administration of the proposed project.

Applications meeting the threshold criteria will be scored and ranked in descending numerical order within the Urban matrix, the Rural matrix or the CHDO matrix, based on the criteria provided below. In the event of a tie score under the Urban or Rural matrix, THDA first will select the application with the highest Need score and then, if a tie still remains, the application with the highest Not Proportionally Served score. In the event of a tie score under the CHDO matrix, THDA first will select the application with the highest capacity score and then, if a tie still remains, the highest percentage of Match.

## URBAN AND RURAL MATRICES

Up to 190 Points

### I. PROGRAM DESIGN

Up to 50 points

The proposed program demonstrates exceptional planning, readiness and administrative capability. All necessary components to accomplish the project have been identified in the application.

- Program administrators with the following characteristics have been identified:
  - Has personnel who are knowledgeable in HOME grant administration;
  - Has relevant experience in the administration of housing grants; and/or has otherwise shown the capability to administer the project;
  - Has the ability to follow the timeframe of Attachment B: Implementation Plan of the Working Agreement;
  - Is able to draw down funds in a timely manner;
  - Has a lack of monitoring findings associated with past grants on which the administrator has worked;
  - Has not left HOME funds in excess of \$75,000 in a prior grant at closeout; and
  - Responds appropriately to client concerns or complaints, contractor's concerns or complaints, and information requests from THDA staff.
  - THDA will also consider the number and locations of current grants an administrator is administering and other factors THDA, in its sole discretion, deems relevant, in evaluating an application.
- Individuals/firms providing architectural, construction management and/or inspection services have been identified, appropriately procured, and are qualified to perform the services.
  - THDA will consider the number and locations of current grants for which an individual/firm is providing inspection services in any given program year, and other factors, THDA, in its sole discretion, deems relevant in evaluating an application.
- If applicable, the lead inspector and/or risk assessors have been identified and are qualified to perform the services.
- If the applicant is a local jurisdiction, the local government is involved in the administration of the project.

- The program design should provide a timeline, prepared in accordance with THDA's application instructions, that clearly provides for the completion of all units and the close out of the grant by June 30, 2020.
- Program designs for homeowner rehabilitation activities that set-aside all or a portion of the available assistance to households with incomes at or below 50% of AMI will be prioritized.

## 2. NEED

Up to 40 points

THDA has calculated need factors using housing statistics for counties. Factors are based on percentages rather than absolute numbers. The need factors used are the percentage of owner households who are low income; the percentage of owner households with cost burden; the percentage of affordable owner units built before 1960; the percentage of food stamp recipient households in the county; percent of owner households greater than one and one-half times overcrowded; percent of county average homeowner delinquency rate; percent of county poverty rate for all households; and county unemployment rate. Scores to be used in the evaluations are shown in ~~Attachment Four: 2018 HOME Need Scores for Homeowner Projects~~ are posted online at <https://thda.org/business-partners/home>

For multi-county projects, the need score is calculated proportionately according to the number of units proposed for each county.

## 3. NOT PROPORTIONALLY SERVED

Up to 40 points

THDA shall award up to 40 points to applications submitted from areas where the amount of prior HOME funding is below the state average. The formula for awarding these points is based on the percentage of 2008 - 2017 HOME dollars awarded in each county. These calculations are shown in ~~Attachment Five: HOME Program Not Proportionally Served~~ are posted online at <https://thda.org/business-partners/home>. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

## 4. DISASTER AREAS

10 points

THDA shall award 10 points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the year prior to the application due date. See ~~Attachment Six: Disaster Counties~~ for the current disaster areas are posted online at <https://thda.org/business-partners/home>

## 5. MATCH

Up to 20 points

THDA shall award up to 20 points to applications that include a committed contribution of eligible match resources towards the project implementation. A commitment of eligible match contribution from an external source must be documented in the application from the source providing the contribution. To determine the points awarded, THDA will not round the percentage calculated.

The project's sources include an eligible HOME match contribution that is equal to or greater than 15% of the proposed HOME funds to be used for project costs 20 points

The project's sources include an eligible HOME match contribution that is equal to or greater than 5% and less than 15% of the proposed HOME funds to be used for project costs. 10 points

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

The project's sources include an eligible HOME match contribution that is less than 1% of the proposed HOME funds to be used for project costs. 0 points

**6. LEVERAGE.**

**Up to 10 points**

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

**7. ENERGY CONSERVATION**

**Up to 10 points**

THDA shall award up to 10 points to applications for rehabilitation that include an independent energy audit and, to the extent feasible, incorporate the recommendations of the audit report in the rehabilitation work write-up.

**8. TENNESSEE GROWTH POLICY ACT**

**10 Points**

TCA Section 6-58-109(c) requires THDA to award ~~5-10~~ points on a 100 point scale or a comparable percentage on a different point scale to municipalities or counties with approved growth plans when the local communities apply for HOME funds. Applications from counties not subject to the Tennessee Growth Policy Act will also receive these points. ~~See Attachment Seven: Growth Plan Approvals when applicable are posted online at <https://thda.org/business-partners/home>. Applications submitted by nonprofit organizations are not eligible for receipt of these points.~~



**CHDO MATRIX****Up to 120 Points****1. CAPABILITY****Up to 60 points**

The proposed project demonstrates exceptional project planning and readiness.

Up to 30 points

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

The CHDO demonstrates sufficient capacity beyond threshold.

Up to 30 points

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

- Appropriately responds to client concerns or complaints and to THDA staff.

### 3. CHDO SERVICE AREA NOT IN A PJ

5 points

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

### 4. DISASTER AREAS

10 points

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

### 5. MATCH

Up to 15 points

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

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

15 points

OR

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

10 points

OR

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

5 points

OR

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

0 points

### 6. LEVERAGE

Up to 10 points

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

## 7. ENERGY CONSERVATION

Up to 10 points

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

## 8. UNIVERSAL DESIGN

Up to 10 points

For new construction or acquisition/rehabilitation type homeownership projects, THDA shall award **up to 10 total points** to applications that include additional identified universal design features in each unit. Points will be awarded based on the schedule below.

Item "a" is worth (4) points. All other items are worth (1) point each. **The maximum number of points that can be awarded under this category is 10.**

- 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 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.
- l. One bathroom on the main floor you can get into in a wheelchair.



## Tennessee Housing Development Agency

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

**Bill Haslam**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: November 7, 2019

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

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

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

- Mid-January 2020 -- Application Workshops
- March 19, 2020, 4:00 PM -- Application Due Date
- By June 1, 2020 -- Application Award Announcement
- July 1, 2020 -- June 30, 2023 - Effective dates of all Award Agreements

Staff recommends adoption of the attached 2020 Spring Round Program Description and authorization of the Executive Director or a designee to award 2020 Spring Round THTF Competitive Grants Program funds to applicants for applications scored by staff based on the rating scale contained in the approved Program Description in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description. Staff will provide information to the Committee and Board regarding awards made at the meeting that immediately follows the date of the awards.



# Tennessee Housing Development Agency

**TENNESSEE HOUSING TRUST FUND**  
**2020 ~~FALL~~SPRING ROUND**  
**COMPETITIVE GRANTS PROGRAM**  
**Program Description and Application Package**

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

Applications for the FY 2020 ~~Fall~~Spring Round must be received by THDA on or before 4:00 PM CDT on Thursday, ~~September~~March 26~~19~~~~20~~, 2019~~20~~. THDA anticipates notifying successful applicants by ~~December~~May-June 31, 2019~~20~~. The ~~Fall~~Spring Round Competitive Grants contracts will begin ~~January~~July 1, 2020 and will end ~~December~~June 30, 2023~~2~~. Applicants should be aware that there is no cure period. Submission of a complete application is a threshold criterion.

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

## A. ELIGIBLE APPLICANTS

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

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



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

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

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

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

| COMPETITIVE GRANT YEAR  | SPEND DOWN REQUIREMENT |
|---|------------------------|
| 2017 <del>8</del> <del>Fall</del> <u>Spring</u> and and earlier | 100%                   |
| 2018 <del>Fall</del> <u>Spring</u>                              | 75%                    |
| 2019 <del>Fall</del> <u>Spring</u>                              | 50%                    |
| 2019 <del>Fall</del> <u>Spring</u>                              | 25%                    |
| 2019 <del>20</del> <del>Spring</del> <u>Fall</u>                | Not Eligible           |

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

## B. ELIGIBLE ACTIVITIES

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

The following rental housing activities are eligible:

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



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

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

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

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

## C. TARGET POPULATIONS

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

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

### 2. Housing for Individuals with Disabilities

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

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

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

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



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

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

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

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

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

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

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

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

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





#### 4. Housing for the Elderly

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

#### 5. Housing for Ex-Offenders

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

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

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

#### 6. Housing for Veterans who are Homeless

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

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



- (iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;
- (2) *Category 2: An individual or family who will imminently lose their primary nighttime residence, provided that:*
  - (i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;
  - (ii) No subsequent residence has been identified; and
  - (iii) The individual or family lacks the resources or support networks, e.g., family friends, faith-based or other social networks, needed to obtain other permanent housing;
- (3) *Category 3: Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:*
  - (i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637 of the Head Start Act (42 U.S.C. 9832), section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), SECTION 17(b) or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434A);
  - (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing the 60 days immediately preceding the date of application for assistance;
  - (iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and
  - (iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education Diploma (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or



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

- (i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;
  - (ii) Has no other residence; and
  - (iii) Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing.
- As defined by the U.S. Interagency Council on Homelessness, a "Veteran" is an adult who served on active duty in the armed forces of the United States, including persons who served on active duty from the military reserves or the National Guard.

#### **D. PROHIBITED ACTIVITIES**

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

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



## **E. MATCH**

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

### **Eligible Sources of Match Include:**

1. Grants from other agencies.
2. Federal sources such as the Community Development Block Grant (CDBG) program or USDA Rural Development.
3. Cash Contributions by local church groups, local agencies, or contributions by individuals.
4. Bank loans.
5. A funding pool established by a local lender for the applicant.
6. Supportive services provided for projects serving individuals with disabilities, homeless veterans, ex-offenders, the elderly, or youth transitioning out of the foster care system. The value of supportive services may be counted over the length of the applicable compliance period.
7. Rental assistance tied to the property. To be eligible, the commitment of rental assistance must extend beyond the end of the grant term. For purposes of application scoring, THDA will only count that value of rental assistance that extends beyond the grant term.
8. The value of property already owned by the Applicant upon which the proposed housing will be rehabilitated or constructed.
9. HOME grants from local participating jurisdictions to non-profit applicants.

### **Ineligible Sources of Match:**

1. THDA program funds, including federal funding sources, made available to Applicants will not be an eligible source of the matching funds.
2. In-kind donations, services, or labor will not be an eligible source of matching funds.

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



## F. PROGRAM REQUIREMENTS

### 1. INCOME LIMITS

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

- A. "Low income household" means an individual or family unit whose gross annual income does not exceed 80% of the area median income, adjusted for family size;
- B. "Very low income household" means an individual or family unit whose gross annual income does not exceed 50% of the area median income, adjusted for family size.
- C. "Extremely low income household" means an individual or family unit whose gross annual income does not exceed 30% of the area median income, adjusted for family size.

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

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

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

### 2. CRIMINAL BACKGROUND

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

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



### 3. COMPLIANCE PERIOD

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

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

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

### 4. PROPERTY STANDARDS

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

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

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

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



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

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

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

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

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

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

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

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

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



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

## 5. RENT LEVELS

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

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

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

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

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





- A THTF-assisted group home is treated as a single THTF-assisted housing unit with multiple bedrooms. The THTF rent limit for a group home is the HUD-published Fair Market Rent (FMR) rent limit for the total number of bedrooms in the group home.
- However, the bedrooms of live-in supportive service providers or other non-client staff are not included when calculating the total number of bedrooms for the purpose of establishing the rent. For example, if one bedroom in a four-bedroom home is occupied by a service provider, the maximum rent for the group home is the HUD-published FMR Limit for a three-bedroom unit.
- The HUD-published FMR Limit is the maximum combined rent that can be charged to all income eligible tenants residing in the group home. Each tenant pays a pro-rata share of the total rent.
- When group home tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published FMR limit in order to determine the maximum combined rent that can be charged to all tenants.
- Group homes frequently include food and/or other supportive services to its residents. Group home rents may not include food costs or the costs of supportive services. Costs for such services must be billed as separate charges. For group home units that are developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose the service provider. The lease must also state whether the fee-based services are optional or mandatory and must identify the amount of the additional fees or surcharges separately from the basic THTF rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

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

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



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

- Utility costs are included in the maximum published HOME or FMR SRO rent. If SRO tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published HOME rent limit or FMR limit in order to determine the maximum rent that can be charged for the SRO unit.
- SRO units may not include food costs or the costs of any supportive services. Costs for such services must be billed as separate charges. For SRO units that are developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose the service provider.
- Each SRO tenant's lease must clearly state whether the fee-based services are optional or required and must also identify the amount of additional fees or surcharges separately from the basic THTF rent for each tenant. The applicable State agency must approve in writing the costs of food and supportive services to be provided.

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

During the compliance period, a Grantee shall:

- A. Conduct initial and annual income certification of tenants;
- B. Adhere to the THTF rent limits;
- C. Comply with THDA Property Standards;
- D. Comply with fair housing and affirmative marketing requirements and,
- E. Report to THDA as THDA may require;
- F. Take other actions as THDA may require

## **G. PROCUREMENT**

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

## **H. MARKETING REQUIREMENTS**

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



## **I. FAIR HOUSING AND EQUAL OPPORTUNITY**

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

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

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

## **J. TN HOUSING SEARCH.ORG**

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

## **K. APPLICATION AND EVALUATION PROCEDURE**

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

Proposals for funding in the FY 2020 ~~Fall~~Spring Round are limited to a maximum of \$500,000. There is no minimum grant amount. THDA expects that the combination of Competitive Grant funds and the required matching funds will be sufficient to allow the proposed project to be completed in a timely manner.

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

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



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

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

- Application signed by the Chief Executive of the organization or the President/Chairman of the Board of Directors.
- Copy of the latest audit or audited financial statement of the organization.
- Copy of a current resolution by the Board of Directors or governing body approving the submission of the application under the 2020 ~~Fall~~Spring Housing Trust Fund Competitive Grants Program Description.
- If a non-profit organization, a Certificate of Existence or Certificate of Authorization from the Tennessee Secretary of State, as applicable, dated within 30 days of the application date. If the non-profit organization is organized in a state other than Tennessee, a Certificate of Existence from the Secretary of State in which the organization was organized must also be submitted.
- If a nonprofit organization, documentation of an IRS designation under Section 501(c)3 or Section 501(c)4 of the federal tax code.
- If a nonprofit organization, copy of the Charter and By-laws of the organization.

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

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

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

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



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

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

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



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

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



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

## 2. NEED

Up to 20 points

### Income Targeting

Up to 4 points

→ The Applicant will set aside 25% of the units for individuals at 30% of AMI or less

3 points

→ The Applicant will set aside 50% of the units for individuals at 50% of AMI or less

1 point

### Targeted Populations in THDA Strategic Plan

Up to 7 points

→ THDA will award up to 7 points based on the proportion of units set-aside for youth transitioning out of foster care as prioritized in the THDA Strategic Plan

Up to 7 points

→ THDA will award up to 7 points based on the proportion of units set-aside for ex-offenders, particularly elderly ex-offenders as prioritized in the THDA Strategic Plan

Up to 7 points

→ THDA will award up to 4 points based on the proportion of units set-aside for homeless veterans as prioritized in the Tennessee State Plan to End Homelessness

Up to 4 points



Larger Community Need

Up to 4 points

→ The project meets a larger need in the community or region beyond providing housing for the targeted population, such as (but not limited to):

2 points

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

→ The application provides a written commitment that at least 50% of the sites on which the THTF funded housing will be constructed are sites which meet one of the following criteria:

2 points

- (1) The site will be acquired through the land bank authority established within the community
- (2) The site will be acquired and the nuisance abated through THDA's Blight Elimination Program
- (3) The site was acquired and the nuisance abated as a demolition activity under the NSP1 or NSP3 programs and no NSP eligible use has been established on the property

Prior Funding

Up to 5 Points

A Competitive Grant has not been awarded since January 1, 2015, for a project located in the county in which the proposed housing will be located

5 points

**3. INNOVATION**

**Up to 10 points**

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







## Tennessee Housing Development Agency

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

**Bill Haslam**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM

**TO:** Grants Committee and Board of Directors  
**FROM:** Don Watt, Director, Community Programs Division  
**DATE:** November 7, 2019  
**RE:** Re-Issuance of the 2020 Capacity Building Grant Program

At its January 2019 meeting, the Board of Directors approved the 2020 Capacity Building Grant Program Description that made available \$200,000 to support non-profit organizations in the completion of a strategic plan or succession plan. Grant awards were limited to \$10,000. A program summary can be found on the attachment.

THDA received seven applications under this initial offering. Each application was missing key required documents; however, the omissions of five applications could be easily curable pending their submission and THDA review. Therefore, THDA made conditional awards to the following five applicants, pending submission of missing documentation:

- Community Redevelopment Agency of Jackson, Inc. - \$10,000 for development of a strategic plan
- Chattanooga Regional Homeless Coalition - \$10,000 for development of a strategic plan
- Crossroads Campus, Inc. (Nashville) - \$8,050 – for development of a succession management plan
- Rebuilding Together Nashville - \$7,000 – for development of a strategic plan
- United Housing, Inc. (Memphis) - \$10,000 for development of a succession management plan

The remaining two applicants were missing documentation necessary for staff to make a determination of the THDA funds necessary to complete the work and/or eligibility for award. These organizations include Jonah Affordable Housing, Inc. (Jackson) and Power Center Community Development Corporation (Memphis).

Staff has made outreach to both organizations to correct deficiencies by November 8 and, if correctable, provide a funding recommendation by November 30.

Anticipating that awards will be made to all seven applicants, at least \$139,000 remains available from the original allocation of resources. In order to expand the benefits of this assistance, staff recommends the re-issue of the existing offering based on the following implementation schedule:

- Release of the program and application by January 15, 2020
- Application due date: March 12, 2020
- Award Announcement: By June 1, 2020

Staff will enhance its outreach efforts to include overviews at upcoming workshops for the ESG, HOME, 2020 Spring Round Competitive Grants, newsletter announcements, and other outreach in collaboration with other THDA program areas.

Staff recommends the re-issuance of the 2020 Capacity Building Grant Program, as outlined on the attached. Staff further recommends that the Executive Director or a designee be authorized to award funds to applicants for applications scored by staff based on the scoring elements described in the program description, subject to all the requirements and provisions contained therein. Staff will provide information to the Committee and Board regarding awards made under this program at the meeting that immediately follows the date of the awards.

### **Capacity Building Grant Program – Summary Points**

- This funding is available to non-profit housing organizations that have a minimum of two years' affordable housing experience in Tennessee.
- Selected organizations will work with a consultant they select in order to develop a strategic plan or succession management plan. Although organizations choose their consultant, we are recommending that they choose a consultant who has been screened and recommended by one of four non-profit mentoring organizations located across Tennessee.
- The maximum grant award will be up to \$10,000 per organization and will require a match contribution, based on the size of the organization's total budget. THDA will require a 10% match contribution towards the total plan development budget for organizations with an annual budget of less than \$500,000; a 30% match contribution for organizations with a budget between \$500,000 and \$1,000,000; and a 50% match contribution for organizations with an annual budget in excess of \$1,000,000.
- THDA will make payment upon completion of various milestones toward plan completion: 25% will be disbursed upon THDA's approval of a timeline and plan for completion; 25% will be disbursed upon THDA's review and approval of a draft plan; 50% will be disbursed upon THDA's review and completion of the organization's final plan.
- Strategic plans and Succession plans must contain specific components, spelled out in detail in the program handbook. Also, funded organizations must submit an annual status report on their progress implementing the plan for three years following completion of the grant period.



## Tennessee Housing Development Agency

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

**Bill Haslam**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM

**TO:** Grants Committee and Board of Directors  
**FROM:** Don Watt, Director of Community Programs  
**DATE:** November 7, 2019  
**RE:** Request for Approval of 2016 Spring THTF Competitive Grants Program Grant Extension for HTF-16S-02 – Kingsport Housing and Redevelopment Authority – Charlemont Apartments – Second Extension

#### Recommendation

Staff recommends approval of a second extension request of the grant HTF-16S-02 with the Kingsport Housing and Redevelopment Authority to June 30, 2020, as further described below.

#### Background

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

The original grant period was set to expire on June 30, 2019; however, the Board approved an extension of the grant through December 31, 2019, at its March 2019 meeting.

To date, KHRA has expended 85% of the project funds from its grant award. As of September 25, 2019, 50% of the construction work had been completed with severe structural issues addressed and work progressing on the building interior. The developer has a December 15, 2019, deadline for completion; however, KHRA is requesting additional time, given the short timeframe between the construction deadline and the grant expiration.

The Grantee's formal request and accompanying pictures are provided with this memorandum.

September 25, 2019

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

Dear Mr. Watt,

Kingsport Housing & Redevelopment Authority (KHRA) requests an extension of its Spring 2016 Tennessee Housing Trust Fund grant, set to end December 31, 2019. This grant was approved for the construction of 15 new units at Charlemont Apartments, a historic building dating back to 1935 and located in the historic district of downtown Kingsport.

