Tennessee Housing Development Agency - Board of Directors Meeting Materials November 13, 2018
Tab 1 – Agenda

Tab 2 – Memo from Ralph Perrey, Service Award Recipients, Minutes from 09/25/18, Annual Forms

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Tab 6 – Audit & Budget Committee Meeting Materials

Tab 7 – Grants Committee Meeting Materials

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Tab # 1

Items:
Agenda
All meetings will be held in The Nashville Room

**Agenda (Tab #1)**

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<th>Public Comment to the Board</th>
<th>Brown, Perrey, Board Members</th>
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<td>A. Opening Comments and Introductions</td>
<td>Brown</td>
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<td>B. Staff Recognition (Directors) (Tab #2)</td>
<td>Perrey</td>
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<td>C. Approval of Minutes from September 25, 2018 Meeting (Tab #2)</td>
<td>Brown</td>
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<td>D. Annual Meeting Items (Tab #2)</td>
<td>Brown / Perrey</td>
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* 1. Election of Vice Chair *(No materials in package)* ............................................................... Brown

* 2. Committee Membership *(No materials in package)* ............................................................... Brown

* 3. Official Statement Review *(No materials in package)* ............................................................ Miller

* 4. 2019 THDA Board of Directors Meeting Schedule ................................................................. Perrey

* 5. 2019 Annual Forms .................................................................................................................. Perrey

E. Executive Director’s Report (Tab #2) .......................................................................................... Perrey

F. Committee Reports and Committee Matters

1. **Bond Finance Committee (November 09 – 2:00 p.m.)** *(Tab #3)* .............................................. Brown

   a. Financial Advisor Selection *(Materials will be sent under separate cover)* ....................... Osborne/Miller

   * b. Issue 2019-1 Authorization ................................................................................................. Miller

   * c. Issue 2019-1 Reimbursement Resolution .......................................................................... Miller

   d. THDA Debt Issuance and Underwriter Performance Analysis .............................................. Miller

   e. THDA Debt Limit Analysis *(Materials will be send under separate cover)* .................... Miller

   f. Five Year Financial Plan ........................................................................................................ Beard

   g. Issue 2018-3 State Form CT-0253 ...................................................................................... Miller

2. **Lending Committee (November 13 – 9:00 a.m.) (Tab #4)** ...................................................... Cleaves

   * a. Appraisal Gap Pilot Program Amendment ......................................................................... Hall

   b. Mortgage Credit Certificate Program Update ......................................................................... Hall

   c. Hardest Hit Fund Program Update ...................................................................................... Peraza
3. **Tax Credit Committee (November 13 – 9:15 a.m.) (Tab #5) .................................................. Tully**
   * a. 2019 Multifamily Tax-Exempt Bond Authority Program Description .................................. Duarte
   * b. Amendments to 2019-2020 Low Income Housing Credit Qualified Allocation Plan ........... Duarte
   * c. Amendments to 2016-2018 Low Income Housing Credit Qualified Allocation Plan ............ Duarte
   * d. Allocation Exchange Request ............................................................................................. Duarte
   * e. Waiver Request for Non-competitive Housing Credits ....................................................... Duarte
   * f. Proposed Changes to the Qualified Contract Process .......................................................... Duarte
   * g. 2018 Multifamily Tax-Exempt Bond Authority Program Update .......................................... Duarte

4. **Audit & Budget Committee (November 13 – 9:30 a.m.) (Tab #6) ........................................... Lillard**
   * a. Disclosure Analysis Report for Board Members ................................................................. Oliver
   * b. Disclosure Analysis Report for THDA Staff ........................................................................ Oliver
   * c. Public Records Rules ...................................................................................................... Balcom
   * d. Enterprise Risk Management Update ............................................................................... Oliver
   * e. Fiscal Year 2018 Internal Audit Summary ......................................................................... Oliver
   * f. Fiscal Year 2018 Financial Statement Summary ................................................................. Ridley
   * g. Five Year Financial Plan .................................................................................................... Beard
   * h. Annual Performance Evaluation of Director of Internal Audit .......................................... Lillard
   * i. Annual Performance Evaluation of Executive Director ..................................................... Lillard

5. **Grants Committee (November 13 – 9:45 a.m.) (Tab #7) ...................................................... van Vuuren**
   * a. 2019 Emergency Solutions Grant Program Description .................................................... Watt
   * b. 2019 Emergency Repair Program Description Modification .............................................. Watt
   * c. 2019 HOME Program Description .................................................................................. Watt
   * d. 2018 National Housing Trust Fund Program Description ................................................ Watt
   * e. 2019 Spring Round Tennessee Housing Trust Fund Competitive Grants Program Description ...... Watt
   * f. Grant Extension Request .................................................................................................... Watt
   * g. Non Profit Capacity Building Grant Program Proposal ....................................................... Shearon
   * h. Grant Extensions Update .................................................................................................. Watt
   * i. Sumner County HOME Grant (Verbal update) .................................................................. Watt
   * j. 2019 Challenge Grant Award Summary ............................................................................. Watt

6. **Rental Assistance Committee (November 13 – 10:00 a.m.) (Tab #8) ................................. Snodderly**
   a. Program Updates .............................................................................................................. Ridley / Scott

* Indicates Board Action Required
Tab # 2

Items:
Memo from Ralph M. Perrey, Executive Director
Service Award Recipients
Minutes from September 25, 2018 Meeting
Annual Meeting Items