When KHRA was asked by city officials in 2015 to acquire the property, it was in an extreme dilapidated condition, with extremely low-income tenants who were living in unsanitary conditions. KHRA purchased the building and relocated all the residents to safe, decent and affordable housing. After we were approved for the Tennessee Housing Trust Fund grant, we hired a contractor, who completed the interior demolition. Today, the building is nearing 50% complete, the severe structural issues have been addressed and construction is moving quickly on the interior units. The interior framing and mechanical systems have been installed and the contractors are now preparing to start putting up drywall. Therefore, I am certain that the new units may not be completed by December 31, 2019. Also, I will include photos of the progress for your review. Please note, Bill Lord and Dewayne Hicks have visited the site once already.

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

Our developer has a target completion date for these units of December 15, 2019. This completion time is uncomfortably close to the deadline for the grant. KHRA is requesting an extension to **June 30<sup>th</sup>, 2020** in order to allow for final completion of the project without jeopardizing these funds. Please consider this request for an extension of the grant to that time. Thank you for your consideration. If there is anything else we need to do, please let us know.

Sincerely,

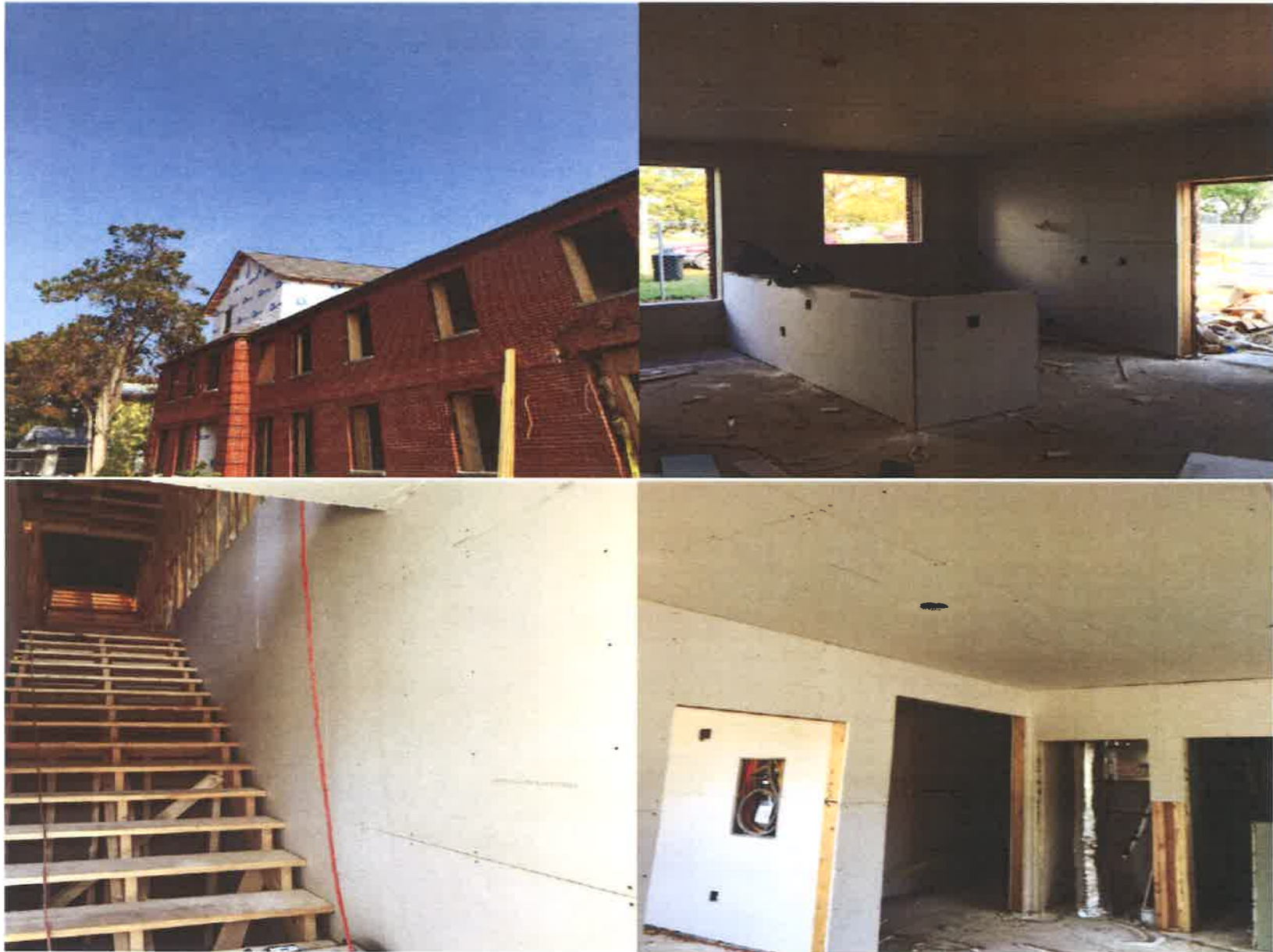


Terry W. Cunningham  
Executive Director

Kingsporthousing.org ★ Telephone (423) 245-0135 ★ Fax (423) 392-2530 ★ TTY/TDD (423) 246-2273 (Contact Concern)



HTF-16S-02 – Kingsport Housing and Redevelopment Authority – Charlemont Apartments



*As of September 25, 2019*



## Tennessee Housing Development Agency

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

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM

**TO:** Grants Committee and Board of Directors  
**FROM:** Don Watt, Director of Community Programs  
**DATE:** November 7, 2019  
**RE:** Request for Approval of HOME Grant Extensions: Greene County (HM-1516-07); Hawkins County (HM-1516-08); Montgomery County (HM-1516-27); Town of Surgoinsville (HM-1516-17); Unicoi County (HM-1516-30)

#### Recommendation

Staff recommends approval of each of the above referenced HOME Grant extension requests through June 30, 2020.

#### Background

Each appeal is the second request for each grantee. All grants were originally scheduled to end on June 30, 2019; however, the Board approved at its May 2019 meeting the initial extension request of each grant through December 31, 2019. At this time, the Board also approved other similar requests through June 30, 2020. The background associated with each request is as follows:

**Greene County**, to date, has expended \$3,000, or 1% of \$500,000 awarded. This amount is unchanged from that reported to the Board in May 2019. The County has four units under contract with an additional unit scheduled for re-inspection. In order to use the balance of funds available under the grant, the County has agreed with the City of Greeneville to take on additional projects currently on the City's waitlist for assistance with the added time provided by the extension request. The City of Greeneville currently has a 2017 HOME grant that will expire on June 30, 2020. The County has contracted with First Tennessee Development District to administer this program on the County's behalf.

**Hawkins County**, to date, has expended \$140,264.50, or 28% of \$500,000 awarded. This percentage has increased from 1% in May 2019. The County has six projects underway with two additional homes scheduled for re-bid following the identification of lead and the receipt of high bids associated with these projects. The additional time will allow for the completion of all projects and an allowance for unforeseen circumstances that may occur. The County has contracted with First Tennessee Development District to administer this program.

**Montgomery County**, to date, has expended \$97,049, or 19% of \$500,000 awarded. This amount is unchanged from that reported to the Board in May 2019. Following a slow start associated with the recruitment of homeowners to participate in the program and an enhanced outreach effort by the County and its administrator, eight applications have been approved to date. However, contractor procurement has been difficult and bids received have exceeded the \$40,000 hard construction costs cap required under the program. The County is identifying other funding sources, including the Emergency Repair Program, which may be paired with projects to allow work to proceed. The County has contracted with GNRC to administer the program.

The **Town of Surgoinsville**, to date, has expended \$147,272.50, or 59% of \$250,000 awarded. This percentage has increased from 48% in May 2019. The Town has completed three projects and one final project is currently underway. The additional time will allow for the completion of the remaining project, including an allowance for unforeseen circumstances that may occur. The Town has contracted with First Tennessee Development District to administer this program.

**Unicoi County**, to date, has expended \$295,462, or 59% of \$500,000 awarded. This percentage has increased from 7% in May 2019. The County has completed work on five units. Rehabilitation work on one additional unit is underway and one more unit is currently being re-bid. The additional time will allow for the completion of the remaining projects. The County has contracted with First Tennessee Development District to administer this program.



GREENE COUNTY GOVERNMENT



**KEVIN MORRISON, MAYOR**

204 North Cutler Street, Suite 206, Greeneville, TN 37745

Office: 423-798-1766 Fax: 423-798-1771

Email: [MayorKevinMorrison@greencountytn.gov](mailto:MayorKevinMorrison@greencountytn.gov)

November 5, 2019

THDA

Attn: Don Watt, Director of Community Programs  
Andrew Jackson Building Third Floor  
502 Deaderick St  
Nashville, TN 37243

RE: 2016 Greene County THDA HOME Grant

Dear Mr. Watt,

Thank you for the opportunity to serve our citizens with the Tennessee Housing Development Agency's HOME Grant in an amount of \$500,000.

As of this date four (4) projects are under contract and one (1) additional project will be re-inspected after a hoarding issue is resolved. Currently, work write-up and lead based paint inspections are being conducted by a contracted inspector. Due to the fact, the Town of Greeneville only has \$250,000 to spend with several qualifying applications, and there will be remaining funding from our Greene County grant, we are requesting an extension to complete those additional projects.

We respectfully request an extension on this grant until June 30, 2020. While our plans are to have these projects completed prior to this date, we feel this would allow adequate time for any unforeseen circumstances.

You may reach me at (423) 798-1766 should you have any questions or you may contact our administrative agency, Bill Forrester with the First Tennessee Development District at (423) 722-5099.

Sincerely,

A handwritten signature in cursive script that reads "Kevin Morrison".

Kevin Morrison, Mayor  
Greene County, Tennessee



# Hawkins County Mayor's Office

150 E. Washington St, Suite 2

Rogersville, TN 37857

Phone: (423) 272-7359

Fax: (423) 272-1867

Sarah Davis, Prop Mgr & Spec Proj Coord

Martha Wallace, Purchasing Clerk

**Jim Lee, County Mayor**

Eric Buchanan, Finance Director

Evelyn Gladson, Financial Asst

Becky Smith, Adm. Asst.

Teresa Couch, Payroll & Insurance

Teresa McPherson, Accts Payable

Whittney N. L. Good, Financial Asst & Grants

November 4, 2019

THDA

Attn: Don Watt, Director of Community Programs

Andrew Jackson Building Third Floor

502 Deaderick St

Nashville, TN 37243

RE: 2016 Hawkins County THDA HOME Grant

Dear Mr. Watt,

Thank you for the opportunity to serve our citizens with the Tennessee Housing Development Agency's HOME Grant in an amount of \$500,000.

Currently, we have six (6) homes with signed contracts that are underway throughout the County. Due to issues with lead and high bids, two (2) of the initial eight (8) homes that were scheduled had to be rebid. The contract signing for remaining two homes is scheduled for this week.

We respectfully request an extension on this grant until June 30, 2020. While our plans are to have these projects completed prior to this date, we feel this would allow adequate time for any unforeseen circumstances.

You may reach me at (423) 272-7359 should you have any questions or you may contact our administrative agency, Bill Forrester with the First Tennessee Development District at (423) 722-5099.

Sincerely,

A handwritten signature in dark ink, appearing to be "J. Lee", is written over a faint, large watermark of the word "THANK" in the background.

Jim Lee, Mayor  
Hawkins County, Tennessee



## *Montgomery County Government*

Jim Durrett  
County Mayor

1 Millennium Plaza, Suite 205  
P.O. Box 368  
Clarksville, Tennessee 37041-0368

Phone: (931) 648-5787  
Fax: (931) 553-5177  
mayordurrett@mcgtn.net

November 1, 2019

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

Subject: Request to Extend HOME Grant for Montgomery County

Dear Mr. Perrey:

Montgomery County is committed to providing its residents with assistance that allows them to have decent and safe housing through the HOME program. We and our partner, the Greater Nashville Regional Council (GNRC), have made every effort to expend all grant funds by June 30, 2019. We appreciate the 6-month extension granted by the Board in May 2019, to allow us time to complete the procurement process. Because of continued lack of contractor participation, we are requesting an extension through June 30, 2020.

As explained in the May extension request, initial interest in the program was very low. No one attended the public meeting held on September 21, 2016, even though it was advertised in the local paper. As a result of flyers created by GNRC, which were posted on Montgomery County's website and Facebook page, as well as on GNRC's website, we received enough applications to obligate all grant funds. Nine applications were approved and assigned to an inspector. We expected to move through the procurement process in the summer.

At that time, we expressed concern about having enough contractors to bid on projects. GNRC increased efforts to recruit more contractors to the program by posting flyers in hardware stores in the area and public buildings, and bids were advertised through the County's social media

platform. We thought that an extension of six months would allow us enough time to rebid jobs, should that be necessary.

Unfortunately, increased contractor outreach did not produce the results we wanted. Several jobs were bid three times, with bids received on the third time exceeding the \$40,000 HOME cap. GNRC is working to utilize Emergency Repair Program funds to cover the costs over the cap amount.

In addition to contractor challenges, one homeowner is no longer participating in the HOME program, which frees up funds previously obligated. GNRC is following up with persons who have expressed interest to generate eligible applications and fully obligate funds.

I am very grateful for the award of HOME funds and your consideration of our request. If you have any questions, please contact, Mariel Lopez via phone at 931-648-8482 or email at [mlopez@mcgtn.net](mailto:mlopez@mcgtn.net).

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Durrett", with a stylized flourish at the end.

Jim Durrett  
Montgomery County Mayor

cc: Don Watt, Community Programs Director, THDA

1735 Main Street  
P.O. Box 67  
Surgoinsville, Tennessee 37873-0067



(423) 345-2213  
Fax: (423) 345-4646  
surgoinsvillecit@bellsouth.net

## *Town of Surgoinsville*

November 4, 2019

THDA

Attn: Don Watt, Director of Community Programs  
Andrew Jackson Building Third Floor  
502 Deaderick St  
Nashville, TN 37243

RE: 2016 Town of Surgoinsville THDA HOME Grant

Dear Mr. Watt,

Thank you for the opportunity to serve our citizens with the Tennessee Housing Development Agency's HOME Grant in an amount of \$250,000.

As of this date, three (3) projects have been completed and environmental reviews for three (3) additional projects have been approved. Of those three, one applicant withdrew exercising their right of rescission and the other could not be assisted. Currently, there is one final project underway and should be completed by early 2020.

We respectfully request an extension on this grant until June 30, 2020. While our plans are to have these projects completed well prior to this date, we feel this would allow adequate time for any unforeseen circumstances.

You may reach me at (423) 345-2213 should you have any questions or you may contact our administrative agency, Bill Forrester with the First Tennessee Development District at (423) 722-5099.

Sincerely,



Merrell Graham, Mayor  
Town of Surgoinsville, Tennessee



# Unicoi County

Post Office Box 169 • Erwin, Tennessee 37650 • (423) 743-9391 • FAX 743-8007

Garland "Bubba" Evely

County Mayor

November 4, 2019

THDA

Attn: Don Watt, Director of Community Programs

Andrew Jackson Building Third Floor

502 Deaderick St

Nashville, TN 37243

RE: 2016 Unicoi County THDA HOME Grant

Dear Mr. Watt,

Thank you for the opportunity to serve our citizens with the Tennessee Housing Development Agency's HOME Grant in an amount of \$500,000.

In Unicoi County, five (5) homes were inspected, bid and completed. Currently, there is one project underway and one had to be rebid. The contract has been signed and construction will begin shortly on the project.

We respectfully request an extension until June 30, 2020 in order to fully utilize the available funds. While our plans are to have the eight (8) projects completed prior to the end of June, we feel this extension would allow adequate time for any unforeseen circumstances and to assist the late applicant.

You may reach me at (423) 272-7359 should you have any questions or you may contact our administrative agency, Bill Forrester with the First Tennessee Development District at (423) 722-5099.

Sincerely,

Garland Evely, Mayor  
Unicoi County, Tennessee



# 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:** November 7, 2019  
**RE:** 2020 HOME Bright Futures Bridge Subsidy Proposal

---

One goal of THDA's Strategic Plan is to meaningfully expand or preserve the housing resources of hard-to-serve populations at risk for homelessness who are not otherwise served by other housing programs. To accomplish this goal, the plan prioritizes housing for youth transitioning from foster care and ex-offenders. Staff proposes to use a portion of its 2020 HOME allocation to offer a pilot assistance program for youth transitioning from the foster care system.

THDA proposes to set-aside \$1,000,000 to provide up to \$600,000 in project funds to up to two organizations ("sub-recipients") selected by THDA to offer this assistance within their service area. THDA also proposes to set-aside up to \$60,000 in HOME administrative funds to cover the administrative costs of organizations implementing this program. An organization may receive up to 6% of their project award amount as administrative funds. HOME funds will be awarded as a reimbursement grant.

THDA staff has had initial conversations with several organizations to implement this program in their service areas surrounding the cities of Nashville and Knoxville. Staff will non-competitively select up to two organizations as sub-recipients of the HOME funds. The pilot program would begin on July 1, 2020, and conclude on June 30, 2023.

Eligible households will include those meeting the following criteria:

- a) Were emancipated to adulthood from state custody at or after their 18th birthday OR are currently participating in Extension of Foster Care Services OR have exited Extension of Foster Care Services;
- b) Were in Tennessee Department of Children's Services (DCS) custody for at least one year;
- c) Were emancipated or left Extension of Foster Care Services within 12 months of application;
- d) Are not receiving other housing assistance including, but not limited to:
  - 1) Housing placement through DCS

- 2) Long-term housing provided by a social service organization for a free or reduced rate
- 3) Housing Choice Voucher, Continuum of Care Rental Assistance, Veterans Affairs Supportive Housing (VASH) Rental Assistance
- e) Are a United States citizen and have a valid social security number;
- f) Have an income at or below 60% of Area Median Income.

Eligible households will be provided tenant-based rental assistance to help them afford the housing costs of market-rate units. The level of subsidy will be based on the income of the household, the unit that the household selects, and the rent standard established by THDA for the community in which the individual selects the unit. Each unit must be in the service area of the selected sub-recipient. Rental assistance to a selected household may not exceed 24 months, unless approved by the sub-recipient and THDA.

Selected sub-recipients will qualify tenants, assist with housing navigation, approve leases, qualify units, administer housing vouchers, make payments to landlords on behalf of the tenant, and provide on-going case management and supportive services to the tenants. One goal of the program will be to transition the individual to self-sufficiency without the need for added rental assistance supports. However, selected sub-recipients will work the household to identify other housing supports if needed at the end of the 24-month assistance period.

Staff anticipates that approximately 15-30 households will benefit from the assistance provided. The program will be evaluated at approximately the 18<sup>th</sup> month of implementation for consideration of future implementation.

A full program description will be presented for your consideration at the January 2020 meeting of the Grants Committee.



# Tab # 6

Items:

Lending Committee Meeting Materials

**Tennessee Housing Development Agency  
Lending Committee  
November 19, 2019  
9:30 a.m. Central Time**

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AGENDA

1. Call to Order ..... Cleaves
2. Approval of Minutes for May 21, 2019 Meeting ..... Cleaves
3. Construction Loan Program Discussion ..... Hall
4. Adjourn ..... Cleaves

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

Dorothy Cleaves, Chair  
Regina Hubbard  
John Krenson  
Stuart McWhorter  
Erin Merrick  
Chrissi Rhea

TENNESSEE HOUSING DEVELOPMENT AGENCY  
LENDING COMMITTEE  
May 21, 2019

Pursuant to the call of the Chairman, the Lending Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, May 21, 2019, at 10:15 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower, Nashville, Tennessee.

The following Committee members were present: Dorothy Cleaves (Chair), Regina Hubbard, Erin Merrick, John Krenson, and Samantha Wilson for Commissioner of Finance and Administration, Stuart McWhorter. There were no members absent. Other Board members present were John Snodderly, Kim Grant Brown, Lynn Tully, Pieter vanVuuren, Katie Armstrong (for Comptroller Justin Wilson), and Jonathan Rummel (for Secretary of State Tre Hargett).

Chair Cleaves called the meeting to order and called for consideration of the minutes from March 26, 2019. Upon motion by Ms. Hubbard, and second by Ms. Wilson, the minutes were approved.

Chair Cleaves called on Lynn Miller, Chief Legal Counsel, to present information regarding THDA's conventional loan product offering. Ms. Miller referenced a memo to the Board dated May 14, 2019. Ms. Miller indicated that, in March, 2015, the Board authorized an insured conventional loan product using a master servicer who would pool THDA conventional loans and sell them to the GSEs with THDA holding the resulting mortgage backed securities as permitted investments in the 2013 General Resolution. She explained that, since that time, THDA created Volunteer Mortgage Loan Servicing and is now servicing all THDA loans in house, so additional authorization is needed for the business model staff is currently proposing that involves THDA being a seller/servicer for Freddie Mac and Fannie Mae, both government sponsored enterprises ("GSE"), as further described in the referenced memo. She noted the following staff recommendations to implement the proposed business model:

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

Ms. Miller reported that the Bond Finance Committee recommended approval of the above recommendations. Upon a motion by Ms. Wilson and a second by Ms. Hubbard, the five recommendations specified were recommended to the Board for approval.

Chair Cleaves next recognized Dr. Hulya Arik, THDA Economist, to present proposed changes in household income limits. Dr. Arik referenced her memo dated May 14, 2019, for a description of how the proposed income limits were determined. She noted that THDA staff calculated the proposed 2019 income limits based on the 2019 Area Gross Median Income and the 2019 Average Area Purchase Price, then compared the current income limits to the proposed 2019 income limits and concluded that the proposed 2019 income limits created the best opportunity to increase the income limits for the most counties, while reducing for only one county. She indicated that staff recommends adoption of increased income limits for 94 counties and reduced income limits only for Smith County as shown on the chart included with the referenced memo, to be effective as of May 27, 2019. Upon motion by Ms. Merrick, second by Ms. Wilson, the proposed 2019 income limits were recommended to the Board for approval.

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

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved the    day of    , 2019.



## Tennessee Housing Development Agency

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

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

### **MEMORANDUM:**

TO: Board of Directors, Lending Committee

FROM: Cynthia Peraza, Director of Special Programs  
Lindsay Hall, Chief Operating Officer of Single Family Programs.

DATE: November 7, 2019

SUBJECT: THDA Short-Term Construction Financing Proposal

---

As Tennessee's housing markets continue to thrive, there are certain areas within the state that face unique housing challenges such as a shortage of affordable housing, excessive amount of vacant lots and or aged substandard housing stock. Since 2011, THDA has administered numerous U.S. Treasury funded programs that have assisted in preventing foreclosures, stabilizing communities through new homeownership, and has helped revitalize neighborhoods through the removal of blighted abandoned homes.

Through the Blight Elimination Program (BEP), THDA has provided numerous nonprofit housing agencies (BEP Participants) with funding to help with the removal of dilapidated homes in the most distressed counties of the state. The goal of the BEP was to eliminate blighted properties and encourage more affordable housing. As the volume of the BEP production continues to grow, the need to introduce a tool for BEP Participants to rebuild their communities has become a trending topic.

THDA has had several meetings with its BEP Participants to discuss the redevelopment plans for the BEP vacant lots. One of the first challenges for the participants is securing construction financing in order to build an affordable housing product. At the same time, several THDA staff have participated in the Freddie Mac/ Manufactured Housing Industry (MHI) task force over the past several years. This group consists of HFAs, retail banks and lenders, manufactured home/ off-site construction dealers and Freddie Mac. The intent of this group is to create affordable housing solutions that meet the demand and offer a new off-site construction product that meet Freddie Mac lending guidelines. Clayton Homes and Champion Homes, both members of the task force,

have developed a new affordable housing product called “Choice Homes”. These homes have been built recently in the Knoxville area with great success and are priced and sold between \$185,000 to \$195,000. Building off site, in controlled environments, helps to control costs. The Choice Home designs include higher pitched roofs, garages and porches based on lot setbacks. This product is a direct result of the Freddie Mac/ MHI task force activities and would be an affordable option to site built new construction where development and construction costs can be out of reach for non-profit housing agencies.

Off-site construction is not a new concept, but rather a new solution to the affordable housing crisis Tennessee is facing. According to the Manufactured Housing Institute, off-site construction represents roughly 10 percent of the overall housing stock and costs less than half as much as a site-built home to produce.

The proposed Short-Term Construction Financing Program Pilot would offer short-term construction loans to eligible non-profit participating agencies. This will provide the funds for the construction of homes for a six-month term with one extension, if necessary. THDA staff have developed a construction draw process and have been utilizing this in the TRLP program where financing is provided for home renovations. The homes built must not exceed THDA’s acquisition cost limits or borrower income limits when the finished product is marketed for sale.

BEP participating agencies have expressed their desire to create new affordable housing that is desperately needed to meet the needs of workforce families in their communities. Many of these lots are in rural communities and small cities where the housing inventory is limited and aged. Providing an opportunity to facilitate new construction in these small towns will rejuvenate the housing stock and assist in increasing property values. In order to launch this initiative and encourage the creation of new affordable housing, THDA staff is interested in creating a new Short-Term Construction Financing Pilot Program that will provide nonprofit agencies with access to a more affordable short-term financing option.

The new program proposal and term sheet will be provided to THDA’s Board of Directors for review in January 2020.

# Tab # 7

Items:

Rental Assistance Committee Meeting Materials

**Tennessee Housing Development Agency  
Rental Assistance Committee  
November 19, 2019  
9:35 a.m. Central Time**

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AGENDA

1. Call to Order ..... Snodderly
2. Approval of Minutes from July 23, 2019 ..... Snodderly
3. Housing Choice Voucher Administrative Plan Rules  
(Roll Call Vote) ..... Ridley / Scott / Balcom
4. Utilization Update ..... Ridley / Scott
5. Adjourn ..... Snodderly

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

John Snodderly, Chair  
Daisy Fields  
Regina Hubbard  
John Krenson  
Erin Merrick



TENNESSEE HOUSING DEVELOPMENT AGENCY  
RENTAL ASSISTANCE COMMITTEE  
July 23, 2019

Pursuant to the call of the Chairman, the Rental Assistance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, July 23, 2019, at approximately 9:40 a.m. in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

Committee members present: John Snodderly (Chair), Erin Merrick, Mike Hedges. Committee members absent: Daisy Fields; Regina Hubbard; and John Krenson. Other board members present: Secretary of State Tre Hargett; Treasurer David Lillard; Chrissi Rhea; Lynn Tully; Austin McMullen; and Samantha Wilson for Commissioner of Finance & Administration Stuart McWhorter.

Chair Snodderly called the meeting to order. Seeing a quorum present, he called for consideration of the minutes from November 13, 2018. Upon a motion by Mr. Hedges, a second by Erin Merrick, the minutes were approved.

Chair Snodderly recognized the Director of Rental Assistance, Jeboria Scott, who referenced her memo dated July 11, 2019, which contains the proposed amendments to the Housing Quality Standards (HQS) Chapter of the Administrative Plan. Ms. Scott summarized the changes as follows:

- All HQS inspection related language previously located throughout the Administrative Plan was moved to one centralized location. The scheduling of inspection days was changed from calendar to business days. The inspection window was expanded from 3 to 4 hours.
- The Owner/Tenant HQS Self-Certification and abatement policies were amended providing more flexibility in handling self-certifications, extension requests, and no retroactive Housing Assistance Payments (HAP) on assisted units that fall into abatement due to non-compliance.
- Other housekeeping changes were made for brevity and clarity.

Ms. Scott noted that under the Tennessee Administrative Procedures Act, changes such as these may be made without Board action when such changes allow increased flexibility and have no negative impact on owners or program participants.

Ms. Scott mentioned that the second phase of the comprehensive Administrative Plan update was in progress and would come to the Rental Assistance Committee and THDA Board after a public hearing and opportunity for public comment.

Ms. Scott also reported that THDA received official notice from HUD about the 2018 submission of Section 8 Management Assessment Program (SEMAP). She noted that THDA received a 'High Performer' designation with a combined 100% rating for all indicators.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved this 19<sup>th</sup> day of November, 2019

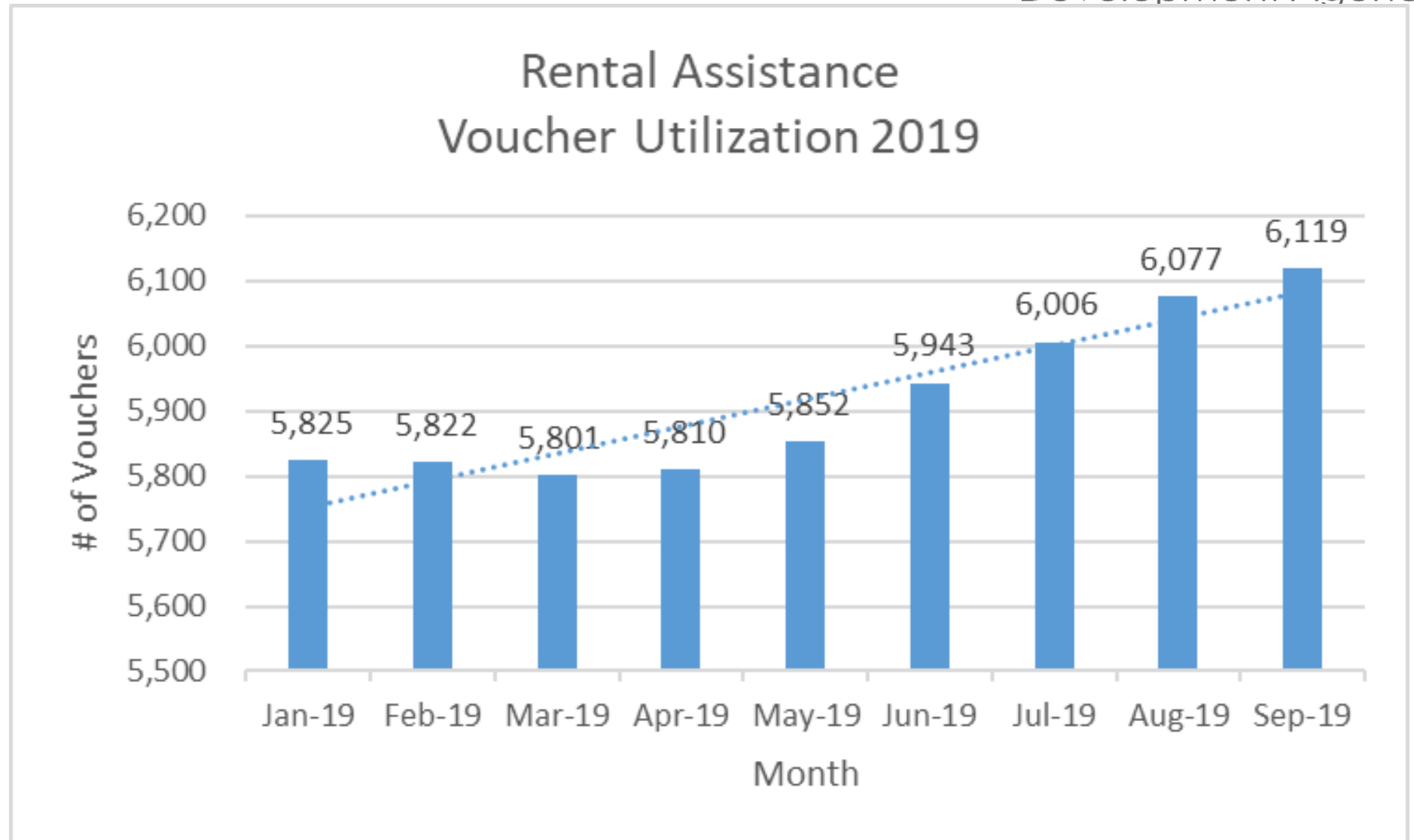
# Section 8 Rental Assistance

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JEBORIA SCOTT, DIRECTOR



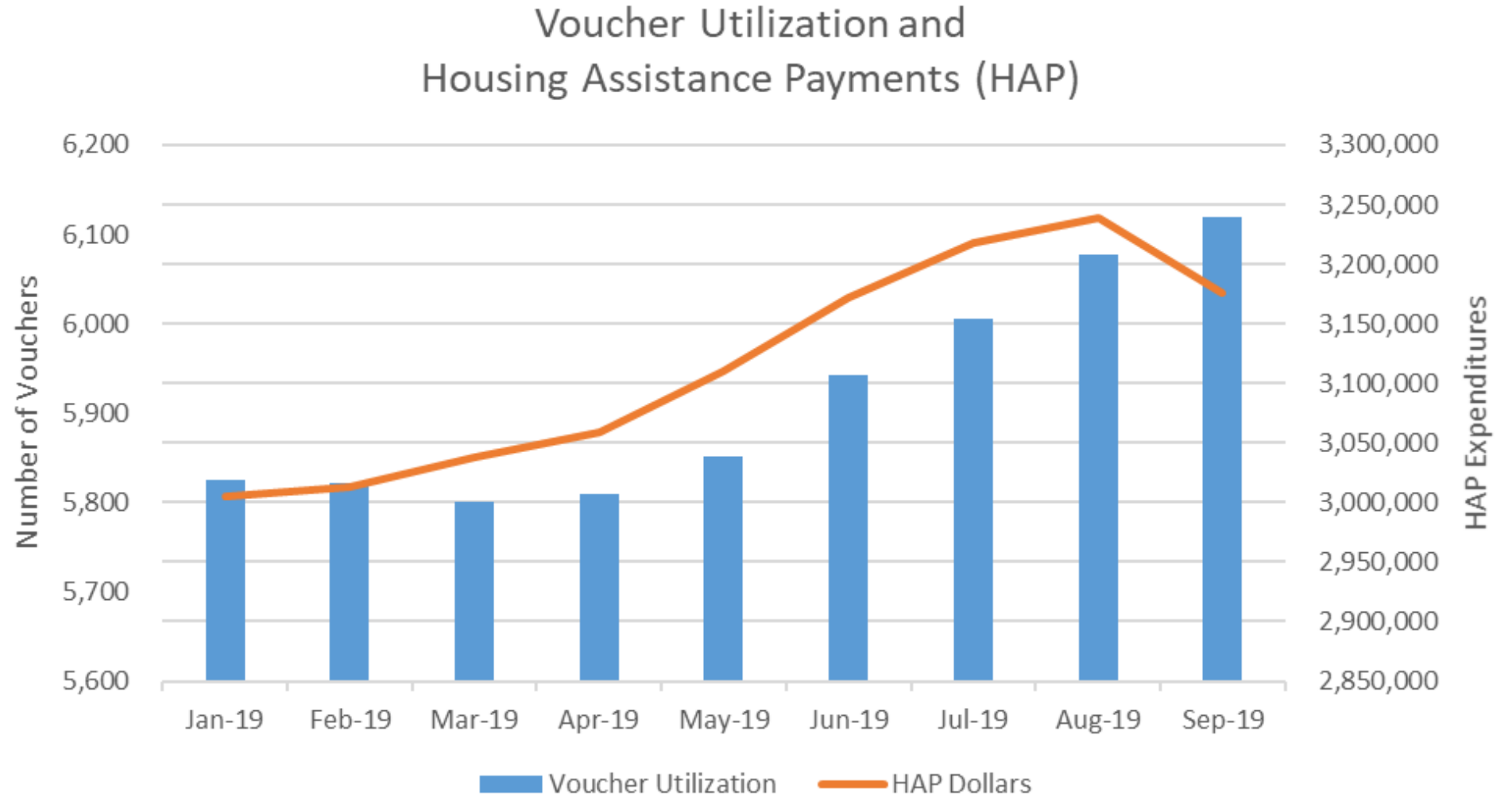
Maximum Utilization  
**6,149**



**2019  
Renewal Funding**  
\$ 36.9 Million

**HUD Reserves**  
\$ 1.8 Million

**Possible  
2020 Renewal  
Funding**  
\$ 38.7 Million





# 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:** November 8, 2019

**TO:** Rental Assistance Committee  
Board of Directors

**FROM:** Trent Ridley, Chief Financial Officer  
Jeboria Scott, Director of Rental Assistance  
Charity Williams, Assistant Chief Legal Counsel

**SUBJECT:** Section 8 Rental Assistance Housing Choice Voucher Administrative Plan Revisions

---

HUD allows PHA's to update their Housing Choice Voucher Program Administrative Plan when there are changes to Code of Federal Regulations (CFR) and/or when there are changes to internal policies. The second phase of THDA's comprehensive Administrative Plan is complete. The attached summary provides details of the specific language used and an explanation of the policy changes that occurred. The key policies that were updated during this revision are indicated below:

1. Language has been included that allows THDA to provide notices and communicate via USPS or electronically via email/fax.
2. A new Non Elderly/Disabled (NED ) waitlist preference was added for families with a disabled household member who is not the head or co-head.
3. Case Conferences, Informal Reviews/ Hearings may be conducted via teleconference. In-person appointments may not be strictly required.
4. In cases when a proposed termination is issued for failure to supply recertification documentation, and the required documentation is received before the Informal Hearing date, THDA may continue the recertification process. This will allow assistance to continue after a withdrawal of the proposed termination.
5. Interim income increases less than \$300 monthly must be reported. However, no Interim certification will be processed.
6. Voucher extensions will be permitted for disabled families as a reasonable accommodation.
7. Language regarding when Housing Assistance Payments (HAP) are due to owners was updated to reflect to business days instead of calendar days.
8. The Portability language was streamlined to reflect the new changes in the HUD HCV Guidebook
9. When decreases in family income occur, the change will be effective the first of the following month as long as documentation of the change is received by the last day of the previous month.

10. The homeownership chapter clarifies household designation for homeowners who receive subsidy under the HCV program; and reasonable accommodation language was added.
11. The term ‘First time homeowner’ has been amended to include homemaker and single parent family.
12. This section was amended to specify that Housing Assistance Payments (HAP) would not be issued retroactively for abated units when they become HCV compliant.

THDA issued public notices and placed the Plan on its website and the State’s website soliciting public comment and review for a period of 45 days. The public hearing was held on October 14, 2019 in the Andrew Jackson Building. THDA received no verbal or written public comments. THDA will submit the board-approved rules to the Attorney General’s office for a legal review. After that review is complete, the rules will be submitted to the Secretary of State for publication, after which such rules become effective.

Staff recommends that the Board approve the Plan as amended according to the modifications outlined in the attached documents and authorize staff to make non-substantive changes as may be necessary to conform to the Attorney General and Secretary of State requirements.

SUMMARY OF THE THDA HOUSING CHOICE VOUCHER PROGRAM  
ADMINISTRATIVE PLAN REVISIONS 2019/2020

**0770-01-05 TABLE OF CONTENTS**

| <b>What Changed</b>  | <b>Why has it changed?</b> | <b>Comments</b> |
|--|----------------------------|-----------------|
| Table of Contents 0770-01-05-.23 is amended to replace “Initial” with “Inspections”          | Provides clearer language. |                 |
| Table of Contents 0770-01-05-.25 is amended to replace, “Moving” with “Other Change of Unit” | Provides clearer language. |                 |