- 2019 THDA Board of Directors Meeting Schedule
- 2019 Annual Forms
TO: THDA Board of Directors  
FROM: Ralph M. Perrey, Executive Director  
DATE: November 5, 2018  
SUBJ: THDA Board of Directors Meeting

THDA Board Members –

As the November meeting is considered THDA’s “Annual Meeting” you will find a number of routine annual actions and updates included in what is a lengthy board agenda. Among the annual meeting items: Election of the Board Vice Chair; Committee appointments for 2019; adoption of the 2019 Meeting Schedule; a report on THDA’s Debt Limit Analysis; review of the Five Year Financial Plan; review and acceptance of Annual Disclosure Analysis for both Board Members and THDA staff; and Performance Evaluation of the Executive Director and Director of Internal Audit.

In addition, the following action items await your review and consideration:

- The Bond Finance Committee will take up selection of the agency’s financial advisor, as well as authorization of Issue 2019-1.
- The Tax Credit Committee will consider the Multifamily Tax-Exempt Bond Authority Program Description for 2019 and staff’s recommendation to earmark $200 million for multifamily bonds next year. The committee will also consider an amendment to the 2019-20 Qualified Allocation Plan regarding rules for the non-competitive 4% credits, along with technical corrections.
- Audit & Budget Committee will take up revisions to THDA’s Public Records Rules that will assure that THDA’s policy aligns with requirements newly enacted by the General Assembly.
- Grants Committee will consider program descriptions of the 2019 ESG and HOME programs, the 2019 spring grant round for the Housing Trust Fund, as well as for the 2018 round of grants under the National Housing Trust Fund. We also propose a change to the Emergency Repair Program for the elderly (ERP) that should be especially helpful to low-income seniors in our rural communities.
- Lending Committee will review a clarifying amendment to the Appraisal Gap Pilot Program adopted in September.

With Veterans Day falling shortly before our Board meeting date of November 13, we plan to recognize THDA staff members who have served in our nation’s armed services.

We look forward to seeing you in Nashville.
Celebrating Years of Service

5 Years
Sandra Poarch
Rental Assistance Specialist
Section 8 Rental Assistance
THDA Hire Date: October 7, 2013

10 Years
Mary Cruther
Rental Assistance Specialist
Section 8 Rental Assistance
THDA Hire Date: October 27, 2008

10 Years
Charmaine McNeilly
Publications Coordinator
Communications
THDA Hire Date: November 16, 2008

20 Years
Edgar Yandell
Multifamily Development Program Liaison
Multifamily
THDA Hire Date: September 16, 1993

10 Years
Jayna Johnson
Homebuyer Education Initiative Manager
Loan Operations
THDA Hire Date: September 29, 2008

10 Years
Lisa Webb
Rental Assistance Specialist
Section 8 Rental Assistance
THDA Hire Date: July 10, 2017
State Hire Date: March 16, 2000

20 Years
Melissa Staley
Accounting Manager
Accounting
THDA Hire Date: December 7, 1998

State Hire Date: March 16, 2000
Pursuant to the call of the Chair, the Tennessee Housing Development Agency Board of Directors met in regular session on Tuesday, September 25, 2018, at 1:00 p.m. Central Time in the Kress Ballroom, SpringHill Suites Hotel at 85 West Court Avenue, Memphis, Tennessee.

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

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

Katie Moore Industry & Government Affairs 5 years

Chair Brown, seeing a quorum present, called the meeting to order and offered a time for public comment. With no one wishing to address the Board, Chair Brown called for consideration of the July 24, 2018, minutes with one correction on Page 3 Paragraph 4 noting that Ms. Tully chaired the Grants Committee for Mr. van Vuuren (not Mr. McMullen). Upon motion by Mr. Lillard, second by Ms. Cleaves, the minutes, as corrected, were approved.

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

1. Loan Production - remains strong with approximately $50 million for September, which is the best September production on record. THDA continues to get a boost from the downpayment assistance offered under the Hardest Hit Fund Program.
2. Volunteer Mortgage Loan Servicing- staff continues to make upgrades to the customer facing website and response and tracking notifications.
3. Multifamily Bonds – recent bond closings include those that will allow the purchase and rehabilitation of some of the most notorious of the Global Ministries properties in Memphis.
4. National Housing Trust Fund – a report issued prior to the Board Meeting from the National Low Income Housing Coalition showed that in the first year of the National Housing Trust Fund, Tennessee was fourth among all the states in terms of use of these funds.
Chair Brown called for the Bond Finance Committee report and recognized Lynn Miller, Chief Legal Counsel, who discussed the financial advisor selection process. She explained that the contract with the current financial advisor, CSG Advisors Incorporated, expires at the end of 2018, following a three year term and two one year extensions. She indicated that the Committee determined it was appropriate to engage in a request for proposal process to select the next financial advisor. She referenced a memo from Sandi Thompson, Director of the Office of State and Local Finance and herself, dated September 19, 2018, that included the following items:

- Resolution of the Board of Directors of the Tennessee Housing Development Agency Regarding the Process for Selection of a Financial Advisor (the “FA Authorizing Resolution”);
- Request For Proposal (“RFP”) cover letter to be signed by Comptroller Wilson;
- Form of the RFP; and
- Distribution list of firms to receive the RFP.