**0770-01-05-.06 APPLICATION PROCESS**

| <b>What Changed</b>  | <b>Why has it changed?</b>                                | <b>Comments</b> |
|--|---|-----------------|
| Paragraph 0770-01-05-06(1)(f) is amended by removing “a county with an” and inserting “any”.   | Provide clearer language.                                 |                 |
| Paragraph 0770-01-05-06(1)(h) is amended replace “county” with “region”. Delete “but may apply to multiple county waiting lists.”  | Expands to seek housing regionally rather than by county. |                 |
| Paragraph 0770-01-05-06(1)(h)1 is amended by replacing “county” with “region”.   | Expands to seek housing regionally rather than a county.  |                 |
| Paragraph 0770-01-05-06(3) is amended by replacing the paragraph, (3) Natural Disaster Preference. A written pre-application will be accepted from applicants that qualify for the natural disaster preference and may be obtained through the local THDA field office. See 0770-01-05-06(7)(h)4.” <b>with</b> “Natural Disaster Preference. The THDA may assist applicants that qualify for the natural disaster preference by completing and online application at the local THDA field office. Although the regular waitlist may be closed, the THDA may issue vouchers during a natural disaster, if funding is available. See 0770-01-05-06(7)(h)4. | Provides clearer language.                                |                 |
| Paragraph 0770-01-05-06(7)(a)1 is amended by replacing, “county” with “region” in two places.  | Expands to seek housing regionally rather than a county.  |                 |
| Paragraph 0770-01-05-06(7)(b)2 is amended by deleting, “and phone system”  | Simplifying language.                                     |                 |
| Paragraph 0770-01-05-06(7)(c)2 is amended by replacing, “county” with “region”   | Expands to seek housing regionally rather than a county.  |                 |
| Paragraph 0770-01-05-06(7)(d)1 is amended by removing, “county”  | Simplify language.  |                 |



| What Changed   | Why has it changed?  | Comments |
|--|--|----------|
| Paragraph 0770-01-05-06(7)(e)2 is amended by replacing, “mail” with “issue” and removing, “ “county’s”   | Simplify language.   |          |
| Paragraph 0770-01-05-06(7)(e)4(iii) is amended by inserting, “-calendar-” and inserting a “s” on the word, day.  | Correcting grammar.  |          |
| Paragraph 0770-01-05-06(7)(e)4(iii)(I) is amended by replacing, “Failure to Update Address. If the failure to respond is due to an applicant not receiving the purge notice because the household relocated and does not currently live at the address provided to the THDA or the purge notice is returned to the THDA by the post office for insufficient address or expiration of a forwarding address, the applicant will be removed from all waiting lists for failure to comply with the requirement of always providing the THDA with a current address, unless the applicant can prove that a change of address was submitted to the THDA prior to or simultaneously to the postmark date of the Purge Notice.” <b>with</b> “Failure to Update Address. The applicant is required to notify the THDA in writing of any address changes. If the Purge Notice is returned by the post office the applicant will be removed without further notice from all active waiting lists. If a discrepancy exists, the applicant must prove that a change of address was submitted to the THDA prior to the postmark date of the Purge Notice.” | Simplify language.   |          |
| Paragraph 0770-01-05-06(7)(e)4(iii)(II)II is amended by replacing, “If the purge notice is returned to the THDA by email, fax, or hand delivery, the THDA must receive it within 14 calendar days of the date of the Purge Notice.” with “If the purge notice is returned to the THDA, it must be received within 14 calendar days of the date of the Purge Notice.”   | Simplify language.   |          |
| Paragraph 0770-01-05-06(7)(e)4(iii)(II)III is amended by deleting, “Other sufficient proof must be at least as independently reliable as a letter from the postmaster in order to satisfy the applicant’s burden of proof.” <b>And</b> inserting, “.”  | Correcting grammar.  |          |
| Paragraph 0770-01-05-06(7)(e)5 is amended by inserting, “This request must be received within 30 days of the notification.”  | Provides clearer language and timeframe.                               |          |
| Paragraph 0770-01-05-06(7)(f)1 is amended by deleting, “for a particular county”   | Language updated to be in line with expansion to region rather county. |          |
| Paragraph 0770-01-05-06(7)(f)1(i) is amended by deleting, “for that county”  | Language updated to be in line with expansion to region rather county. |          |

| What Changed  | Why has it changed?                                  | Comments |
|---|--|----------|
| Paragraph 0770-01-05-06(7)(f)1(ii) is amended by deleting, “from the waiting list typically”  | Simplify language.                                   |          |
| Paragraph 0770-01-05-06(7)(f)2 is amended by deleting, “that the lottery selection will be utilized for the selection of applicants from the particular waiting list”   | Simplify language.                                   |          |
| Paragraph 0770-01-05-06(7)(g)1(ii) is amended by replacing, “Residency” with In-state”  | Simplify language.                                   |          |
| Paragraph 0770-01-05-06(7)(g)1(iv) is amended by inserting new number, (iv) and inserting, “Non-Elderly Disabled (NED) Preference.”   | Add new preference, Mainstream Non Elderly Disabled. |          |
| Paragraph 0770-01-05-06(7)(g)2 is amended by deleting, “by local preference and date and time of the pre-application”   | Simplify language.                                   |          |
| <p>Paragraph 0770-01-05-06(7)(g)3 is amended by deleting, “The THDA verifies preferences for applicants selected by sending the applicant a preference claim and verification form, which must be received by the THDA no later than fourteen (14) calendar days from the date of the request for verification, subject to the THDA’s Mail Policy. See 0770-01-05-.20.</p> <ul style="list-style-type: none"> <li>(i) If the preference does not verify, then the applicant is placed in the proper order on the waiting list without the preference. An applicant may request an informal review for the denial of the preference.</li> <li>(ii) If the THDA does not receive the verification before the deadline, the THDA will send a notice of denial of preference and a notice of opportunity for informal review.</li> <li>(iii) If the preference verifies, then the THDA proceeds to final eligibility verification. (HCV GB, pp. 4-17 – 4-18).”</li> </ul> | Simplify language and remove redundancy.             |          |
| Paragraph 0770-01-05-06(7)(g)4 is amended by becoming, Paragraph 0770-01-05-06(7)(g)3   | Numbering update.                                    |          |
| Paragraph 0770-01-05-06(7)(g)3(i) is amended by deleting, “local”   | Simplify language.                                   |          |
| Paragraph 0770-01-05-06(7)(g)3(ii)(I) is amending by correcting formatting to remove a space.   | Formatting.  |          |

| What Changed   | Why has it changed?   | Comments |
|--|---|----------|
| Paragraph 0770-01-05-06(7)(g)3(ii)(III)II is amended by inserting, "intentionally"   | Grammar.  |          |
| Paragraph 0770-01-05-06(7)(g)5 is amended by becoming, Paragraph 0770-01-05-06(7)(g)4  | Numbering update.   |          |
| Paragraph 0770-01-05-06(7)(g)4 is amended by replacing, "Local" with "In-state"; replacing, "A Local" with "An In-state" and replacing, "county" with "state"  | Simplifying language. Expanding area to search for housing. |          |
| Paragraph 0770-01-05-06(7)(g)4(ii) is amended by replacing, "local" with "in-state"  | Simplifying language.                                       |          |
| Paragraph 0770-01-05-06(7)(g)6 is amended by becoming, Paragraph 0770-01-05-06(7)(g)5  | Numbering update.   |          |
| Paragraph 0770-01-05-06(7)(g)6 is amended to add a new preference, "Non-Elderly Disabled Families Special Preference. An applicant may claim the Non-Elderly Disabled Families Preference when a non-elderly person with disabilities (persons who are 18 years or older and less than 62 years of age), is transitioning out of institutional, and other segregated settings, or at serious risk of institutionalization while funding for this special preference is available." | New preference  |          |

#### **0770-01-05-.14 SOCIAL SECURITY NUMBER PROVISION.**

| What Changed  | Why has it changed?  | Comments |
|---|--|----------|
| Paragraph 0770-01-05-.14(1) is amended deleting, "preferably the original SSN card,"      | Simplifies process for applicants/participants to provide documentation. |          |
| Paragraph 0770-01-05-.14(5)(a) is amended to replace, "An original" with "A verification" |  |          |
| Paragraph 0770-01-05-.14(5)(b) is amended to replace, "An original" with "A"              |  |          |
| Paragraph 0770-01-05-.14(5)(c) is amended to replace, "An original" with "A"              |  |          |

#### **0770-01-05-.17 ELIGIBILITY PROCESS.**

| What Changed  | Why has it changed?              | Comments |
|---|----------------------------------|----------|
| 0770-01-05-.17(3)(a)1 is amended deleting "in his own handwriting,"   | Simplify process.                |          |
| 0770-01-05-.17(4)(b)2(i) is amended to replace, "If part of the adult members of the household show for the briefing, but any other adult member fails to | Simplifies process and language. |          |

| What Changed  | Why has it changed?  | Comments |
|---|----------------------|----------|
| attend the eligibility briefing appointment, the rest of the household will not be allowed to attend the briefing.” <b>with</b> “All adult household members are required to attend or participate in an eligibility briefing.” <b>Deletes</b> , “on the same date as the initial appointment, if one is available, or on one of the days at the end of a month that a THDA field office reserves for rescheduled briefings” <b>and</b> “is 15 minutes late,”   |                      |          |
| 0770-01-05-.17(5)(b) is amended to replace, “During the briefing, staff collects verification documents (e.g. driver’s license, social security cards, birth certificates, verifications, etc.) from the applicants to make copies or for verification, enters certain family data into the tenant-file database, processes the criminal background checks, prints online verifications needed, reviews verification documentation, and performs any further needed verifications.” <b>with</b> “As part of the eligibility process, the applicant must submit verification documents (e.g. driver’s license, social security cards, birth certificates, verifications, etc.) for all household members. This information will be added to the applicant’s file. The THDA will request additional information as needed.” | Simplifies language. |          |

#### **0770-01-05-.18 VERIFICATION PROCESS (24 C.F.R. 982.516)**

| What Changed  | Why has it changed? | Comments |
|---|---------------------|----------|
| Paragraph 0770-01-05-.18(2)(d)8 is amended by deleting, “For documents that cannot be copied for various reasons (including government checks), a Review of Documents form is completed. The form asks for the information, source, date, check number, etc.” | Simplify language.  |          |
| Paragraph 0770-01-05-.18(2)(d)9 is amended to become Paragraph 0770-01-05-.18(2)(d)8  | Numbering update.   |          |
| Paragraph 0770-01-05-.18(2)(d)10 is amended to become Paragraph 0770-01-05-.18(2)(d)9   | Numbering update.   |          |
| Paragraph 0770-01-05-.18(2)(d)8 is amended by deleting, “For documents that cannot be copied for various reasons (including government checks), a Review of Documents form is completed. The form asks for the information, source, date, check number, etc.” | Simplify language.  |          |

**0770-01-05-.20 OBLIGATIONS OF PARTICIPANTS (24 CFR 982.551).**

| What Changed  | Why has it changed?   | Comments |
|---|---|----------|
| Paragraph 0770-01-05-20(3)(c) is amended by inserting the words “by regular USPS mail or via electronic (email/fax)” communication mailed” and deleting “by regular USPS mail.”   | Expands communication options between THDA and applicant/participant. |          |
| Paragraph 0770-01-05-20(4)(a) is amended by replacing “Notices are served by placing the notice in the U.S. mail via first class mail to the address the THDA has been provided by the household, unless an alternative form of electronic communication, such as email, is requested by the applicant or participant in writing or is the only means by which the THDA can reach the applicant or participant (i.e., moves without notice, etc.).” <b>with</b> “Notices are served by placing the notice in the U.S. mail via first class mail or by electronic communication (email/fax) to the address (residence/email) the THDA has been provided by the household. It is the obligation of the participant/applicant to notify the THDA of any address change (move without notice).” | Expands communication options between THDA and applicant/participant. |          |
| Paragraph 0770-01-05-20(4) (b) is amended by inserting the words, “email or”. Formatting of the “(b)”.  | Expands communication options between THDA and applicant/participant. |          |
| Paragraph 0770-01-05-20(4)(c) is formatted for (c) is amended by inserting, “In cases of electronic communication (email/fax) where the participant denies receipt, the THDA may review internal records for proof of delivery.”  | Language to address expanded communication options.                   |          |
| Paragraph 0770-01-05-20(6) is amended to add section,” Missed Appointments: HQS Inspections<br>(a) Family Caused Delay. It will be considered a missed appointment and the inspection will not be conducted, if an adult representative (age 18 or older) is not present for the scheduled inspection. A Missed Inspection Notice will be left on the door.<br>(b) A participant may miss the first inspection for any reason. If either the owner or an adult member or representative of the family’s household (age 18 or older) cannot be present or are not present for the inspection, this will be considered a Missed Appointment.<br>1. If the participant notifies the inspector that no one is able to be present at the first scheduled inspection, a                           | Moved from another section to simplify overall document.              |          |

| What Changed  | Why has it changed? | Comments |
|---|---------------------|----------|
| <p>Notice of Rescheduled Inspection letter will be mailed.</p> <p>2. If the participant does not notify the inspector and there is no one present for the inspection, a Missed Inspection Notice will be left on the door and a Notice of Rescheduled Appointment will be mailed.</p> <p>(c) After the first missed appointment, a Notice of Rescheduled Inspection letter will be mailed to the owner and the family and a new inspection will be automatically scheduled within fourteen (14) business days.</p> <p>(d) If the family misses two inspection appointments during the annual inspection period, the family's assistance will be terminated, unless the second absence is due to a verified medical emergency of a household member. See the THDA's Missed Appointment Policy and Medical Emergency Exception for requirements.</p> <p>(e) If assistance is terminated due to missed appointments, failure to repair, or emergency HQS and the participant requests a hearing, one additional inspection will be scheduled pending the outcome of the informal hearing."</p> |                     |          |

#### **0770-01-05-.21 DETERMINATION OF ELIGIBILITY.**

| What Changed   | Why has it changed?   | Comments |
|--|---|----------|
| <p>Paragraph 0770-01-05-.21(3) (a)3(iv) is amended by inserting a new paragraph. "Income limits for bedroom sizes that exceed the 4-bedroom unit are calculated by applying a 15 percent adjustment to the previous bedroom unit beginning with the 4-bedroom allocation. For example, the FMR for a five (5)-bedroom unit is 1.15 times the four bedroom FMR. FMRs for single-room occupancy units are 0.75 times the zero bedroom (i.e., efficiency) FMR."</p> | <p>Provide clarity and formula used for bedroom sizes over 4-bedroom.</p> |          |
| <p>Paragraph 0770-01-05-.21(3) (a) 3(v) is amended to move from (iv) to (v) for this section.</p>  | <p>Numbering update.</p>  |          |

| What Changed   | Why has it changed?      | Comments |
|--|--------------------------|----------|
| Paragraph 0770-01-05-.21(3) (a) 6 is amended to remove the “,” after the word, “standards”. Is also amended to replace, “the need is verified by a medical professional” <b>with</b> “a medical professional verifies the need.” | Simplifies the language. |          |
| Paragraph 0770-01-05-.21(3) (b) 9 is amended by replacing the word, “and” for “than”.  | Grammar update.          |          |
| Paragraph 0770-01-05-.21(3) (e) 1 is amended by inserting a hyphen (-) between “monthly adjusted”  | Punctuation update.      |          |
| Paragraph 0770-01-05-.21(3) (e) 2 is amended by inserting a hyphen (-) between “monthly adjusted”  | Punctuation update.      |          |
| Paragraph 0770-01-05-.21(3) (e) 4 is amended by inserting a hyphen (-) between “monthly adjusted”  | Punctuation update.      |          |
| Paragraph 0770-01-05-.21(3) (e) 4(ii) is amended by inserting a hyphen (-) between “monthly adjusted”  | Punctuation update.      |          |

#### **0770-01-05-.22 LEASE-UP PROCESS.**

| What Changed  | Why has it changed? | Comments |
|---|---------------------|----------|
| Paragraph 0770-01-05-.22 (1) (a) is amended by inserting a comma (,) after the word, “determined”.  | Punctuation update. |          |
| Paragraph 0770-01-05-.22 (1) (b) is amended by replacing the phrase, “either through a new allocation or a” with “either through a new allocation or through a”.  | Grammar update.     |          |
| Paragraph 0770-01-05-.22 (1) (b) 4 is amended by replacing, “for the purpose” with “for”  | Grammar update.     |          |
| Paragraph 0770-01-05-.22 (1)(c)2(i) is amended by replacing the entire paragraph, “If the household does not find a unit within the 60 day voucher search term, then the household may request extension of the voucher in 30-day increments, but only if they can clearly illustrate that they have actively searched, but have been unable to find a unite eligible for the HCV Program.” <b>with</b> “The only exception to the initial 60-day voucher term is for families that include a member with a disability who may request an extension. The head or spouse may request an extension in 30-day increments to locate accessible housing that will meet the needs of a disabled household member. The request must be received in writing prior to the voucher expiration date. The household must clearly illustrate that they | Simplify language.  |          |

| What Changed   | Why has it changed?  | Comments |
|--|--|----------|
| have actively searched, but have been unable to find a unit eligible for the HCV Program.”   |  |          |
| Paragraph 0770-01-05-.22 (2) is amended by replacing, “or” with “, and”  | Grammar update.  |          |
| Paragraph 0770-01-05-.22 (2)(a)2(i) is amended by inserting a hyphen (-) between the words, “single family”. It also amends by replacing, “property is managed by a person other than the owner” with “person other than the owner manages a property,”  | Grammar update and simplify language.                      |          |
| Paragraph 0770-01-05-.22 (4)(h)1 is amended to add the sentence, “For example, if a lease starts February 2 <sup>nd</sup> , it will terminate January 31 <sup>st</sup> of the following year.”   |  |          |
| Paragraph 0770-01-05-.22 (9)(b) is amended to insert, “The new owner may request to enter into a new lease and HAP contract, as long as the change does not displace and/or otherwise adversely affect the assisted participant. Any requests for rent increases will be subject to the rent reasonableness test.” | Clarify language to the landlord and protects participant. |          |
| Paragraph 0770-01-05-.22 (9)(f)2 is amended by replacing, “HAP Contract Transfer from and W-9 form must be signed by the new owner” with “new owner must sign the HAP Contract Transfer form and W-9 form”.  | Simplifies the language.                                   |          |

**0770-01-05-.23 HOUSING QUALITY STANDARDS (HQS) - Inspections (24 C.F.R. 982.305, 24 C.F.R. 982.4, 24 C.F.R. 982.405).**

| What Changed  | Why has it changed?   | Comments |
|---|---|----------|
| Paragraph 0770-01-05-.23 header is amended to replace, “Initial” with “Inspections” and insert CFR update, “ <b>24 CFR 982.401, 24 CFR 982.407,</b> ”   | The Housing Quality Standards (HQS) section was updated to include all information regarding inspections; including the different inspection types. Inspection information is combined within this chapter for ease of reference. |          |
| Paragraph 0770-01-05-.23(1)(a) is amended to replace, “At the applicant eligibility briefing and in the relocation materials, suggests on how to find a unit are also given.” <b>With</b> “An online database of available rental properties, TNHousingSearch.org, is provided for families to use to find available units” | This simplifies and clarifies what is available to assist applicants in locating suitable housing.  |          |



| What Changed   | Why has it changed?   | Comments |
|--|---|----------|
| Paragraph 0770-01-05-.23(1)(b) is amended to replace, “an online database of available rental property, TNhousingSearch.org, is also available to family to use to find available units” <b>With</b> “The THDA provides households with the basic information on what is required for a unit to pass the Housing Quality Standards (HQS) inspection.”  | Information about the housing locator was mentioned in (1)(a) and this describes information that applicants/participants will receive related to the HQS Inspection. |          |
| Paragraph 0770-01-05-.23(1)(d) is inserted from another section, “If the voucher expires before an applicant locates a suitable unit, the applicant must reapply to the program, unless there is an owner or THDA-caused delay, in which case the voucher will be extended for the amount of time of the delay.”   | Information was moved from another section for increased clarity regarding voucher expiration.  |          |
| <p>Paragraph 0770-01-05-.23(2) is amended to move, “Scheduling of the Inspection.</p> <p>(a) Upon receipt of the Request for Tenancy Approval (RTA) and other requisite documentation, if the THDA approves the RTA, then the inspector will schedule the inspection with the owner of the unit within fourteen (14) calendar days of the submission of the RTA, giving the owner an exact date and approximate time for the inspection.</p> <p>(b) The inspector will provide the owner with the date and approximate time, within a four hour block, of the inspection.</p> <p>(c) A Confirmation of Scheduled Initial Inspection will be mailed to the owner and tenant.</p> <p>(d) The inspector will give the owner a courtesy call approximately 45 minutes prior to arriving at the unit.”</p> <p>To another section of the plan.</p> | Paragraph 0770-01-05-.23(2) has been moved to another section of the plan   |          |
| Paragraph 0770-01-05-.23(3) becomes (2)  | <ol style="list-style-type: none"> <li>1. Information relocated.</li> <li>2. Adds (HQS) as acronym for Housing Quality Standards</li> </ol>                           |          |

| What Changed  | Why has it changed?  | Comments |
|---|--|----------|
| Paragraph 0770-01-05-.23(2)(a)1 is deleted  | Information removed because it was referenced in another section of the plan.                    |          |
| Paragraph 0770-01-05-.23(2)(a)2 becomes Paragraph 0770-01-05-.23(2)(a)1 and removes “, but”   | Updated for formatting and grammar.  |          |
| Paragraph 0770-01-05-.23(2)(a)2 insert the words, “The THDA”  | Updated for grammar.   |          |
| Paragraph 0770-01-05-.23(2)(a)3 is moved to another section of the plan.  | Provided increased clarity in another section.   |          |
| Paragraph 0770-01-05-.23(2)(b)2(i) is amended to replace, “Owners may be barred from participation in the HCV Program for actions such as repeated HQS violations, HAP Contract violations under the voucher or other HUD programs, fraud, and bribery.” <b>With</b> “Owners may be barred from participation in the HCV Program for twelve (12) months and may be required to attend training from an approved Fair Housing agency, when there is evidence of repeated HQS violations, Fair Housing , HAP Contract violations under the voucher or other HUD programs, fraud, and bribery.”  | Clarifies the sentence’s grammar.  |          |
| Paragraph 0770-01-05-.23(2)(b)2(ii) deletes “For example, an owner who has illegally evicted subsidized tenants may be prohibited from future participation.”   | Examples are removed from the Plan; except in cases when there is repeated question for clarity. |          |
| Paragraph 0770-01-05-.23(2)(b)3(i) is amended to replace, “The unit may not be approved if the unit is owned by a parent, stepparent, child, stepchild, grandparent, grandchild, sister or brother of any member of the family, unless approving the unit is necessary as a reasonable accommodation for a household that includes a member with a disability.” <b>With</b> “The unit may not be approved if a parent, stepparent, child, stepchild, grandparent, grandchild, sister or brother of any member of the family owns the unit, unless approving the unit is necessary as a reasonable accommodation for a household that includes a member with a disability” | Clarifies grammar.   |          |
| Paragraph 0770-01-05-.23(2)(b)6 is amended by deleting the hyphen (-) between “federally assisted”.   | Grammar  |          |
| Paragraph 0770-01-05-.23(2)(b)9 inserts, “Shared housing arrangements, where more than one assisted household shares a bedroom in a facility, are not permitted by the THDA.”   | Explains bedroom-sharing policy.   |          |

| What Changed  | Why has it changed?  | Comments |
|---|--|----------|
| Paragraph 0770-01-05-.23(2)(c)3 is amended by deleting, “or where the participant owns the mobile home and just leases the pad.”  | Aligns with HUD guidelines.  |          |
| Paragraph 0770-01-05-.23(2)(c)4(iii) is amended for renumbering.  | Numbering update.  |          |
| Paragraph 0770-01-05-.23(3) is amended to replace, “When Conducted” with “General Requirements”   | Clarify wording.   |          |
| Paragraph 0770-01-05-.23(3)(a) is amended to insert “(HAP)” and insert, “The owner must complete all required repairs. If the unit fails, the Request for Tenancy Approval (RTA) will be denied. This also applies to relocations for participants.”  | Clarify wording.   |          |
| <p>Paragraph 0770-01-05-.23(3)(a)1 is amended to insert, “Scheduling of the Inspection”</p> <p>Paragraph 0770-01-05-.23(3)(a)1(i) is amended to insert, “Within three (3) business days of the approved Request for Tenancy Approval (RTA), the inspection will be requested by the THDA. The inspector will notify the owner, schedule, and conduct the inspection within fourteen (14) business days”</p> <p>Paragraph 0770-01-05-.23(3)(a)1(ii) is amended to insert, “The inspector will provide the owner with the date and approximate time, within a four (4)-hour block, of the inspection”</p> <p>Paragraph 0770-01-05-.23(3)(a)1(iii) is amended to insert, “A Confirmation of Scheduled Initial Inspection will be mailed to the owner and tenant.”</p> <p>Paragraph 0770-01-05-.23(3)(a)1(iv) is amended to insert, “The inspector will give the owner a courtesy call approximately 45 minutes prior to arriving at the unit.”</p> <p>Paragraph 0770-01-05-.23(3)(a)1(v) is amended to insert, “In the case of a missed inspection, the inspector will notify, reschedule, and conduct the inspection within seven (7) business days.”</p> <p>Paragraph 0770-01-05-.23(3)(a)1(vi) is amended to insert, “If two (2) inspection appointments are missed during the initial certification, the RTA will be cancelled, unless the second absence is due to a verified medical emergency of the owner or a household member.”</p> <p>Paragraph 0770-01-05-.23(3)(a)1(vii) is amended to insert, “If an inspection of the unit has been scheduled, and the participant does not want to rent the unit, the inspection will be cancelled.”</p> | <p>This entire section was inserted from another section of the plan for clarity.</p> <p>Business days were specified throughout this chapter to clarify inspection timeframes and notification timeline requirements. Language was added to allow Division Director to appoint the Inspections Coordinator as the designee for the approval of inspection extension requests.</p> <p>This was changed from a (3)-hour block inspection window to a four (4)-hour block window to allow inspectors more time to respond timely to a statewide service coverage area.</p> |          |

| What Changed   | Why has it changed?  | Comments |
|--|--|----------|
| <p>Paragraph 0770-01-05-.23(3)(a)1(viii) is amended to insert, “The owner will ensure that the unit has the utilities (electric, gas, water, etc.) connected prior to the day of the scheduled inspection. If the utilities are not on, the unit will not be inspected and will result in a failed inspection.”</p> <p>Paragraph 0770-01-05-.23(3)(a)2 is amended to insert, “Notice of Initial Inspection Failure will be sent to the owner and applicant within two (2) business days following a failed inspection. The notice will provide the necessary repairs and the fourteen (14) business day deadline to make the repair. This may be completed sooner if the issues are corrected prior to the appointment date. At the re-inspection, only the previously failed items will be inspected, unless a new failed item is observed. The deadline may be extended, by request, if it is impossible for the repair to be completed within fourteen (14) days. This must be approved by the Program Director or the assigned designee.”</p> <p>Paragraph 0770-01-05-.23(3)(a)2(i) is amended to insert, “If the unit does not pass HQS after two inspections, the RTA will be cancelled for that particular unit, but the family may search for another unit if they are still within the first 60 days of the voucher term or any reasonable accommodation extension or other approved extension.”</p> <p>Paragraph 0770-01-05-.23(3)(a)3 is amended to insert, “Pass Results. If the unit passes the inspection, a HQS Compliance Notice will be mailed to the applicant family and either left with the owner at the unit if the owner is present for the inspection or mailed to the owner as documentation of the unit has passed status”</p> | <p>Timelines for re-scheduling, conducting inspections were expanded throughout the plan. The review also ensured scheduling consistency for various inspection types.</p> <p>The chapter gives the Division Director authority to appoint the Inspections Coordinator as the designees for approving HQS inspection related matters such as requests for repair extensions.</p> |          |
| <p>Paragraph 0770-01-05-.23(3)(b) through Paragraph 0770-01-05-.23(3)(c) is moved to another section of the plan.</p>  | <p>Moved to another section of the plan</p>  |          |
| <p>Paragraph 0770-01-05-.23(3)(b) through Paragraph 0770-01-05-.23(7)5 is inserted from another location “(b) Annual / Biennial Inspections. HCV assisted units are inspected annually and/or biennially as long as the units remain on the Program. Each unit must be inspected before or during the same month each year (annual) or every other year (biennial).</p>  | <p>Inserted from another section for clarity and ease of flow.</p>   |          |

| What Changed   | Why has it changed?   | Comments |
|--|---|----------|
| <p>1. The Notice of Inspection will be mailed to the owner and participant with the scheduled date and time within fourteen (14) business days prior to the inspection. An automated reminder call will be placed to the participant a minimum of forty-eight (48) hours prior to the inspection.</p> <p>2. A unit that passes an inspection will be moved to a biennial inspection.</p> <p>3. Missed Appointments. See Missed Appointments in 0770-01-05-.20 OBLIGATIONS OF PARTICIPANTS (24 CFR 982.551).</p> <p>4. Delays in Completing the HQS Inspection.</p> <p>(i) Administrative Delay. If an administrative delay occurs that causes an inspection or re-inspection to be delayed, no action may be taken that negatively affects the participant or owner.</p> <p>5. Extensions. The THDA policy allows extensions when a repair must be delayed due to circumstances that are not within the landlord or participant's control (such as severely inclement weather). An extension must be requested within the initial 30-day repair period. At THDA's discretion, extension periods are granted, not to exceed 30-days, unless approved by the Program Director or assigned designee. The THDA is responsible for approving, tracking, and documenting allowable extensions. Requests for extensions must be accompanied by documentation that supports the need for the request.</p> <p>6. Self-Certification for Non-Emergency Failed Items. HUD allows owners and participants to self-certify that repairs for non-emergency failed items have been completed. This eliminates the need for re-inspections.</p> <p>7. Self-Certification Form. When the unit fails inspection, the inspector mails the Self-Certification Form and the Notice of HQS Violations to the owner and participant within two (2) business days. The owner and the participant are required to sign the Self-Certification Form verifying that all repairs are complete.</p> <p>8. Self-Certifications may be sent electronically or via USPS. If mailed, the postmark date will be used to determine timeliness. If the above requirements are not completed by the 30th day, Housing Assistance Payments for the assisted unit will be abated (stopped).</p> | <p>Language was included to specify timeline and verification needed to grant repair extensions beyond the initial 30 day period without abatement.</p> |          |

| What Changed   | Why has it changed?  | Comments |
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| <p>9. In cases where no violations of the minimum acceptability standards are present, but one party declines to sign the self-certification form, the THDA will make a final determination about whether to pass or fail the unit.</p> <p>10. Rural Development and Tax Credits may be transitioned to a biennial inspection schedule at the THDA's discretion.</p> <p>(c) Special or Complaint Inspection. A unit may also be inspected at the request of the owner or the household because of a complaint or special issue, but only if the issue reported represents a potential violation of Housing Quality Standards (HQS). Inspection and notice criteria for special or complaint inspections are the same as identified for annual/biennial inspections.</p> <p>(d) Quality Control Audit. A supervisory quality control inspection is conducted on a certain percent of all units under lease by the THDA. The units to be included in the quality control sample are selected at random.</p> <p>(4) Inspection Booklets and Certifications.</p> <p>(a) The Inspection Booklet is completed for every inspection type and all correspondence related to HQS are retained in an electronic file. The inspector will collect all required THDA and HQS Owner Certifications. Inspectors will provide blank forms, if needed.</p> <p>(b) Owners are responsible for returning all owner certifications to the THDA or its agent. Failure to do so will result in a failed item on an inspection.</p> <p>(5) Inspection Results.</p> <p>(a) The inspection results must be signed by the adult that allowed entry into the unit. If the unit passes the HQS inspection, a HQS Compliance Pass Letter will be mailed to the owner and left with the participant family.</p> <p>(b) Failed Results. The Inspector may perform onsite maintenance at inspected units using their own provided supplies when such replacement would eliminate the need to perform a 24-hour emergency re-inspection or 30-day re-inspection at the unit (repair/replace damaged or</p> | <p>This section was amended to allow THDA discretion to investigate and approve the Self-Certification when one party signs the document and the other party does not. This is only in case where no violations of the minimum acceptability standards are present. THDA will verify that repairs have been made. In these instances, THDA will make a final determination about whether to pass or fail the housing unit.</p> |          |

| What Changed  | Why has it changed?   | Comments |
|---|---|----------|
| <p>missing light switch and outlet covers; repair/replace missing smoke alarm batteries). The Inspector is not responsible to provide such maintenance when other repair items are found that would require re-inspection of the unit within 24 hours (for emergency repair items) or 30 days (for routine items).</p> <p>1. If other fail items are present, the inspector will mail the Notice of HQS Violations to the owner and participant family within three (3) business days. The necessary repairs will indicate who is responsible for the repairs, the THDA action that will result from non-compliance, and the requirement of self-certification for non-emergency items.</p> <p>(6) Abatement.</p> <p>(a) When a repair is not completed within the 30-day repair period, Housing Assistance Payments (HAP) are suspended for an additional 30 days. This is known as the Abatement Period. If the repairs are completed and the Self-Certification is submitted within the abatement period, the HAP will resume. THDA does not retroactively issue HAP for abated units and the participant is not responsible for the abated HAP. If later the THDA determines that certified repairs were not made, the THDA will deduct HAP, terminate the HAP Contract, terminate the participant's assistance, and disbar the owner from program participation.</p> <p>1. Failure to Repair and Certify Timely (24 CFR 982.404). If the owner or participant fail to complete repairs, sign the Self-Certification Form, or submit a completed Self -Certification form by the 30-day deadline or by the extension deadline, the following actions will be taken:</p> <p>(i) Owner's Responsibility. If the repairs are not made by the end of the abatement period, the HAP contract will be terminated and the participant will be issued a relocation voucher.</p> <p>(ii) Participant's Responsibility. If the repairs are not made by the end of the 30-day repair period, a proposed termination will be issued to the participant and the family's assistance is terminated; the HAP Contract will be terminated in thirty (30) days.</p> <p>(I) The participant has the right to appeal a termination decision that results from the failure to make HQS repairs.</p> <p>(iii) If either party does not make the repairs at the end of the 30-day repair period, the unit will be abated and the participant will be issued a proposed termination.</p> | <p>This section was amended to specify that Housing Assistance Payments (HAP) will not be issued retroactively for abated units when they become HCV compliant.</p> <p>This section was amended to specify owner/agency vs. HCV participant responsibilities during the abatement process as it relates to HAP and/or continued HCV assistance.</p> |          |





| What Changed  | Why has it changed?                                | Comments |
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| <p>Assistance Payment will be abated or terminated, depending on the circumstances as outlined below.</p> <p>(i) Extension of Emergency Repairs. A short extension of no more than forty-eight (48) hours will be given where the owner or participant cannot be reached or if it is impossible to repair within the twenty-four (24) hour period, i.e., it is a weekend, etc.</p> <p>3. Owner Responsibility for Emergency Repairs.</p> <p>(I) If the owner is responsible for the repair, the owner must correct the defect or the HAP contract will be abated immediately and the participant will be issued a voucher to relocate.</p> <p>(II) If the owner takes steps to correct the defect, but it is impossible for the defect to be corrected in 24 to 72 hours; the participant does not want to relocate; and the family wants and is able to make alternative living arrangements during the repairs. The Housing Assistance Payments will be abated until repairs are complete for a maximum of thirty (30) days. If the participant is unable to find alternate housing, the household must be relocated and the HAP contract will be terminated.</p> <p>4. Participant Responsibility for Emergency Repairs.</p> <p>(I) If an HQS violation caused by the family is identified as an emergency, the family must correct the defect within 72 hours.</p> <p>(II) Disconnected Utilities.</p> <p>I. If utilities, which are the participant's responsibility, are disconnected for more than 72 hours, assistance will be terminated.</p> <p>II. HAP Contract Termination. The effective date of the HAP Contract termination is as follows:</p> <p>A. If the THDA is informed of the disconnected utilities during the same month that the utility was disconnected, the HAP will be paid to the owner through the end of the month in which the utility was disconnected.</p> <p>B. If the THDA is informed of the disconnected utilities after the month the utilities are disconnected, and the THDA has no reason to believe that the owner had knowledge of the disconnected utilities, the owner may keep the HAP through the month in which the THDA became aware of the disconnected utilities.</p> <p>C. If the THDA is informed of the disconnected utilities, and the owner was aware that the utilities were disconnected or that the participant</p> | <p>This section was relocated within the Plan.</p> |          |

| What Changed  | Why has it changed?  | Comments |
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| <p>vacated the unit, but the owner failed to notify the THDA in a timely manner, the HAP will be terminated at the end of the month in which the utility was disconnected.</p> <p>III. For verification purposes, information from the utility company should be reviewed to determine the exact date the utility was disconnected. If this cannot be determined, the THDA will schedule a case conference prior to issuing a proposed termination. The participant will be required to provide supporting documentation to confirm that the utilities are connected.</p> <p>(5) If any of the above emergency repair items can be remedied in such a manner that the health and safety of the occupants is not compromised, the Inspection Booklet must be documented with an explanation of the manner taken to temporarily remedy the situation, but the emergency repair guidelines will not be required.</p> |  |          |
| <p>Paragraph 0770-01-05-.23(6) through Paragraph 0770-01-05-.23(6)(o)5 are deleted.</p>   | <p>Removes redundant information. Information is in the Housing Quality Standard Inspection booklet given to participants for reference.</p> |          |
| <p>Paragraph 0770-01-05-.23(8) is renumbered from (p)</p>   | <p>Keeps information regarding Lead-Based Paint within the Administrative Plan.</p>  |          |
| <p>Paragraph 0770-01-05-.23(8)3(vii) is amended to replace, “If the area of deteriorated paint exceeds set de minimis levels, the paint must be stabilized by a person who has received training in lead-safe work practices through a HUD-approved training course. and proof of the training is required, or the owner must employ a person or company certified by the State of Tennessee to conduct the lead hazard control activities.” <b>with</b> “If the area of deteriorated paint exceeds set de minimis levels, a person who has received training in lead-safe work practices through a HUD-approved training course must stabilize the paint. Proof of the training is required, or the owner must employ a person or company certified by the State of Tennessee to conduct the lead hazard control activities.”</p>  | <p>Corrected grammar.</p>  |          |
| <p>Paragraph 0770-01-05-.23(8)6(iii) is amended to replace, “, and c” <b>with</b> “C”</p>   | <p>Corrected grammar.</p>  |          |

| What Changed   | Why has it changed?   | Comments |
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| Paragraph 0770-01-05-.23(7) through Paragraph 0770-01-05-.23(10) is amended to delete this section. The information repositioned/moved to another area in HQS. | Moved to another section of the Administrative Plan for ease of flow and clarity. |          |

**00770-01-05-.24 OWNER RESPONSIBILITIES (24 C.F.R. 982.54(d)(5), (8); 982.153(b)(1); 982.306;982.302(a)(8); 982.453).**

| What Changed  | Why has it changed?     | Comments |
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| Paragraph 0770-01-05-.24(1)(d)3 is amended to replace, "Monthly subsidy payments are submitted via ACH to owners on the 1st of each month and are not considered late until after the 5th of the month. If the 5th of the month occurs on a Sunday or legal holiday, the THDA is not responsible for any fee for the late payment of rent; provided, that the monthly subsidy payment is paid on the next business day." <b>with</b> "Housing Assistance Payments (HAP) are not considered late until the 5 <sup>th</sup> business day of the month. HAP by the THDA is deemed received by the owner upon transmittal of payment by the THDA. The THDA is not required to pay a late payment penalty if HUD determines that the payment is late for reasons beyond the THDA's control. In addition, late payment penalties are not required if the THDA intentionally delays or denies payment as a remedy to an owner breach of the HAP contract." | Clarifies the language. |          |
| Paragraph 0770-01-05-.24(6)(c) is amended by replacing, "HAP is not received by the owner" with "owner does not receive the HAP"  | Simplify the language.  |          |

**0770-01-05-.25 MOVING/PORTABILITY (24 C.F.R. 982.354)**

| What Changed   | Why has it changed?  | Comments |
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| Paragraph 0770-01-05-.25 is amended in the title by replacing, "MOVING" with "OTHER CHANGE OF UNIT". <b>0770-01-05-.25 OTHER CHANGE OF UNIT/PORTABILITY (24 C.F.R. 982.354).</b> | Clarify language.    |          |
| Paragraph <b>0770-01-05-.25 OTHER CHANGE OF UNIT/PORTABILITY (24 C.F.R. 982.354).</b> is amended to replace, "deals with requests from" with "is when"                           | Simplifies language. |          |

| What Changed  | Why has it changed?  | Comments |
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| <p>Paragraph <b>0770-01-05-.25 OTHER CHANGE OF UNIT/PORTABILITY (24 C.F.R. 982.354)</b>.Is amended to relocate, “The Housing Choice Voucher Program was created with the intention of allowing participant families to move as necessary within reason. HUD has given local housing authorities the authority to develop policies and procedures regarding these moves in accordance with local needs and budget considerations. There are two types of moves. Relocation or Other Change of Unit is when a participant family requests to relocate within the jurisdiction of the housing authority that initially issued the family their voucher. Portability is when participant families wanting to move to an area that is located outside of the jurisdiction of the housing authority that initially issued the family their voucher.” <b>to</b> “Paragraph 0770-01-05-.25(1). And delete, “Relocation/Other Change of Unit. When a participant family was issued a voucher by the THDA and moves within the THDA’s jurisdiction, this move is considered a “relocation” or “other change of unit””</p> | <p>Simplifies language and places information in similar location for clarity.</p> |          |
| <p>Paragraph 0770-01-05-.25(1)(a) is amended by replacing, “Relocation Reasons. There are different reasons a family may relocate to a new unit.” <b>With</b> “THDA Initiated Relocation.”</p>  |  |          |
| <p>Paragraph 0770-01-05-.25(1)(a)1 is amended by replacing, “The Family is required to Move by the THDA. Families are not restricted in the number of moves per year due to the THDA-initiated action, as long as the family remains eligible for and in compliance with HCV Program. The THDA may require a family to move when” <b>with</b> “There are no restrictions on the number of moves per year for THDA initiated relocations, as long as the family remains program compliant. The THDA may require a family to relocate when”</p>   | <p>Simplifies process for participants.</p>  |          |
| <p>Paragraph 0770-01-05-.25(1)(a)1(i) is amended by replacing, “move” with “relocation”</p>   | <p>Grammar update.</p>   |          |
| <p>Paragraph 0770-01-05-.25(1)(a)1(ii)(I)VA through Paragraph 0770-01-05-.25(1)(a)1(ii)(I)VA(C) is amended by deleting, “A. Birth, Adoption, Court-Awarded Custody, Emergency Placement of a Minor, or New Spouse. (A) Notification. For additions due to birth, adoption, or court-awarded custody of a child the household must notify the owner and the THDA within thirty (30) calendar days of the event.</p>  | <p>Moved to another section of the Plan.</p>                                       |          |

| What Changed  | Why has it changed?                               | Comments |
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| <p>(B) Emergency Placement of a Minor. To add a minor during a lease term, which would cause the unit to not meet HQS or subsidy standards, the household must prove by a preponderance of the evidence that the placement is necessitated by an emergency.</p> <p>(C) New Spouse. The new spouse must meet eligibility criteria before being added.”</p>   |   |          |
| <p>Paragraph 0770-01-05-.25(1)(a)1(ii)(I)VA(D) is formatted to become Paragraph 0770-01-05-.25(1)(a)1(ii)(I)VA</p>  | Numbering update.                                 |          |
| <p>Paragraph 0770-01-05-.25(1)(a)1(ii)(I)VB is amended to replace, "If other additions to the household of other adults or other minors would cause the unit to become overcrowded, the household must wait to add any additional household members until the end of the lease term or, if eligible to relocate, they must secure a mutual lease termination and relocate to an appropriately sized unit, unless the placement is of a minor and is an emergency (i.e. child endangerment or homelessness) or is a new spouse." <b>With</b> "If other additions to the household of other adults or other minors would cause the unit to not meet HQS or subsidy standards, the household must wait to add any additional household members until the end of the lease term. If eligible to relocate, the participant must secure a mutual lease termination and relocate to an appropriately sized unit, unless the placement is of a minor and is an emergency (i.e. child endangerment or homelessness) or is a new spouse."</p> | Simplifies language.                              |          |
| <p>Paragraph 0770-01-05-.25(1)(a)1(ii)(I)VC(II) is amended to delete, "The HAP Contract Termination Notice includes the"</p>  | Simplifies language.                              |          |
| <p>Paragraph 0770-01-05-.25(1)(a)1(ii)(I)VC(II)I through IV is amended to be deleted.</p>   | Simplifies language.                              |          |
| <p>Paragraph 0770-01-05-.25(1)(a)2(i)(IV)I is amended to delete, "which is usually for twelve (12) months,"</p>   | Simplifies language.                              |          |
| <p>Paragraph 0770-01-05-.25(1)(a)2(i)(IV)II is amended to replace, "will" with "may"</p>  | Grammar update.                                   |          |
| <p>Paragraph 0770-01-05-.25(1)(a)2(v)(III) through Paragraph 0770-01-05-.25(1)(a)2(vi)(IV) is amended to delete and relocate to another section, "HAP Contract Termination Notice. The HAP Contract Termination Notice includes the:</p>  | Moved to another section of the Plan for clarity. |          |