Ms. Miller indicated that the FA Authorizing Resolution delegates authority to the Bond Finance Committee to handle the process and to make a final selection, with a staff recommendation to the Bond Finance Committee in November. She noted that the financial advisor is expected to be an independent financial advisor, rather than a financial advisor connected to investment banks or bond underwriters. Upon motion by Chair Brown, second by Mr. Lillard, the FA Authorizing Resolution together with the other referenced documents was approved.

Chair Brown recognized Ms. Miller to present the next two agenda items, the authorization of Issue 2018-4 and the Issue 2018-4 Reimbursement Resolution. Ms. Miller noted that Issue 2018-3 proceeds are being expended quickly and THDA already has committed approximately $30 million against Issue 2018-4 proceeds, so authorization of this bond next issue is recommended. She referenced the following documents in the Board materials:

- a memorandum regarding Issue 2018-4 from Ms. Miller, dated September 19, 2018, that described the documents to be considered, explained how the authorization for Issue 2018-4 complies with THDA’s Debt Management Policy, and included recommendations from CSG Advisors Incorporated (“CSG”), financial advisor for THDA, for Raymond James to serve as bookrunning senior manager and J.J.B. Hilliard, W.L. Lyons, LLC, to serve as the rotating co-manager;
- a memorandum from CSG dated September 14, 2018, that recommended authorization of Issue 2018-4 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed $225 million. which includes a new money component as well as a small refunding component;
- the Plan of Financing for Issue 2018-4 in an aggregate principal amount not to exceed $225 million as approved by the Committee (“Plan of Financing”);
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2018-4 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2018-4 bonds (the “Authorizing Resolution”);
● the form of Series Resolution for Issue 2018-4; and
● the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2018-4 in an amount not to exceed $100 million (the “Reimbursement Resolution”).

Ms. Miller indicated that the Committee approved the Plan of Financing in the maximum principal amount of $225 million and recommended Board approval of the Authorizing Resolution and the Reimbursement Resolution. Upon motion by Chair Brown, second by Treasurer Lillard, the Authorizing Resolution and the Reimbursement Resolution for Issue 2018-4 were approved.

Chair Brown then called on Ms. Miller to present the Investment Policy (Revised and Restated). Ms. Miller noted the last time THDA’s current Investment Policy was examined was in 1995. She indicated that THDA staff and Treasury staff reviewed the current Investment Policy and concluded that a number of changes were needed to modernize the policy. She referenced a memo from Jennifer Selliers, CSCP, Director of Internal Compliance, State of Tennessee Department of Treasury and herself dated September 19, 2018. She indicated fiduciary standards were developed and responsibilities were identified for the Treasurer, and the Executive Director should the Treasurer chose to delegate authority to the Executive Director, as well as to the staff who will be handling the investments, however, the basic investment vehicles have not changed significantly. Upon motion by Chair Brown, second by Ms. Cleaves, the Investment Policy (Revised and Restated) was approved.

Chair Brown again recognized Ms. Miller who explained that the Bond Finance Committee heard the Fiscal Year 2020 Budget presentation (the “Proposed Budget”) at the same time as the Audit & Budget Committee and that the Bond Finance Committee also recommended approval of the Proposed Budget.

Chair Brown then recognized Treasurer Lillard for the Audit & Budget Committee report. Treasurer Lillard noted that Ms. Gay Oliver, Director of Internal Audit, presented the Executive Director performance evaluation process. He reported on the Director of Internal Audit performance evaluation process and explained it would involve the same process as that for the evaluation of the Executive Director performance evaluation. He indicated that Bruce Balcom, Assistant Chief Legal Counsel, presented proposed public record rules. He also indicated that Trent Ridley, Chief Financial Officer, presented the Fiscal Year 2018 investment report. He noted that no Board action was required for any of these items.

Treasurer Lillard referenced the presentation from John Ball, THDA Budget Analyst, to the Audit & Budget Committee and the Bond Finance Committee regarding the Proposed Budget. Upon motion by Treasurer Lillard, second by Secretary Hargett, the Proposed Budget was approved and staff was authorized to make any necessary adjustments based on requests from the Department of Finance & Administration.

Chair Brown recognized Mr. van Vuuren for the Grants Committee report. He referenced a memo from Don Watt, Director of Community Programs, dated September 17, 2018, and the
attached 2019 Challenge Grant Program Description containing proposed revisions. Mr. van Vuuren described the following Grants Committee recommended revisions to the 2019 Challenge Grant Program Description:

1) Clarified that the required leverage must be generated through a private fundraising campaign and added stipulations that required leverage cannot come from public or quasi-public sources.
2) Broadened the definition of what is considered an “eligible housing activity” to include those activities that help to support the implementation of a housing activity.
3) Increased the total available funding from $500,000 to $1,500,000 and increased the maximum award from $500,000 to $1,000,000.
4) Implemented an award cycle on first-come, first-serve basis, with final applications due no later than 10/31/18.
5) Lowered the leverage requirement from 500% to 300%.
6) Recommended authorizing the Executive Director to make funding awards and report the results to the Board.

Upon motion by Mr. van Vuuren, second by Ms. Tully, the revised 2019 Challenge Grant Program Description was approved and the Executive Director to make funding awards.