| What Changed  | Why has it changed?  | Comments |
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| <p>I. Effective date of the termination;</p> <p>II. Date of the last Housing Assistance Payment; and</p> <p>III. Reason for the termination.</p> <p>(ii) Relocation Notice. When the owner initiates a lease termination, if the family is eligible for relocation, a Relocation Notice will be mailed to the family. The Relocation Notice includes the:</p> <p>(I) Reason for the HAP Contract termination;</p> <p>(II) Termination date of the Lease and the HAP Contract;</p> <p>(III) Last date a subsidy payment will be made for the unit; and</p> <p>(IV) Information on relocating with continued assistance.”</p> |  |          |
| Paragraph 0770-01-05-.25(1)(a)2(vi)(IV)I is amended to delete, “which is usually for twelve (12) months,”   | Simplifies language.   |          |
| Paragraph 0770-01-05-.25(1)(a)2(vi)(IV)II is amended to replace “will” with “may”   | Grammar update.  |          |
| Paragraph 0770-01-05-.25(1)(a)3 is amended to replace, “Move” with “Relocation”   | Simplifies language.   |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(I)IV Is amended to insert, “The participant may only request to relocate twice within a 90-day period. The 90-day period begins at the initial relocation voucher date.”   | Clarifies Plan and avoids repeated relocation within a year. |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(II) Is amended to insert, “Initial Lease Term is defined as the first term of the lease, typically the first twelve months in the same unit.”, add a period (.), and delete, “until the day after their lease term for the current unit expires.”  | Grammar update and simplifies language.                      |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(III) is amended to replace, “Good Cause for Relocation Exception.” With “Reasonable Accommodation for Relocation.’   | HUD language update.   |          |

| What Changed   | Why has it changed?                       | Comments |
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| Paragraph 0770-01-05-.25(1)(a)3(i)(III)I is amended to insert, “On rare occasions and with good cause, a mutual rescission may be requested during an initial lease term. Eligibility and final determination of approval is at the discretion of program director.”   | Clarifies language.                       |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(III)I is amended to become Paragraph 0770-01-05-.25(1)(a)3(i)(III)II.   | Numbering update.                         |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(III)II is amended to replace, “The THDA will only approve a request to relocate or port a voucher during the Initial Lease Term or a family initiated move when the family has already relocated in the past 12 months, if the family has good cause.” <b>With</b> “The THDA will only approve a request to relocate or port a voucher during the Initial Lease Term if the family requests and is approved for a reasonable accommodation Final determination of approval is at the discretion of the Program Director.” | Simplifies language.                      |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(III)III is amended to replace, “Good Cause Definition.” <b>With</b> “Additional reasons may include but are not limited to:”  | Simplifies language.                      |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(III)IIIA and B is amended to delete ”<br>A. “The family is overcrowded in a unit (more than 2 persons per bedroom);<br><br>B. The family is over housed (usually less than 1 persons per bedroom);”   | Simplifies language.                      |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(III)IIIC becomes Paragraph 0770-01-05-.25(1)(a)3(i)(III)IIIA  | Numbering update.                         |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(III)IIIA through C is amended for renumbering.  | Numbering update.                         |          |
| Paragraph 0770-01-05-.25(1)(a)3(i)(III)II is amended to delete, “The family needs to relocate due to a disabling condition of a household member with verification from a knowledgeable medical professional;”   | Simplifies language.                      |          |
| Paragraph 0770-01-05-.25(1)(a)3(ii) is amended to delete, “Requests to Relocate. The head of household must request the form from the THDA and submit it to the THDA.” And renumbers for a new Paragraph 0770-01-05-.25(1)(a)3(ii).  | Simplifies language and numbering update. |          |

| What Changed  | Why has it changed?  | Comments |
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| Paragraph 0770-01-05-.25(1)(a)3(ii)(I) is amended to delete, “This requirement is explained in the THDA Relocation Requirement Form and Guide to a Successful Relocation,”  | Simplifies language.   |          |
| Paragraph 0770-01-05-.25(1)(a)3(ii)(II) is amended to replace, “unless the family meets the definition of good cause.” With “a reasonable accommodation has been approved.”   | Simplifies language  |          |
| Paragraph 0770-01-05-.25(1)(a)3(iv) through (v)(IV) is deleted and is relocated.  | Numbering update.  |          |
| Paragraph 0770-01-05-.25(1)(a)3(iii) is amended to insert, “The HAP Contract Termination Notice. The HAP Contract Termination Notice will be processed with every relocation approval (THDA or Family initiated). The notice includes the<br>(I) Effective date of the termination;<br>(II) Date of the last Housing Assistance Payment; and<br>(III) Reason for the termination.”  | Adds clarity for the participant.                            |          |
| Paragraph 0770-01-05-.25(1)(a)3(iv) is amended to insert, “(iv)Relocation Notice. The Relocation Notice will be processed with every relocation approval (THDA or Family initiated). The notice includes the:<br>(I) Reason for the HAP Contract termination;<br>(II) Termination date of the HAP Contract;<br>(III) Last date a subsidy payment will be made for the unit; and<br>(IV) Information on relocating with continued assistance.” | Explains relocation process.                                 |          |
| Paragraph 0770-01-05-.25(1)(b) is amended to replace, “. ” <b>With</b> “or Port.”   | Update to include portability.                               |          |
| Paragraph 0770-01-05-.25(1)(b)1 is amended to insert, “If the family requests to port out of the THDA’s jurisdiction, they must pay the debt in full before approval.”  | Moves in line with HUD guidance and encourages paying debts. |          |
| Paragraph 0770-01-05-.25(1)(b)2 is amended to replace, “sign the plan of repayment and pay the deposit” with “enter into a repayment agreement” And deletes, “for relocation”   | Simplifies language for process.                             |          |
| Paragraph 0770-01-05-.25(1)(b)3 through Paragraph 0770-01-05-.25(1)(b)3(ii) is amended to delete.   | Removed due to redundancy.                                   |          |
| Paragraph 0770-01-05-.25(1)(b)4 is inserted, “4. Serious Lease Violations. A household is not eligible to relocate when an owner has provided the THDA with proper notice of such violation. If a participant is otherwise eligible to move, but an owner stipulates that the participant is not in good standing, the  | Clarifies process and language.                              |          |



| What Changed   | Why has it changed?   | Comments |
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| <p>owner must provide proof to the THDA within thirty (30) days of a request for documentation that the owner has filed into court or the THDA will allow the participant to move.</p> <p>(i) Unpaid Rent or Any Other Debt Owed to Owner. The family must be current in the tenant rent to owner and not owe any amounts to an owner (i.e. utility payments). The HAP contract requires participating owners to notify the THDA and the participant in a timely manner when a participant fails to make timely rent payments. When a participant requests to relocate, the THDA will send the owner notice of the participant's intent to relocate and will inquire whether any amount is outstanding before issuing a voucher to relocate. If the owner does not return the inquiry in a timely manner, the THDA will not consider the amounts owed in the approval to relocate the participant. However, if the owner later receives a judgment for unpaid rent or other amounts owed, the participant will be terminated. If the owner returns the inquiry in a timely manner and demonstrates that the family is not currently in good standing, the request to relocate will be denied, unless the owner and tenant enter into a repayment agreement. If the tenant defaults on the repayment agreement, the owner must provide the THDA with a court order for unpaid rent in order for assistance to be terminated.</p> <p>(ii) Tenant-Caused Damages and Amounts Owed after Relocation. The family will be reminded in the relocation notice that they may not leave their current unit with any tenant-caused damages beyond normal wear and tear or owing any debt to the owner. Since damages are typically not found until after the move-out, a voucher will be issued unless the owner has already provided the tenant and the THDA with a court-ordered eviction notice for tenant-caused damages. If damages are discovered after the tenant has moved, then the owner must provide the THDA with a court order for damages, for which the household may be subsequently terminated."</p> |   |          |
| Paragraph 0770-01-05-.25(1)(c)1 is amended to capitalize, "T" in Tenancy.  | Grammar update.   |          |
| Paragraph 0770-01-05-.25(1)(c)2 is amended to replace, "of an additional 60 days" with "30 day increments."  | Expands voucher extension periods (upon request) to simplify process.                   |          |
| Paragraph 0770-01-05-.25(1)(e)7(i)7(i)(l) is amended to insert, "A family is prohibited to relocate within 90 days of the effective date of the previous notice."  | Decreases relocations in a year providing stability for both family and property owner. |          |
| Paragraph 0770-01-05-.25 (2)(a) is amended to correct numbering.   | Renumber update.  |          |

| What Changed  | Why has it changed?  | Comments |
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| Paragraph 0770-01-05-.25 (2)(a)1 is amended to insert, “The THDA does not offer an accommodation of the “residency rule.” The residency rule requires that any household who applies for a waiting list that is not the county of their residence at the time of application, must reside in the wait list county for a period of twelve (12) months before they are eligible to port or relocate their voucher to another region or state. Since the THDA allocates resources, including staff, by regional area, the THDA has determined that relocations or ports within the first 12 months for out of county applicants would fundamentally alter the nature of the THDA’s HCV Program operation. This causes an unreasonable administrative burden because the agency cannot plan for the staff and resources necessary to manage these types of relocations or ports.” | Explains the Residency Rule and allows to serve Tennesseans first. |          |
| Paragraph 0770-01-05-.25 (2)(a)1 through Paragraph 0770-01-05-.25 (2)(a)3 is amended to renumber.   | Numbering update.  |          |
| Paragraph 0770-01-05-.25 (2)(b)5(iii) is amended by inserting this new paragraph, “Ports to Counties Outside of THDA’s Jurisdiction within the State of Tennessee. Families that port to THDA, must reside in areas that are within THDA’s jurisdiction. If a family requests to port to specific counties, the THDA reserves the right to refer the family to a housing authority with a presence in that area. For example, if a family requests to port to Davidson they will be referred to the Metropolitan Development and Housing Agency (MDHA).”  | Clarifies the process.   |          |
| Paragraph 0770-01-05-.25(2)(c)6(ii) is amended by replacing, “The THDA will assure that the voucher issued by the THDA will not expire before thirty (30) days has passed from the expiration date of the Initial PHA’s voucher.” <b>with</b> “The receiving PHA is required to add a 30 day extension to the initial PHA’s voucher expiration date. If an additional extension is requested, the receiving PHA’s standard policies on voucher extensions apply. The receiving PHA must notify the initial PHA of any extensions granted to the term of the voucher.”   | Clarifies language.  |          |
| Paragraph 0770-01-05-.25 MOVING/PORTABILITY (24 C.F.R. 982.354)(3)(g)3 is amended by adding a hyphen (-) between three and year.  | Punctuation update.  |          |
| Paragraph 0770-01-05-.25 MOVING/PORTABILITY (24 C.F.R. 982.354)(4) is amended to delete, “per” and “Requests to relocate within THDA jurisdiction must occur within the 120 day annual re-exam period.”   | Simplifies language.   |          |

**0770-01-05-.26 ANNUAL AND INTERIM ACTIVITIES (24 C.F.R. 982.516, 982.405).**

| What Changed  | Why has it changed?  | Comments |
|---|--|----------|
| Paragraph 0770-01-05-.26(1)(c)1(ii) is amended to replace, "The owner must submit any request for an annual rent increase, along with documentation of justification for the increase, sixty (60) calendar days prior to the recertification anniversary date" <b>with</b> "The owner must submit a request for a rent increase. The request must be submitted sixty (60) calendar days prior to the effective date. Only one increase request within a 12-month period will be considered. The increase will be approved, if the proposed increase is reasonable according to HCV rent reasonableness standards and the participant agrees to the increase." | Clarifies process.   |          |
| Paragraph 0770-01-05-.26(1)(c)1(vi) is amended to delete, "If the proposed increase is reasonable and the participant agrees to the increase, the increase will be effective on the first day of the first month commencing on or after the contract anniversary date, but at least 60 days after the THDA receives the owner's request."   | Simplifies language.   |          |
| Paragraph 0770-01-05-.26(1)(c)1(vii) is amended to become Paragraph 0770-01-05-.26(1)(c)1(vi); and insert, ",unless there is a change in ownership."  | Clarifies language.  |          |
| Paragraph 0770-01-05-.26(1)(d) through 0770-01-05-.26 ANNUAL AND INTERIM ACTIVITIES (24 C.F.R. 982.516, 982.405)(1)(e)4 is amended to move this section to Housing Quality Standards  | Simplifies Plan.   |          |
| Paragraph 0770-01-05-.26(2)(a) is amended by removing the word, "basically".  | Grammar update.  |          |
| Paragraph 0770-01-05-.26(2)(a)1(ii)(II) is amended by deleting, "and if such overpayment exceeds \$3,000, then the participant will be terminated."   | Simplifies language and provides more flexibility for the participant. |          |
| Paragraph 0770-01-05-.26(2)(a)2 is amended by inserting, "In cases where the increase in income is less than \$300 per month, the change will be documented and no interim will be processed."  | Simplifies language.   |          |
| Paragraph 0770-01-05-.26(2)(a)2(i) is amended by replacing, "Change is not within 120 Days of the Next Annual Recertification." <b>With</b> "The family is required to report all changes. THDA will process all changes in income."  | Simplifies process and notification requests.                          |          |
| Paragraph 0770-01-05-.26(2)(ii)(I) is amended by inserting, "or email".   | Expands communication options.   |          |

| What Changed   | Why has it changed?                              | Comments |
|--|--|----------|
| Paragraph 0770-01-05-.26(2)(a)(ii)(I)I is amended to replace, “There is no time deadline for returning the documentation, but the change will not become effective until processed. For the change to be effective the first of the month following the month in which the documentation is received, the documentation must be received by the 20 <sup>th</sup> day of the month.” <b>with</b> “Refer above to Change is not within 120 Days of the Next Annual Recertification.” | Clarifies language.                              |          |
| Paragraph 0770-01-05-.26(2)(a)(ii)(I)II is amended to delete, “Increase in income of Household composition. The THDA will process the change at the Annual Recertification and no Interim Recertification is required.”  | Simplifies Program.                              |          |
| Paragraph 0770-01-05-.26(2)(a)6(iv)((II) is amended to insert, “All adult household members must sign a repayment agreement and submit the initial payment within 30 days of the case conference appointment. The household may pay a higher amount, which will reduce the balance owed and affect the monthly payment schedule outlined below. Failure to comply will result in termination of assistance.”   | Updates responsibility for repayment.            |          |
| Paragraph 0770-01-05-.26(2)(a)6(iv)((II) is amended to become Paragraph 0770-01-05-.26(2)(a)6(iv)((III)  | Numbering update.                                |          |
| Paragraph 0770-01-05-.26(2)(a)6(iv)((III) and (IV) is replaced and moved up.   | Numbering update.                                |          |
| Paragraph 0770-01-05-.26(2)(a)6(iv) is amended from(V) to (IV).  | Numbering update.                                |          |
| Paragraph 0770-01-05-.26(2)(a)6(iv)((IV) is amended to delete, “The first payment is due when the agreement is signed.”  | More flexibility for payment by the participant. |          |
| Paragraph 0770-01-05-.26(2)(a)6(v)((III)1 is amended to insert, “All repayment balances must be brought current before the scheduled hearing date. If all repayment balances are current before the scheduled hearing date the termination notice will be rescinded and the scheduled hearing will be cancelled at field office level. If this violation occurs more than twice, the termination will not be rescinded.”   | More flexibility for payment by the participant. |          |

**0770-01-05-.28 COMPLAINTS, CONFERENCES, APPEALS (24 C.F.R. 982.54(d)(2), (13), 982.554, 982.555(a-f).**

| What Changed   | Why has it changed?                               | Comments |
|--|---|----------|
| Paragraph 0770-01-05-.28(1)(b)4 is amended by removing the comma (,) after the word conference. And replacing the word, “mail” with “send” | Grammar update and expands communication options. |          |

| What Changed  | Why has it changed?                     | Comments |
|---|---|----------|
| Paragraph 0770-01-05-.28(2) is amended by replacing, “In the event of inclement weather, the” with “the case conference appointment will be conducted via teleconference.” And deleting, “applicant or participant may request the appointment via teleconference. And replacing the word, “record” with “document”.  | Clarifying language.                    |          |
| Paragraph 0770-01-05-.28(2)(e) is amended with replacing, “Case Conference to Supply Documentation. Stay may schedule a case conference to allow the participant to submit certification documents before the date of the proposed informal hearing. With Director approval, the THDA will rescind the proposed termination for failure to supply certification documents.” <b>with</b> “(e) Case Conference to Supply Documentation: A case conference may be scheduled to allow the participant to submit required documents before and/or after a proposed termination is issued. If all documents are received, the THDA will process the certification for continued assistance. However, if the proposed termination letter has been issued or a hearing date has been scheduled, the manager will issue a letter for the withdrawal (rescission) of the proposed termination and cancel the informal hearing.” | Clarifies process.                      |          |
| Paragraph 0770-01-05-.28(3)(c)1(ii)(III) is amended by replacing, “will” with “may”. Replacing, “in person, unless the applicant requests that it be by telephone, and” with “via teleconference or in-person.” And amends by replacing “t” with “T”. And replacing, “If the applicant chooses a review by phone,” with “When the informal review is conducted via phone,”  | Grammar update and simplifies language. |          |
| Paragraph 0770-01-05-.28(3)(h) is amended to replace paragraph, “Notification of Informal Review Decision. No more than thirty (30) after the informal review is held, a written determination that upholds, modifies, or overrules the original adverse decision, and reasons for such decision, will be sent to the applicant by USPS regular delivery mail to the last known address reflected in the THDA’s file for the applicant.” <b>with</b> “Notification of Informal Review Decision. Within fourteen (14) days of the informal review, The THDA will issue a written determination that upholds, modifies, or overrules the original adverse decision. The decision letter will include the specific decision reasons. The letter will be sent to the applicant by USPS regular delivery mail and/or electronic notification (email/fax) to the last   | Expands communication options.          |          |

| What Changed  | Why has it changed?                                  | Comments |
|---|--|----------|
| known address (residence/email) reflected in the THDA's file for the applicant, unless otherwise indicated by the applicant."   |  |          |
| 0770-01-05-.28(4)(d) is amended by inserting "and/or electronic notification (email/fax)."  | Expands communication options.                       |          |
| 0770-01-05-.28(4)(d)1(i) is amended by replacing, "by" with "via electronic or". And inserting (mailing/email). In addition, inserting, "the participant notifies the THDA of" and "/email". Deletes, "is clearly noted on the hearing request letter."   | Expands communication options.                       |          |
| 0770-01-05-.28(4)(d)2 is amended by replacing, "are usually scheduled on the same day of the month for each field office." With "may be conducted via conference call and/or teleconference." Inserting, "(not to exceed 45 days)" and delete, "The participant may request to participate in the informal hearing in-person, or via teleconference."   | Simplifies language.                                 |          |
| Paragraph 0770-01-05-.28(4)(h) is amended by replacing the paragraph, "Notification of Informal Hearing Decision. Within fourteen (14) days of the informal hearing after the informal hearing is closed, the THDA will issue a written determination that upholds, modifies, or overrules the original adverse decision. The decision letter will include the specific decision reasons. The letter will be sent to the applicant by USPS regular delivery mail and/or electronic notification (email/fax) to the last known address (residence/email) reflected in the THDA's file for the applicant." <b>With</b> "Notification of Informal Hearing Decision. Within fourteen (14) days of the informal hearing after the informal hearing is closed, the THDA will issue a written determination that upholds, modifies, or overrules the original adverse decision. The decision letter will include the specific decision reasons. The letter will be sent to the participant by USPS regular delivery mail and/or electronic notification (email/fax) to the last known address (residence/email) reflected in the THDA's file for the participant, unless otherwise indicated by the family." | Simplifies language.                                 |          |
| Paragraph 0770-01-05-.28(5)(b)2 is amended by inserting, "or secured electronic mail".  | Expands communication options.                       |          |
| Paragraph 0770-01-05-.28(5)(b)2(i) is amended by inserting, "(mailing or email)"  | Expands communication options.                       |          |
| Paragraph 0770-01-05-.28(5)(b)2(ii) is amended by inserting the sentence, "In cases of electronic communication (email/fax), where the participant denies receipt, the THDA may review internal records for proof of delivery."   | Expands communication options and clarifies process. |          |

### 0770-01-05-.29 NOTICE AND MAILINGS RULES.

| What Changed  | Why has it changed?  | Comments |
|---|--|----------|
| Paragraph 0770-01-05-.29(1) is amended by replacing, "Service by USPS. All notices, letters or other mailings sent by the THDA to applicants, participants, and owners will be sent by regular United States Postal Service (USPS), unless an alternate form of electronic communication such as email, is requested by the applicant or participant in writing or is the only means by which the THDA can reach the applicant or participant (moves without notice, etc.)" <b>with</b> "Service by USPS or Electronic Communication. All notices, letters or other mailings sent by the THDA to applicants, participants, and owners will be sent by regular United States Postal Service (USPS), or via electronic communication (email/fax) to the address the THDA has been provided by the household." | Adds communication options between applicant/participant and THDA staff. |          |
| Paragraph 0770-01-05-.29(1)(a) is amended to create a sub-point, "Definition of Mail. Any communication that is sent via United States Postal Service (USPS) mail or other electronic means at THDA's discretion."  | Updates communication options.   |          |
| Paragraph 0770-01-05-.29(3) is amended to insert, "and Electronic Communication"  | Updates communication options.   |          |
| Paragraph 0770-01-05-.29(3)(a) is amended to insert, "In cases of electronic communication (email/fax) where the participant denies receipt, the THDA may review internal records for proof of delivery."   | Updates communication options.   |          |
| Paragraph 0770-01-05-.29(3)(b) is amended to replace, "request" with "notice" and to remove, "to attend"  | Grammar updates.   |          |
| Paragraph 0770-01-05-.29(3)(b)3 is amended to insert "(mail/email)" in two places.  | Updates communication options.   |          |
| Paragraph 0770-01-05-.29(3)(b)3(i) is amended to replace, "Sufficient proof includes, but is not be limited to, an affidavit, sworn and notarized, from the postmaster for the local post office responsible for delivering the mail to the receiving party's address that there have been problem. Mail Policy. Notices are served by placing the notice in the U.S. mail via first class mail to the address the THDA has been provided by the household." <b>With</b> "Sufficient proof includes, but is not be limited to, an affidavit, sworn and notarized, from the postmaster for the local post office responsible for delivering the mail to the receiving party's address that there have has been a problem with mail delivery. In cases of electronic communication (email/fax) where the      | Updates process to be in line with communication options.                |          |

| What Changed   | Why has it changed?            | Comments |
|--|--------------------------------|----------|
| participant denies receipt, the THDA may review internal records for proof of delivery.” |                                |          |
| Paragraph 0770-01-05-.29(4)is amended by inserting, “(mail/email).                       | Updates communication options. |          |

#### **0770-01-05-.33 SPECIAL HOUSING AND HOUSING CONVERSION ACTIONS.**

| What Changed   | Why has it changed? | Comments |
|--|---------------------|----------|
| Paragraph 0770-01-05-.33(2)(a)1(iii) is amended to correct spelling, “Elderly” | Grammar update.     |          |
| Paragraph 0770-01-05-.33(2)(c)4(i) is amended by removing the extra, “is”      | Grammar update.     |          |
| Paragraph 0770-01-05-.33(3) is amended by correcting the formatting            | Formatting update.  |          |

#### **0770-01-05-.34 HOMEOWNERSHIP VOUCHER OPTION (24 C.F.R. 982.625)**

| What Changed  | Why has it changed?   | Comments |
|---|---|----------|
| Paragraph 0770-01-05-.34(1)(d) is amended to renumber “(d)”.  | Renumbering update.   |          |
| Paragraph 0770-01-05-.34(1)(d)1 is amended to insert this sub-section, “The term “first-time homeowner” also includes a single parent or displaced homemaker (as those terms are defined in 12 U.S.C. 12713) who, while married, owned a home with his or her spouse, or resided in a home owned by his or her spouse. (24 C.F.R. 982.4)”   | Clarifies information for participants.   |          |
| Paragraph 0770-01-05-.34(1)(d)2 is amended to reformat number. And add a period; delete, “so that t” and replace with “T”. And replace “,” with “.”   | Renumbering and grammar update.   |          |
| Paragraph 0770-01-05-.34(1)(g)1(ii) is amended to replace, “674” with “771” and replacing, “8,088” with “9,252”   | Updating amounts.   |          |
| Paragraph 0770-01-05-.34(1)(g)1(iv) is amended to correct numbering.  | Number update.  |          |
| Paragraph 0770-01-05-.34(1)(h)1(v) is amended to insert a new sub-section, “Employment Requirement for Disabled Family. The employment requirement does not apply to a disabled family, meaning there is not an employment requirement for a disabled family when the head (which includes co-head), spouse, or sole member is a person with a disability. Whether the head, spouse, or sole member is a person with a disability is easily ascertainable if they are collecting disability payments, as the disability has already been verified. However, if they are not collecting disability payments, the Administrative Plan outlines the following policy:” | Clarifies household designation for homeowners who receive subsidy under the HCV program. |          |



| What Changed   | Why has it changed?                    | Comments |
|--|--|----------|
| Paragraph 0770-01-05-.34(1)(h)1(v)(I) is amended to insert, “Household Members Not Receiving SSA Disability Benefits. The household must provide third-party verification for household members claiming disability who do not receive SSI or other disability payments from the SSA. The THDA will mail a Verification of Disability form to a knowledgeable physician identified by the household member to verify that the household member meets the HUD definition of disability.”  | Clarifies information for participant. |          |
| Paragraph 0770-01-05-.34(1)(g)4 and (h) is amended to correct the number formatting.   | Numbering update.                      |          |
| Paragraph 0770-01-05-.34(1)(p) is amended by inserting, “However, this is not required.”   | Clarifies language.                    |          |
| <p>Paragraph 0770-01-05-.34(1)(q) through Paragraph 0770-01-05-.34(1)(q)5 is amended by adding this sub-section, “<b>DEFINITION OF A DISABLED HOUSEHOLD.</b> 24 CFR 5.403 outlines the definitions of terms to be used for the Homeownership option. Under the Eligibility Requirements for Families at 24 CFR 982.627, certain sections offer variances of the requirements to families based on whether they are a disabled family or a family that includes a person with disabilities.</p> <ol style="list-style-type: none"> <li>1. <b>Disabled family</b> means a family whose head (including co-head), spouse, or sole member is a <b>person with a disability</b>. It may include two or more persons with disabilities living together, or one or more persons with disabilities living with one or more live-in aides.</li> <li>2. <b>Person with a disability means:</b> A person who: <ol style="list-style-type: none"> <li>(i) Has a disability, as defined in 42 U.S.C. 423;</li> <li>(ii) Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that: <ol style="list-style-type: none"> <li>A. Is expected to be of long-continued and indefinite duration;</li> <li>B. Substantially impedes his or her ability to live independently, and</li> </ol> </li> </ol> </li> </ol> | Clarifies process and language.        |          |

| What Changed  | Why has it changed?                                     | Comments |
|---|---|----------|
| <p>C. Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or</p> <p>(iii) Has a developmental disability as defined in 42 U.S.C. 6001.</p> <p>3. Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome;</p> <p>4. For purposes of qualifying for low-income housing, does not include a person whose disability is based solely on any drug or alcohol dependence; and</p> <p>5. Means “individual with handicaps”, as defined in § 8.3 of this title, for purposes of reasonable accommodation and program accessibility for persons with disabilities.”</p> |   |          |
| <p>Paragraph 0770-01-05-.34(1)(r) is amended by inserting this sub-section, “Reasonable Accommodation Exception. THDA may offer an exemption from the Employment Requirement as a reasonable accommodation to a family that includes a person with disabilities, but only if the PHA administering the Program determines that an exemption is needed as a reasonable accommodation so that the Homeownership Program is readily accessible to and usable by the person with disabilities.”</p>   | <p>Clarifies language and process.</p>                  |          |
| <p>Paragraph 0770-01-05-.34(7)(a) is amended by replacing, “HUD-1 Settlement” with “Loan Disclosure”</p>  | <p>HUD update.</p>                                      |          |
| <p>Paragraph 0770-01-05-.34(20) is amended to replace, “ninety (90)” with “120”</p>   | <p>Expands the numbers of days for the participant.</p> |          |

## THDA Board Meeting

### Tab # 7 – Rental Assistance Committee

Agenda Items No.

4. Utilization Update (verbal update only)

# Tab # 8

Items:

Tax Credit Committee Meeting Materials

**Tennessee Housing Development Agency  
Tax Credit Committee  
November 19, 2019  
9:40 a.m. Central Time**

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AGENDA

1. Call to Order ..... Tully
2. Approval of Minutes from September 24, 2019 Meeting ..... Tully
3. 2020 Multifamily Tax-Exempt Bond Authority Program Description ..... Watt
4. Enterprise Green Amendment to Low Income Housing Tax Credit Qualified  
Allocation Plans (2016, 2017 and 2018) ..... Watt
5. Rural Subsidy Program Discussion ..... Watt
6. Adjourn ..... Tully

LOCATION

Tennessee Tower  
312 Rosa L. Parks Avenue  
Third Floor  
Nashville, TN 37243  
  
The Nashville Room

COMMITTEE MEMBERS

Lynn Tully, Chair  
David Lillard  
Stuart McWhorter  
Erin Merrick  
Rick Neal  
John Snodderly

TENNESSEE HOUSING DEVELOPMENT AGENCY  
TAX CREDIT COMMITTEE  
September 24, 2019

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors met, in regular session, on Tuesday, September 24, 2019, at 10:05 a.m. Eastern Time in the Centennial Conference Room of The Read House, Chattanooga, Tennessee.

The following Committee members were present: Lynn Tully (chair), Ashley Fuqua (for State Treasurer David Lillard), Colleen Daniels (for Commissioner of Finance & Administration, Stuart McWhorter), Rick Neal, John Snodderly and Mike Hedges (Board Chair). Committee member Erin Merrick was absent. Other Board members attending were: Dorothy Cleaves, Secretary of State Tre Hargett, Regina Hubbard, and Katie Armstrong (for Comptroller Justin Wilson).

Seeing a quorum present, Chair Tully called the meeting to order and called for consideration of the minutes from Committee meetings on May 21, 2019 and July 23, 2019. Upon motion by Mr. Snodderly, second by Ms. Fuqua, the minutes were approved.

Chair Tully recognized Don Watt, Acting Director of Multifamily Programs and Ed Yandell, Senior Housing Credit Advisor to discuss proposed changes to the 2019 – 2020 Low-Income Housing Tax Credit Qualified Allocation Plan. Mr. Watt referenced his memo dated September 13, 2019, and discussed the following proposed changes:

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

Upon motion by Mr. Snodderly, second by Ms. Fugua, the Committee recommended approval of the above changes and authorization for staff to make housekeeping changes as deemed necessary.

Chair Tully recognized Mr. Watt for the discussion regarding the total development cost limit waiver requested for TN19-232 Hillside Flats. Mr. Watt referenced his memo dated September 13, 2019, and explained that the limits for total development costs in the 2019-2020 Low-Income Housing Tax Credit Qualified Allocation Plan do not consider underground or structured parking as this is a very rare feature in Tennessee LIHC developments. He indicated that the Hillside Flats development is required to include structured parking, which causes the total development cost limits to be exceeded. He noted that the staff recommendation is to allow the costs associated with structured parking to be excluded, which will result in the total development cost limit being met. Upon a motion by Mr. Snodderly, second by Mr. Hedges, the Committee recommended approval of the staff recommendation. Mr. Neal recused himself from discussion and vote on this matter.

Chair Tully recognized Ralph M. Perrey, Executive Director of THDA, who discussed issues that have arisen with the enterprise green standards in certain prior qualified allocation plans. He indicated that staff is researching the issues and expect to present amendments to prior qualified allocation plans in November.

Chair Tully recognized Mr. Hedges who discussed his ideas regarding changes in the low income housing credit program.

With no further business, meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved this 19<sup>th</sup> day of November, 2019.



## Tennessee Housing Development Agency

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

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM

TO: THDA Board of Directors

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

SUBJECT: November 19, 2019 Meeting

DATE: November 7, 2019

The November meeting includes several action items.

Staff is requesting approval of the 2020 Multifamily Tax-Exempt Bond Authority Program Description. As a result of increased activity involving THDA volume cap, the proposed initial amount of Multifamily Tax-Exempt Bond Authority to be made available is \$100 million. A summary of the proposed changes and a summary of and response to the public comments THDA received follow.

Staff also requests an amendment to the Low-Income Housing Credit Qualified Allocation Plan for 2016, 2017, and 2018. If approved, the amendment will provide an alternative to the requirements of Enterprise Green Community scoring criterion in each of those years.





# Tennessee Housing Development Agency

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

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

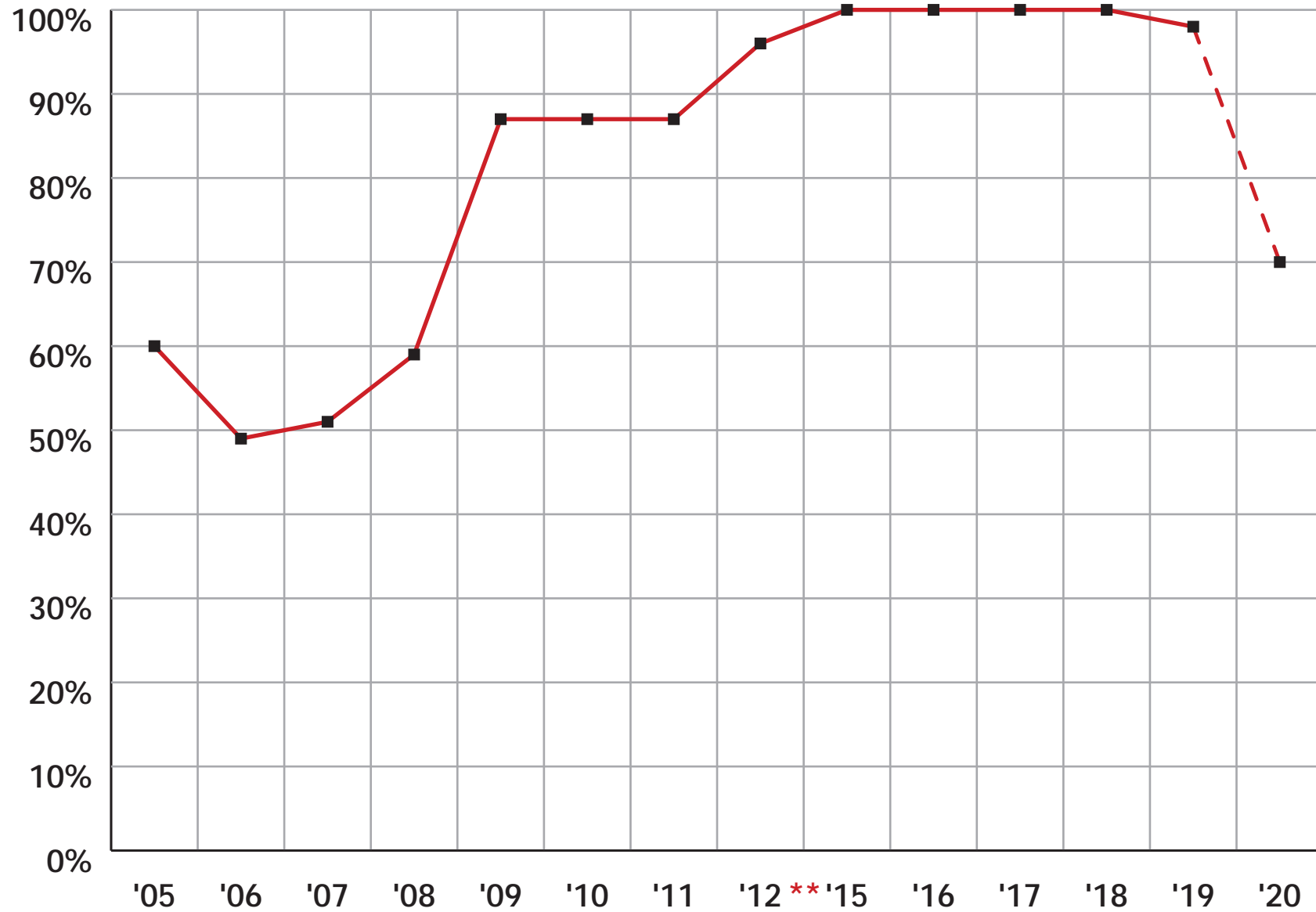
## Summary of Proposed Changes Incorporated into the Draft 2020 Multifamily Tax-Exempt Bond Authority Program Description November 7, 2019

This document is intended to be a general summary of the substantive changes proposed for the Draft Multifamily Tax-Exempt Bond Authority ("MTBA") 2020 Program Description (the "Draft 2020 PD"). 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 2020 PD available online at: <https://s3.amazonaws.com/thda.org/Documents/Business-Partners/Multi-Family-Developers/Multi-Family-Tax-Exempt-Bonds/DRAFT-2020-MTBA-PD-FOR-WEB-10.25.2019.pdf>.

1. Section 1, MTBA available  
Amount proposed is \$100 million
2. Section 2, "Adaptive Reuse/Conversion"  
Definition has been modified to include hotels or motels.
3. 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.
4. Section 2, "Person with Disabilities"  
Definition has been added.
5. Section 2, "Special Housing Needs"  
Definition has been added.
6. Section 2, "Supportive Service"  
Definition has been added.
7. Section 5, Program Limits **[NOTE – THIS PROPOSED CHANGE WAS NOT REFLECTED IN THE DRAFT 2020 PD POSTED TO THE THDA WEB PAGE]**  
Modify language to reflect that new limits will be **the lesser of** (a) the current limits or (b) 60.0 percent of the proposed development's aggregate basis including land.
8. Section 6, Special Request Applications  
The minimum number of units reduced from 500 to 400.
9. Section 10, Commitment of MTBA  
Firm Commitment Letter language has been modified to address timing issues with applications submitted late in the year.

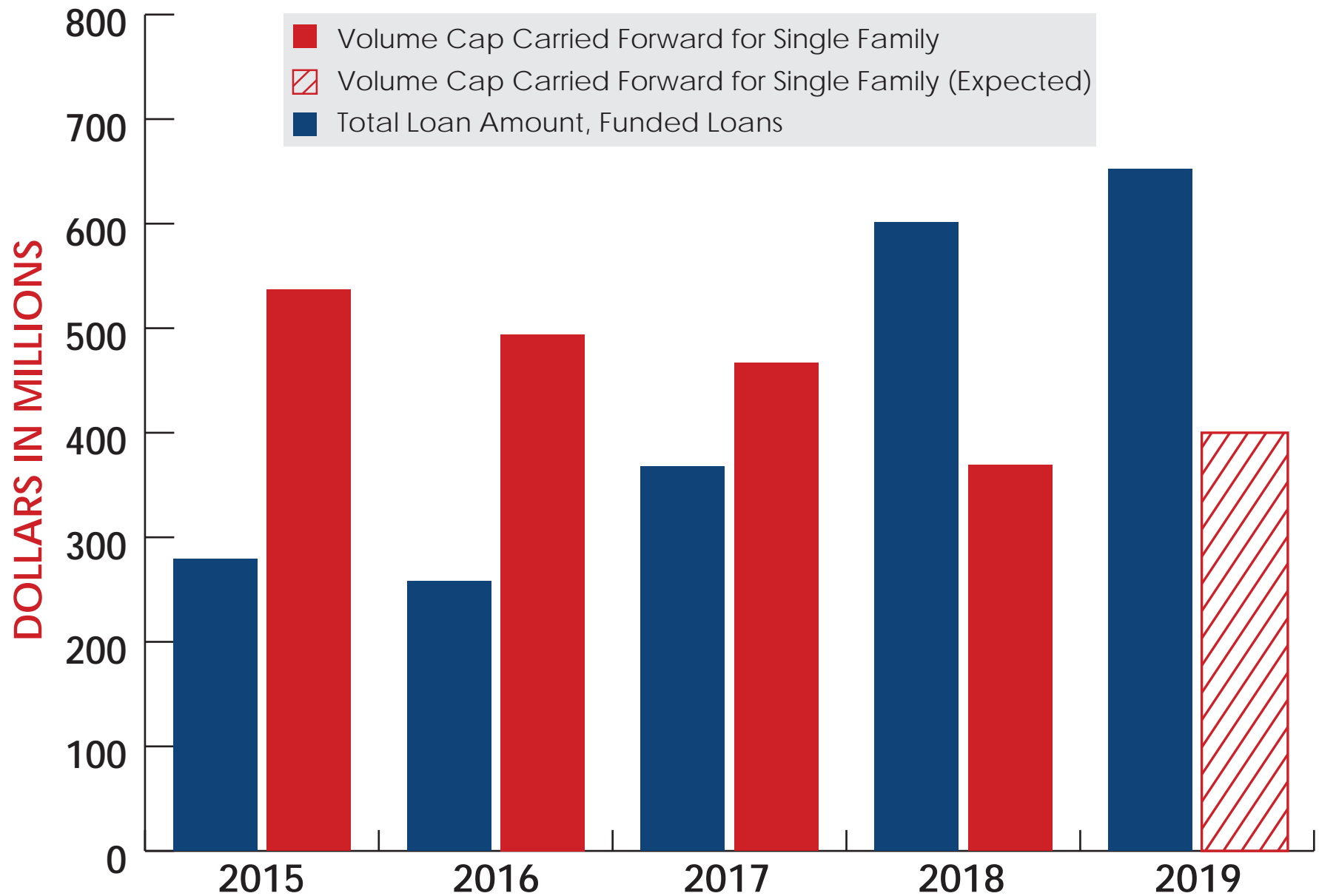
# VOLUME CAP ALLOCATION



\*\* 2013/2014 Records Not Available

■-----■ Volume Cap Expected

# VOLUME CAP SINGLE FAMILY





# Tennessee Housing Development Agency

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

Bill Lee  
Governor

Ralph M. Perrey  
Executive Director

## SUMMARY OF AND STAFF RESPONSE TO COMMENTS ON PROPOSED CHANGES INCLUDED IN THE DRAFT 2020 MULTIFAMILY TAX-EXEMPT BOND AUTHORITY PROGRAM DESCRIPTION

A “redline” draft of the proposed Draft 2020 Multifamily Tax-Exempt Bond Authority Program Description was circulated on October 25, 2019. The comment period for the Draft 2020 Multifamily Tax-Exempt Bond Authority Program Description closed on November 4, 2019. Copies of the submitted comments follow this summary of and staff response to the comments.