Mr. van Vuuren next referenced Mr. Watt’s memo dated September 17, 2018 and the attached 2018 HOME CHDO Mini-Round 2 Program Description and Application Package. He noted the following Grants Committee recommended changes proposed for the 2018 HOME CHDO Mini-Round 2 Program Description:

1) Updated due dates and amounts available;
2) Indicated that any organization that received funding under the 2018 regular or mini-round is not eligible;
3) Eliminated references to use of 2017 HOME funds;
4) Revised the Universal Design scoring criteria for applications.

Upon motion by Mr. van Vuuren, second by Treasurer Lillard, the 2018 HOME CHDO Mini Round 2 Program Description was approved and the Executive Director was authorized to make final funding awards.

Mr. van Vuuren referenced Mr. Watt’s memo dated September 17, 2018, that summarizes the 2017 National Housing Trust Fund (“NHTF”) Program awards and his memo dated September 17, 2018, that summarizes the 2018 HOME CHDO Mini-Round awards. He also referenced a map distributed to all Board members prior to the meeting showing the locations receiving assistance under the Tennessee Habitat for Humanity set-aside under the Tennessee Housing Trust Fund.
Next Chairman Brown recognized Ms. Cleaves for the Lending Committee report. Ms. Cleaves referenced a memo from Lindsay Hall, Chief Operating Officer of Single Family Programs, dated July 17, 2018, and September 17, 2018, along with a term sheet, that described the Appraisal Gap Pilot Program. Ms. Cleaves indicated that the Committee recommended approval of the Appraisal Gap Pilot Program as described in the referenced memos, with a change to the term sheet to eliminate the requirement of a Great Choice mortgage loan. Ms. Cleaves indicated that the Committee recommended the following:

- Approve the term sheet attached to the referenced memos with the described change to the eligibility requirements;
- Authorize staff to modify approved ZIP Codes as deemed necessary;
- Authorize staff to make minor changes and housekeeping changes as deemed necessary;
- Authorize staff to do all things necessary and proper to carry out and launch the Appraisal Gap Pilot Program in accordance with the term sheet.

Upon motion by Ms. Cleaves, second by Ms. Hubbard, the Appraisal Gap Pilot Program was approved as described.

Ms. Cleaves reported that Steve Fisher, Director of Mortgage Loan Administration, presented a loan servicing update for Volunteer Mortgage Loan Servicing.

Chair Brown then recognized Ms. Tully for the Tax Credit Committee report. Ms. Tully asked that Chair Brown handle consideration of the draft 2019 – 2020 Low Income Housing Credit Qualified Allocation Plan (“draft 2019-2020 QAP”). Chair Brown referenced a memo from Donna Duarte, Director of Multifamily Programs, dated September 17, 2018, that described the draft 2019-2020 QAP and included the draft 2019-2020 QAP. She noted that the Committee recommended approval. Upon motion by Chair Brown, second by Mr. van Vuuren, the draft 2019-2020 QAP, as attached to the referenced memo, was approved and staff was authorized to make housekeeping changes as needed. Ms. Tully did not participate in the discussion or vote.

Ms. Tully asked Chair Brown to handle the request to waive Part VIII-A-2-d of the 2018 Multifamily Tax-Exempt Bond Authority Program Description (“2018 MTBA Program Description”) for four developments due to delays caused by the U.S. Department of Housing and Urban Development. Chair Brown referenced a memo from Donna Duarte, Director of Multifamily Programs, dated September 17, 2018, regarding the requests. Upon a motion by Chair Brown, second by Ms. Butterworth, each of the four properties described in the referenced memo received a second extension, to December 19, 2018, to close bonds using multifamily tax-exempt bond authority and a waiver of the extension fee. Ms. Tully did not participate in the discussion or vote.
Ms. Tully reported that $346 million of bond authority was made available under the 2018 Multifamily Tax-Exempt Bond Authority Program, with approximately $179,000 remaining.

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

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 13th day of November, 2018
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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.
2019 THDA Board of Directors’ Annual Contact Form

Name as it appears on your driver’s license (for vendor set-up and travel arrangements):

____________________________________________________________________________________

Date of birth (for travel arrangements):

____________________________________________________________________________________

Company, organization, agency or area of representation:

____________________________________________________________________________________

Source of delivery for documentation:  □ Paper  □ Electronic  □ Both

Delivery address for packages:

____________________________________________________________________________________

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Delivery address for checks:

____________________________________________________________________________________

____________________________________________________________________________________

Business phone number:

____________________________________________________________________________________

Fax number:

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Cell phone number:

____________________________________________________________________________________

Email address:

____________________________________________________________________________________

Assistant’s name:

____________________________________________________________________________________

Assistant’s phone number:

____________________________________________________________________________________

Airport location closest to you:

____________________________________________________________________________________

Special Dietary Requirements:

____________________________________________________________________________________

Please contact Cindy Ripley at (615) 815-2269 or cripley@thda.org with any questions or concerns regarding this form.
### 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.

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### Part II. Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is correct (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.

### 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.

### 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.
Tab # 3

Items:
Bond Finance Committee Meeting Materials
Tennessee Housing Development Agency
Bond Finance Committee

November 9, 2018
2:00 P.M. Central Time

AGENDA

1. Call to Order ..................................................................................................................... Wilson
2. Approval of minutes from September 24 and October 3, 2018, meetings ...................... Wilson
3. Financial Advisor Selection ................................................................................ Osborne/Miller
4. Issue 2019-1 Authorization ....................................................................................... Miller
5. Issue 2019-1 Reimbursement Resolution ..................................................................... Miller
6. THDA Debt Issuance and Underwriter Performance Analysis ....................................... Miller
7. THDA Debt Limit Analysis ......................................................................................... Miller
8. Five Year Financial Plan ............................................................................................. Beard
9. Issue 2018-3 State Form CT-0253 ............................................................................... Miller
10. Adjourn ....................................................................................................................... Wilson

LOCATION

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

COMMITTEE MEMBERS

Kim Grant Brown, Chair
Secretary Tre Hargett
Treasurer David Lillard
Commissioner Larry Martin
Comptroller Justin Wilson
Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Monday, September 24, 2018, at 10:00 A.M. in Conference Room G-3, State Capitol, Nashville, Tennessee. The following members were present: Comptroller Justin Wilson, Secretary of State Tre Hargett, Treasurer David Lillard, and Greg Turner (for Commissioner of Finance & Administration Larry Martin). Kim Grant Brown (Chair) participated by conference call.

At the request of Chair Brown, Comptroller Wilson chaired the meeting. Comptroller Wilson noted a physical quorum was present and called the meeting to order. He asked for a motion to approve the minutes of the August 7, 2018, meeting. Upon motion by Chair Brown, a second by Comptroller Wilson, and the following roll call vote, the motion carried to approve the August 7, 2018, minutes:

Chair Brown: Yes
Secretary Hargett: Yes
Treasurer Lillard: Yes
Mr. Turner for Commissioner Martin: Yes
Comptroller Wilson: Yes

Chair Brown then recognized Lynn Miller, THDA Chief Legal Counsel, to report on the financial advisor selection process. Ms. Miller noted the contract with the current financial advisor, CSG Advisors Incorporated, expires at the end of the calendar year. She referenced the following materials which were included in the Board packet:

- Resolution of the Board of Directors of the Tennessee Housing Development Agency Regarding the Process for Selection of a Financial Advisor (the “FA Authorizing Resolution”);
- RFP cover letter to be signed by Comptroller Wilson;
- Form of the Request For Proposal (“RFP”); and
- Distribution list of firms to receive the RFP.

Ms. Miller provided copies of a revised distribution list that reflected the deletion of three firms from the draft list since they were not independent financial advisors. She indicated the timetable provides for staff to work through the process and provide a recommendation to the Bond Finance Committee at the November meeting. She noted the RFP will be corrected to show the Bond Finance Committee meeting on November 9 since November 12 is a state holiday and State Offices will be closed. Secretary Hargett asked if there were any significant changes from the previous RFP. Ms. Miller indicated the RFP was in the same general form with updates to reflect changes in THDA’s bond issuances to date. She noted that one question was added to ask whether firms are registered financial advisors given the new Consumer Finance Protection Bureau rules. Comptroller Wilson indicated he believes the requirement regarding using only independent financial advisor firms is appropriate, noted it is a fairly major consideration and asked if there were any questions. There was no further discussion. Upon motion by Comptroller Wilson, second by Secretary Hargett, and with the following roll call vote, the Committee recommended Board approval of the FA Authorizing Resolution:

Chair Brown: Yes
Secretary Hargett: Yes
Treasurer Lillard: Yes
Mr. Turner for Commissioner Martin: Yes
Comptroller Wilson: Yes
Comptroller Wilson next recognized Ms. Miller regarding authorization of Issue 2018-4 and the Issue 2018-4 Reimbursement Resolution. Ms. Miller noted the Issue 2018-3 Reimbursement Resolution in the amount of $60 million was amended in July to increase the authorization amount to $80 million. She explained that THDA reimbursed itself in the amount of $79,999,950 when Issue 2018-3 closed in early September, then on the day following closing, THDA purchased approximately $20 million in additional loans, so the Issue 2018-3 proceeds were being expended quickly. She noted that THDA already committed approximately $30 million against Issue 2018-4 proceeds, so authorization of this bond issue was recommended by staff. She referenced the following documents in the Board materials:

- a memorandum regarding Issue 2018-4 from Ms. Miller, dated September 19, 2018, that described the documents to be considered, explained how the authorization for Issue 2018-4 complies with THDA’s Debt Management Policy, and included recommendations from CSG Advisors Incorporated (“CSG”), financial advisor for THDA, for Raymond James to serve as bookrunning senior manager and J.J.B. Hilliard, W.L. Lyons, LLC, to serve as the rotating co-manager;
- a memorandum from CSG dated September 14, 2018, that recommended authorization of Issue 2018-4 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed $225 million, which includes a new money component as well as a small refunding component;
- the Plan of Financing for Issue 2018-4 in an aggregate principal amount not to exceed $225 million (the “Plan of Financing”);
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2018-4 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2018-4 bonds (the “Authorizing Resolution”);
- the form of Series Resolution for Issue 2018-4; and
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2018-4 in an amount not to exceed $100 million (the “Reimbursement Resolution”).