1. The proposed initial amount of Multifamily Tax-Exempt Bond Authority (“MTBA”) to be made available for allocation in 2020 is set at \$100 million.
  - a. **Summary:** All the comments THDA received encouraged THDA to make a larger initial amount available. The comments also suggested limiting the MTBA request in the Initial Application to no more than 60% of the proposed development’s eligible basis and eliminating the per development limit on noncompetitive Low-Income Housing Credit (currently \$3 million per year).
  - b. **Response:** Based on demand for THDA single family products, \$100 million is the maximum initial amount of MTBA staff is comfortable offering. Limiting the MTBA request to 60% of the proposed development’s eligible basis would, in theory, allow the available MTBA to be “stretched”, but could also have an adverse impact on the proposed development’s financial feasibility. The current per development limit for noncompetitive Low-Income Housing Credit was increased from \$1.3 million per year to \$3 million per year in May 2019. Although noncompetitive Low-Income Housing Credit does not count against the annual competitive Low-Income Housing Credit ceiling, removing the limit could lead to scenarios involving the perception of excessive subsidy.

# MEMPHIS HOUSING AUTHORITY



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MARCIA E. LEWIS  
CHIEF EXECUTIVE OFFICER

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November 1, 2019

[TNAallocation@thda.org](mailto:TNAallocation@thda.org)

Multifamily Programs Division  
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To Whom It May Concern:

Thank you for the opportunity to provide comments on Tennessee Housing Development Agency's (THDA) Draft 2020 Multifamily Tax-Exempt Bond Authority Program Description. Along with many other reputable developers and housing agencies, Memphis Housing Authority (MHA) would like to join in providing its voice to this most important state housing issue and to effectively and efficiently communicate concerns or feedback about State policies and legislation that directly impacts affordable housing development.

### **Availability of Bond Cap**

We are also deeply concerned about the amount of private activity bond authority that will be made available as Multifamily Tax-Exempt Bond Authority. In recent years THDA closed well over \$100 million in multifamily bond deals. Tennessee has been a pioneer in dramatically increasing affordable housing production through the use of your Multifamily Tax-Exempt Bond Authority. But there is still much work to do. Amidst rising construction costs, now is the time to maintain or even increase the amount bond authority for multifamily housing.

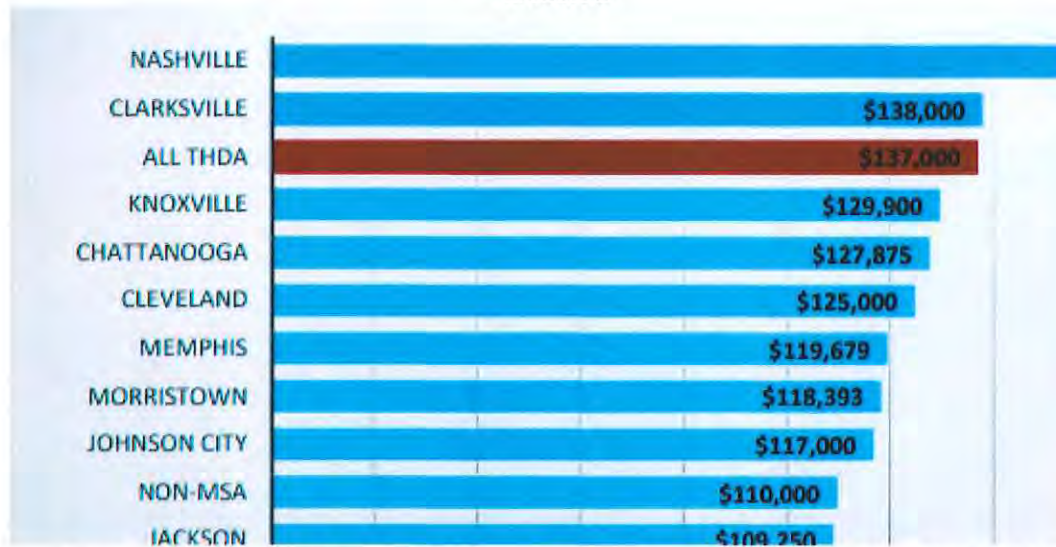
### **Other Bond Uses**

Multifamily housing bonds are the only type of private activity bonds that generate another federal subsidy, the four percent LIHTC. The program was designed so that private activity bonds cover about 60 percent of the total development costs (TDC) and four percent Low Income Housing Tax Credits (LIHTC or Credits) cover about 30 percent of the total development costs, while gap funding and a deferred developer fee often finance the remaining ten percent of total development costs. Thus, every one dollar of PAB that expires unused or is allocated towards something other than tax-exempt qualified residential rental projects forfeits approximately 50 cents of four percent LIHTC equity. We believe that no federal dollar should be left on the table given the federal government's abdication of responsibility in funding the development of affordable housing and the scale of the affordable housing crisis in Tennessee and throughout the country.

We recognize that the state must balance several competing demands for bond volume cap. While the state's investment in single family housing offers a valuable wealth building tool, we observe that it costs significantly more than multifamily per household and does little to produce new housing. As shown in Exhibit 1, the median purchase price of a home in Tennessee is far greater than the cost of developing multifamily housing. The median purchases price for all of the loans financed by THDA in FY 2019 was 81 percent higher than the 2018 estimate of \$75,580 of bonds used to finance a multifamily home.



Exhibit 1



Source: THDA Single Family Loan Program Report: Fiscal Year 2018-2019

According to the same report, “most THDA borrowers purchased an existing home. Only seven percent of homes that THDA borrowers purchased were new homes.”<sup>1</sup>

#### Recommendations

We urge THDA to request more than \$100 million in its initial request. Demand for multifamily housing has consistently been high and we expect that this year’s demand will prove even higher. We understand that THDA intends to request more volume cap for multifamily housing as a later point. However, we remain nervous that the bond cap may not be there given the state’s other demands.

Section 42 of the Internal Revenue Code requires that affordable housing developments financed with four percent Credits must finance at least 50 percent of the project’s aggregate basis with tax-exempt bonds. THDA could require developers to limit their tax-exempt bond allocation requests to 60 percent of a project’s eligible basis. Limiting volume cap request to align with the required fifty 50 percent, plus a modest cushion to accommodate unforeseen increases in costs, will allow developers to stretch a limited resource.

Finally, as with the rest of the Tennessee affordable housing development community, we urge the removal of the four percent Credit cap. Removing the four percent Credit cap for deals financed with tax exempt bonds will require less bonds and allow more Credit equity. THDA already took steps to do this in May when it raised the LIHTC cap on four percent Credits.

Respectfully,

Marcia E. Lewis, CEO  
Memphis Housing Authority

<sup>1</sup> THDA Single Family Loan Program Report: Fiscal Year 2018-2019. (October 2019). Nashville, TN: Tennessee Housing Development Agency. Retrieved from: [s3.amazonaws.com/thda.org/Documents/Research-Planning/Single-Family-Mortgage-Program-Reports/Fiscal-year-2019\\_Final-version.pdf](https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Single-Family-Mortgage-Program-Reports/Fiscal-year-2019_Final-version.pdf)

November 4, 2019

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Tennessee Housing Development Agency  
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To Whom It May Concern:

Pennrose, LLC (Pennrose) appreciates the opportunity to provide comments on Tennessee Housing Development Agency's (THDA) Draft 2020 Multifamily Tax-Exempt Bond Authority Program Description.

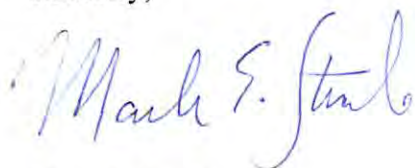
Our primary concern is the amount of private activity bond authority will be made available as Multifamily Tax-Exempt Bond Authority. We recognize that the state must balance several competing demands for bond volume cap.

We urge THDA to request more than \$100 million in its initial request. Demand for multifamily housing has consistently been high and we expect that this year's demand will prove even higher. We understand that THDA intends to request more volume cap for multifamily housing as a later point. However, we remain nervous that the bond cap may not be there given the state's other demands.

Section 42 of the Internal Revenue Code requires that affordable housing developments financed with four percent Credits must finance at least 50 percent of the project's aggregate basis with tax-exempt bonds. THDA could require developers to limit their tax-exempt bond allocation requests to 60 percent of a project's eligible basis. Limiting volume cap request to align with the required fifty 50 percent, plus a modest cushion to accommodate unforeseen increases in costs, will allow developers to stretch a limited resource.

Thank you again for the opportunity to comment.

Sincerely,



Mark E. Straub

Regional Vice President  
Pennrose, LLC



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November 4, 2019

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To Whom It May Concern:

Thank you for the opportunity to provide comments on Tennessee Housing Development Agency's (THDA) Draft 2020 Multifamily Tax-Exempt Bond Authority Program Description. The Tennessee Developers Council 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.

#### **Availability of Bond Cap**

We are deeply concerned about the amount of private activity bond authority that will be made available as Multifamily Tax-Exempt Bond Authority. As shown in Exhibit 1, in recent years THDA closed well over \$100 million in multifamily bond deals.

**Exhibit 1**

| <b>Year</b> | <b>Multifamily Bonds Closings</b> | <b>Units</b>   | <b>Bonds/Unit</b> |
|-------------|-----------------------------------|----------------|-------------------|
| 2019 (YTD)  | \$141,675,000                     | (not provided) | (not provided)    |
| 2018        | \$335,725,000                     | 4,442          | \$75,580          |
| 2017        | \$198,100,000                     | 2,412          | \$82,131          |
| 2016        | \$165,873,000                     | 2,222          | \$74,650          |
| 2015        | \$118,093,000                     | 2,366          | \$49,913          |

Tennessee has been a pioneer in dramatically increasing affordable housing production through the use of your multifamily tax-exempt bond authority. But there is still much work to do. The National Low Income Housing Coalition estimates that there is a shortage of 126,745 units of affordable and available housing for Tennesseans making 30 percent or less of area median income and 115,406 units for Tennesseans making 50 percent or less of area median income.<sup>1</sup> Amidst rising construction costs, now is the time to maintain or even increase the amount bond authority for multifamily housing.

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<sup>1</sup> 2019 New Jersey Housing Profile. (Feb. 28, 2019). Washington, DC: National Low Income Housing Coalition. Retrieved from: [reports.nlihc.org/gap/2017/tn](https://reports.nlihc.org/gap/2017/tn)





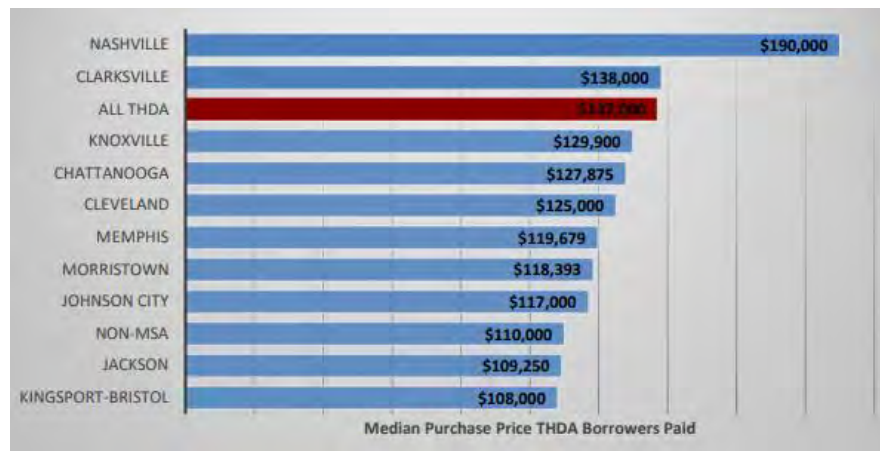
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### Other Bond Uses

Multifamily housing bonds are the only type of private activity bond that generates another federal subsidy, the four percent Low Income Housing Tax Credits (LIHTC or credits). The program was designed so that private activity bonds cover about 60 percent of the total development costs and four percent LIHTCs cover about 30 percent of the total development costs, while gap funding and a deferred developer fee often finance the remaining ten percent of total development costs. Thus, every one dollar of private activity bonds that expire unused or is allocated towards something other than tax-exempt qualified residential rental projects forfeits approximately 50 cents of four percent LIHTC equity. We believe that no federal dollar should be left on the table given the federal government's abdication of responsibility in funding the development of affordable housing and the scale of the affordable housing crisis in Tennessee and throughout the country.

We recognize that the state must balance several competing demands for bond volume cap and understand that in a time of volume cap scarcity, demand for volume cap may exceed availability. While the state's investment in single family housing offers a valuable wealth building tool, we observe that it costs significantly more than multifamily per household and does little to produce new housing. Furthermore, homeownership is simply unattainable for many of the state's lowest-income families on a limited, fixed-income. As shown in Exhibit 2, the median purchase price of a home in Tennessee is far greater than the cost of developing multifamily housing. The median purchases price for all of the loans financed by THDA in FY 2019 was 81 percent higher than the 2018 estimate of \$75,580 of bonds used to finance a multifamily home.

Exhibit 2



Source: THDA Single Family Loan Program Report: Fiscal Year 2018-2019



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According to the same report, “most THDA borrowers purchased an existing home. Only seven percent of homes that THDA borrowers purchased were new homes,” demonstrating that the program does little to address the shortage of affordable housing throughout the state.<sup>2</sup>

Furthermore, we believe the wise words of Benjamin Franklin who said, “an ounce of prevention is worth a pound of cure” are directly related to the state’s investment in affordable multifamily housing. Money not invested in affordable housing will require taxpayers to fund acute services like increased police, fire and EMT services, emergency room visits, hospitalizations, remedial education, rehabilitation through the criminal justice system and homeless shelters.

### **Recommendation 1**

We urge THDA to request \$200 million for multifamily bonds in its initial request to the Tennessee Department of Economic and Community Development Commissioner (ECD). Demand for multifamily housing has consistently been high and we expect that this year’s demand will prove even higher. Our members alone anticipate requesting \$338.6 million in bond cap to finance 17 affordable multifamily properties with 3,076 units. We understand that THDA intends to request more volume cap for multifamily housing as a later point. However, given outside demand for private activity bonds, we are concerned that additional cap may not be available. As such, we believe a more robust initial allocation is appropriate. We are hopeful that pending multifamily demand, availability from ECD and, balancing the needs of THDA’s single-family program, an additional request may be made later in the year as well.

### **Recommendation 2**

Section 42 of the Internal Revenue Code requires that affordable housing developments financed with four percent Credits must finance at least 50 percent of the project’s aggregate basis with tax-exempt bonds. THDA could require developers to limit their tax-exempt bond allocation requests to 60 percent of a project’s aggregate basis. Limiting volume cap request to align with the federally required fifty 50 percent, plus a modest cushion to accommodate unforeseen increases in costs, will allow developers to stretch a limited resource.

The 2020 draft of the Washington State Housing Finance Commission includes new language that states “the Commission intends to target allocations of new-issue Bond Volume Cap to projects at an amount not to exceed 55% on the 50% Test.”<sup>3</sup> While New York does not expressly state its preference for properties to finance less than 60 percent of affordable housing property’s aggregate basis with tax-

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<sup>2</sup> THDA Single Family Loan Program Report: Fiscal Year 2018-2019. (October 2019). Nashville, TN: Tennessee Housing Development Agency. Retrieved from: [s3.amazonaws.com/thda.org/Documents/Research-Planning/Single-Family-Mortgage-Program-Reports/Fiscal-year-2019\\_Final-version.pdf](https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Single-Family-Mortgage-Program-Reports/Fiscal-year-2019_Final-version.pdf)

<sup>3</sup> 2020 Bond/Tax Credit Program Policies. (2019). Seattle, TN: Washington State Housing Finance Commission. Retrieved from: [www.wshfc.org/mhcf/4percent/2020BondPoliciesRedline.pdf](http://www.wshfc.org/mhcf/4percent/2020BondPoliciesRedline.pdf)



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exempt bonds, it is widely understood and coupled with a myriad of soft sources from the New York City Housing Development Corporation.<sup>4</sup>

### **Recommendation 3**

An additional step THDA can take to make existing private activity bond cap go further would be to amend the Qualified Allocation Plan to eliminate the per development LIHTC cap on projects financed with tax-exempt bonds. THDA already took steps to do this in May when it raised the LIHTC cap on four percent Credits. Many larger scale tax-exempt projects have excess basis under the Qualified Allocation Plan rules and could generate additional four percent LIHTC equity if this cap were lifted. By raising more tax credit equity, projects would be able to limit their volume cap requests and/or gap funding needs. Projects would still be limited to current volume cap requests limits as outlined in the Bond Program Description.

### **Recommendation 4**

Finally, we urge other bond users to consider how they can use financial products like taxable tails to reduce their reliance on these bonds as is often done for multifamily housing.

### **Scattered site development**

We note that the definition for scattered site development was removed from page eight of the draft Program Description. Does THDA no longer intend to award credits to proposed scattered site developments?

Sincerely,

Thom Amdur  
President

cc: Tennessee Department of Economic and Community Development Commissioner Bob Rolfe

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<sup>4</sup> Termsheets. (2019). New York, NY: New York City Housing Development Corporation. Retrieved from: <http://www.nychdc.com/pages/Termsheets.html>

**From:** [Brandon Plunkett](#)  
**To:** [TNAllocation](#)  
**Subject:** allocation amount  
**Date:** Monday, November 4, 2019 7:51:23 AM

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**EXTERNAL EMAIL**

I wanted to submit a note asking for the board not to lower the allocation amount. I have a 204 unit development that works financially at all 60% AMI units in Madison TN. Because of the timing and length of architecture and engineering these days, I will not be able to submit my application until February.

However, at the proposed allocation level, I may have to sell the property because I cannot take the risk of missing out on bond financing and there is a good chance it will be claimed in January.

At least in middle Tennessee, the need for subsidy and development help has never been higher, it seems a strange time to be cutting the allocation.

Thanks for consideration - Brandon

Brandon Plunkett  
C: 615-473-3524  
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# Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
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**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

SUBJECT: Energy Efficiency Requirements Amendment to Low-Income Housing Tax Credit Qualified Allocation Plans for 2016, 2017, and 2018

DATE: November 7, 2019

Part VII-B-2-d of the Low-Income Housing Tax Credit 2016 Qualified Allocation Plan (the “2016 QAP”), Part VII-B-2-d of the Low-Income Housing Tax Credit 2017 Qualified Allocation Plan (the “2017 QAP”) and Part VII-B-2-d of the Low-Income Housing Tax Credit 2018 Qualified Allocation Plan (the “2018 QAP”) each describe a scoring criterion for “Enterprise Green Community Certification”. The following language is used in the 2016 QAP, the 2017 QAP, and the 2018 QAP:

Enterprise Green Community Certification  
Developments fully certified as compliant with Enterprise Green Community requirements. Certification documentation will be required prior to issuing the IRS Form 8609.

Section 14-A-9 (for new construction) and Section 14-B-9 (for existing multifamily housing) of the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (the “2019-2020 QAP”) also offer points for Enterprise Green Community certification. However, an equally weighted (with regard to points) option is included and described as “ENERGY STAR”. The “ENERGY STAR” requirements are as follows:

At placed in service, all of the following Energy Star requirements will be met:

ENERGY STAR rated HVAC systems in all units, 15 SEER minimum; and ENERGY STAR refrigerator with ice maker, 19 cubic foot minimum; and overhead light fixture connected to a wall switch in the living room and all overhead light fixtures in other rooms connected to a wall switch in the same room; and all light fixtures fitted with ENERGY STAR light bulbs; and ENERGY STAR rated windows in all units; and all toilets high efficiency or dual flush.

**Staff Recommendation:**

1. Staff recommends and requests approval of an amendment to the 2016 QAP, the 2017 QAP, and the 2018 QAP to add the “ENERGY STAR” requirements as an equally weighted alternative to the “Enterprise Green Community Certification” requirements.
2. Staff recommends and requests approval to require a written request and a modification fee from any 2016, 2017, or 2018 applicant that wishes to substitute the “ENERGY STAR” requirements for the “Enterprise Green Community Certification” requirements. The applicable modification fee is described in Part XV-D of the 2016 QAP, Part XV-D of the 2017 QAP, and Part XV-F of the 2018 QAP.

## THDA Board Meeting

### Tab # 8 – Tax Credit Committee

Agenda Items No.

5. Rural Subsidy Program Discussion (No materials for this item)