Ms. Miller noted the recommendation by staff and CSG is for the Committee to approve the Plan of Financing for Issue 2018-4 in a maximum principal amount of $225 million and to recommend Board approval of both the Authorizing Resolution that authorizes the bond issuance and delegates authority back to the Committee to determine all of the final terms and conditions of the Issue 2018-4 bonds and the Reimbursement Resolution in the amount of $100 million. Upon motion by Comptroller Wilson, second by Treasurer Lillard, and with the following roll call vote, the Committee approved the Plan of Financing and recommended Board approval of the Authorizing Resolution and the Reimbursement Resolution:

Chair Brown: Yes
Secretary Hargett: Yes
Treasurer Lillard: Yes
Mr. Turner for Commissioner Martin: Yes
Comptroller Wilson: Yes

Comptroller Wilson called on Ms. Miller to present the Investment Policy (Revised and Restated). Ms. Miller noted that THDA’s current Investment Policy was last reviewed in 1995. She indicated that THDA staff and Treasury Department staff reviewed the current Investment Policy and concluded that a number of changes were needed to update the policy. Ms. Miller noted the revised Investment Policy in the Board packet was the result of that effort. She indicated fiduciary standards were developed and responsibilities were identified for the Treasurer, and for the Executive Director should the Treasurer choose to delegate authority to the Executive Director, as well as to the staff who will be handling the
investments; however, the basic investment vehicles have not been changed significantly. Upon motion by Treasurer Lillard, second by Comptroller Wilson, and with the following roll call vote, the Committee recommended Board approval of the Investment Policy (Revised and Restated):

Chairman Brown: Yes
Secretary Hargett: Yes
Treasurer Lillard: Yes
Mr. Turner for Commissioner Martin: Yes
Comptroller Wilson: Yes

There being no further business to come before the Committee today, Comptroller Wilson recessed the meeting until 9:10 AM on Tuesday, September 25, in Memphis, Tennessee.

RECONVENED
September 25, 2018

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Bond Finance Committee reconvened at 9:10 A.M., on September 25, 2018, at the Kress Ballroom, SpringHill Suites, Memphis, Tennessee. The following members were present: Kim Grant Brown (Chair), Secretary of State Tre Hargett, Treasurer David Lillard, and Ann Butterworth (for Comptroller Justin Wilson (Secretary)). Commissioner of Finance & Administration Larry Martin was absent. Other Board members attending the meeting included: Dorothy Cleaves, Regina Hubbard, Todd Skelton, John Snodderly, Lynn Tully and Pieter van Vuuren.

Seeing a quorum present, Chair Brown reconvened the meeting. She noted that earlier, during the Audit & Budget Committee meeting, the Committee heard the presentation of the Fiscal Year 2018 Investment Report from Trent Ridley, THDA Chief Financial Officer. There was no further discussion.

Chair Brown noted that the Committee also heard the Fiscal Year 2020 Budget presentation (the “Proposed Budget”) made to the Audit & Budget Committee. The Audit and Budget Committee recommended approval of the Proposed Budget. Upon motion by Treasurer Lillard, second by Secretary Hargett, the Bond Finance Committee recommend approval of the Proposed Budget to the Board with authorization for staff to make any necessary adjustments in conjunction with requests from the Department of Finance & Administration.

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

Respectfully submitted,

______________________________
Assistant Secretary

Approved the 9th day of November, 2018.
Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Wednesday, October 3, 2018, at 4:30 P.M. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The following members were present: Keith Boring (for Secretary of State Tre Hargett), Kevin Bradley (for Treasurer David Lillard), Greg Turner (for Commissioner of Finance & Administration Larry Martin), and Comptroller Justin Wilson (Secretary). Kim Grant Brown (Chair) participated by conference call.

At the request of Chair Brown, Comptroller Wilson chaired the meeting. Comptroller Wilson noted a physical quorum was present and called the meeting to order. He indicated the Committee would consider the sale of Issue 2018-4 Bonds and recognized Lynn Miller, THDA Chief Legal Counsel, who presented the following documents that were circulated for the Committee’s consideration:

- Memo from CSG Advisors Incorporated (“CSG”), financial advisor for THDA, dated October 3, 2018, recommending approval of the described pricing for Issue 2018-4.
- Resolution of the Bond Finance Committee approving the issuance and sale of Issue 2018-4 (Non-AMT) in the aggregate principal amount of $225,000,000 (the “Award Resolution”). The following documents were attached to the Award Resolution as exhibits and were incorporated by reference:
  - Bond Purchase Agreement for the sale of Issue 2018-4 Bonds to the underwriting syndicate, led by Raymond James & Associates, Inc. (“Raymond James”), the bookrunning senior manager;
  - Supplemental Resolution for the Issue 2018-4 Bonds; and
  - Bond Maturity Report showing the maturities and interest rates for the Issue 2018-4 Bonds.

Ms. Miller pointed out that the sale took place in a difficult market; however, the sale achieved approximately $79 million in retail orders. She noted that although overall orders were double the amount of bonds available, some maturities were not sold, therefore, Raymond James offered to underwrite approximately $14.5 million in bonds. She indicated that by adopting the Award Resolution, the Committee will be approving and ratifying the Preliminary Official Statement that was released last week, approving the Bond Purchase Agreement and authorizing Comptroller Wilson to sign it, approving the Supplemental Resolution and the pricing as set forth in the Final Bond Maturity Schedule.

Tim Rittenhouse and David Jones, from CSG, who participated by conference call, also provided comments. Mr. Jones indicated there was a good market tone when the Raymond James consensus scale was received, so, following discussions, yields were lowered by 5 basis points on the 2043 and 2049 term bonds as well as 1 basis point on the PAC bond. He explained that yields increased throughout the day, and, based on good retail orders and institutional pre-marketing, Raymond James recommended acceleration of the sale. He indicated that following discussions, CSG also recommended acceleration and THDA staff agreed. Mr. Rittenhouse noted strong retail and institutional orders and willingness of buyers to take bonds at the offered prices even with a change in the market, leading to concern that there would be a loss of buyers overnight. Mr. Jones added that CSG feels it was a very strong order period and recommended approval of the pricing.

Ms. Miller indicated that staff concurs with CSG’s recommendation to approve the pricing and to adopt the Award Resolution. Comptroller Wilson asked THDA staff if the sale at these rates met their
objectives and if they were satisfied with Raymond James’s performance. Ms. Miller indicated the sale did meet their objectives and added that the amount of zeros to be used was less than originally anticipated. Mr. Jones indicated CSG was satisfied with Raymond James’s performance.

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

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

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

Respectfully submitted,

Sandra Thompson, Assistant Secretary

Approved this 9th day of November, 2018.
To Be Sent Separately

Bond Finance Committee

Agenda Item No.

3. Financial Advisor Selection

Documentation for this item will be provided prior to the November 9 Committee meeting.
MEMORANDUM

DATE: November 5, 2018

TO: THDA Bond Finance Committee and Board

FROM: Lynn Miller
Chief Legal Counsel


DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

Attached please find the following documents in connection with the requested authorization of the next THDA bond issue, Issue 2019-1:

1. Memo from CSG Advisors Incorporated (“CSG”) recommending authorization in the maximum principal amount of $175 million for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. This bond issue is not expected to include a refunding component. Staff expects this bond issue to be priced in February 2019, with closing in March 2019, depending on THDA loan production. The final size and structure will be determined by the Bond Finance Committee closer to pricing.

2. THDA Plan of Financing for Issue 2019-1 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.

3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2019-1, which includes the form of Series Resolution for Issue 2019-1 and which authorizes the referenced bond issue and delegates authority to the Bond Finance Committee to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.

4. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2019-1 in an amount not to exceed $100 million. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.
COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2019-1 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the “Debt Management Policy”). In particular, Issue 2019-1 complies with the Debt Management Policy as follows:

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

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

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

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

Parts XV, XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2019-1 does not include a refunding component, interest rate and forward purchase agreements, conduit debt, or variable rate debt.

BOOKRUNNING SENIOR MANAGER

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

The “soft” rotation began with Raymond James (Issue 2018-1), followed by RBC (Issue 2018-2) and Citigroup (Issue 2018-3). Consistent with the CSG recommendation, THDA staff recommends that RBC Capital Markets, LLC, be appointed as the bookrunning senior manager for Issue 2019-1.

ROTATING CO-MANAGER

Based on the CSG recommendation, THDA staff recommends that selling group member Wiley Brothers-Aintree Capital be appointed to serve as rotating co-manager for Issue 2019-1 based on allotments resulting from Tennessee retail orders on Issue 2018-4.

SELLING GROUP

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

LEM/ds
MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee
FROM: Tim Rittenhouse, David Jones, Mark Kaveny & Eric Olson
SUBJECT: Bond Issue Authorization Recommendation
RE: Residential Finance Program Bonds, Issue 2019-1
DATE: November 2, 2018

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a $175 million Issue 2019-1 under the Residential Housing Finance Program Bond Resolution as new money bonds to fund THDA’s mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale date based on THDA’s pipeline and interest rates at the time.

- Issue 2018-4 will close on November 15, 2018, however, THDA expects Issue 2018-4 to be fully committed by late December 2018, at which time they will begin committing against Issue 2019-1.

- Issue 2019-1 is expected to be sold in February 2019 for a closing in March 2019, providing funding for winter and early spring production.

- Alternative bond structures, including the use of excess THDA mortgage collateral from the 1985 Resolution to lower the bond yield will be analyzed and presented closer to pricing.

- For Issue 2019-1, CSG recommends RBC Capital Markets as book-running senior manager and Wiley Brothers - Aintree as the selling group manager to be elevated to co-manager (see Appendix A for our Underwriter Recommendation Memo).

Current Market Conditions

Since THDA’s Issue 2018-4 on October 3, 2018 interest rates have been mixed to slightly higher, with the 10-year US Treasury bond almost unchanged from 3.15% to 3.14% on November 1st, and the 30-year treasury increasing from 3.30% to 3.38% over the same period. High-quality tax-exempt Municipal Market Data Index ("MMD") yields over the same period also trended higher than their October 3rd levels, with the 10- and 30-year yield up from 2.62% and 3.27%, to 2.75% and 3.40%, respectively. In general, municipal bonds as evidenced by MMD have underperformed treasuries with higher municipal supply having come to market at a time when rates are trending higher.
Although international events including trade and tariffs have continued to have market impact and increased volatility particularly in the equity market, the U.S. economy continues to show enough strength such that interest rates continue to rise. As economists underline the importance of full-employment and economic bottlenecks, signs of price inflation continue. There are soft spots in the economy and risks that such higher interest rates could slow economic output (housing for example), however, recent minutes from Federal Reserve’s Open Market Committee (FOMC) indicated that they are committed to interest rate increases in spite of inflation hitting its 2% mandate. There is concern that the FOMC could be raising rates too quickly given their impact on economic activity as well as the impact that the trade tariffs have on business confidence. Nevertheless, the market currently expects the FOMC to increase short-term interest rates by another 0.25% at its December meeting.

Background

On October 3, 2018, THDA priced its Residential Finance Program Bonds, Issue 2018-4 in the amount of $225 million of which $209.22 million is available to purchase new mortgage loans. As of October 31, 2018, approximately $100 million of Issue 2018-4 proceeds were committed.

When the Issue 2018-4 proceeds are exhausted, THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2019-1. Beginning in late December 2018, THDA anticipates building a pipeline of mortgage loans that will be funded with Issue 2019-1. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2019-1 in March 2019.

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

In order to further lower the bond yield and reduce the amount of zeros consumed by the issuance, THDA could contribute excess mortgage loan collateral currently held in the 1985 General Resolution in order to structure the Issue 2019-1 Bonds earlier in the maturity schedule at lower rates than if structured pro-rata throughout the maturity schedule. THDA took this approach most recently in Issue 2018-1. There are several effects of including excess mortgage collateral in the proposed new transaction:

1) Expected savings allow THDA to set lower mortgage interest rates than would otherwise be possible without contributions of additional zeros, accepting a lower spread, or some other form of subsidy;
2) The shorter average life of the transferred mortgage loan portfolio accelerates the repayment of the bonds and lowers bond interest costs on the new bond issue; and
3) Post-transfer, the excess mortgage loan repayments and prepayments would no longer be available to redeem bonds in the 1985 General Resolution, but instead would be used to redeem Issue 2019-1 Bonds.
4) Such use of the excess mortgage loan receipts is not expected to negatively impact the cash flows of the 1985 General Resolution or THDA’s ability to fund other programs from its Resolutions; however, CSG will review the impact of such a transfer and provide additional information as such structure is considered.
Proposed Sizing and Structure for Issue 2019-1

Authorizing a bond issue of not to exceed $175 million will allow THDA to continue purchasing mortgage loans well into the spring of 2019. The ultimate size of the issue will depend on mortgage loan demand up until pricing, on interest rates, and on an assessment of negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond interest rate before such proceeds can be used to purchase mortgage loans).

Based on current market conditions and investor appetite, structuring Issue 2019-1 to include planned amortization class bonds ("PACs") to be sold at a premium would significantly lower the issue’s bond yield. PACs are often priced at a premium and most commonly designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same maturity.

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

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

- **Scenario 1** shows a level-debt issue with no PAC bonds, refunding component or overcollateralization. The spread for tax purposes is 0.772%. $12.8 million in zeros would be consumed to increase the issue to a full 1.125% spread. This is not an optimal and sustainable structure, see Scenarios 2 & 3 below.

- **Scenario 2** includes non-AMT PAC bonds. The lower yield on the PAC reduces the overall bond yield by 0.18% and would result in a spread for tax purposes of 0.946%. $6.0 million in zeros would be consumed to increase the issue to a full 1.125% spread.

- **Scenario 3** in addition to including non-AMT PAC bonds, the structure assumes $7.5 million in unencumbered, seasoned mortgage loans are transferred and used to over-collateralize and accelerate the repayment of the Issue 2019-1 bonds. Since the transferred collateral allows for a shorter bond maturity schedule with a slightly larger PAC bond, the bond yield is reduced 0.10% when compared to Scenario 2 above and would result in a spread for tax purposes of 1.022%. $3.1 million in zeros would be consumed to increase the issue to a full 1.125% spread.

It should be noted that THDA has accumulated approximately $85 million in zeros that can be used to subsidize new bond issues such as Issue 2019-1. Each of the scenarios summarized above and listed in Exhibit B assume that THDA continues lending at interest rates of 4.875% and 4.375% for its Great Choice and Brave Choice loan programs, respectively.

As the financing is developed, production needs are refined, and the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or
super-sinker bonds to evaluate if further refinement of the structure could offer an improvement in the pricing of Issue 2019-1.

Issuing the 2019-1 bonds under the 2013 General Resolution will avoid a state moral obligation pledge on such bonds.

**Method of Sale**

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

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

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

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

- **Bond Structure** – Though Issue 2019-1 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, additional maturities or features, or in bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in THDA’s offerings in the last year in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

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

**Recommendations**

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

- Authorize the issuance and sale of Residential Finance Program Bonds, Issue 2019-1, with a par amount not to exceed $175 million;
- Delegate to the Bond Finance Committee the authority to:
  - Establish the principal amount of Issue 2019-1, with the aggregate size of Issue 2019-1 not to exceed $175 million;
  - Establish the structure, sub-series and pricing schedule of Issue 2019-1;
  - Approve long and shorter maturity bonds in any combination of fixed rate bonds not to exceed a maturity of 32 years; and
  - Approve the transfer of up to $7.5 million of unencumbered seasoned THDA mortgage loans or other resources from THDA’s 1985 General Resolution to over-collateralize Issue 2019-1.
- Based on current market conditions and for the reasons described above, authorize Issue 2019-1 via a negotiated sale.
- Underwriter Recommendation (see Appendix A for our complete Underwriter Recommendation memo):
  - In view of the continuing value RBC Capital Markets has provided as a member of the syndicate, we recommend that RBC serve as book-running senior manager for Issue 2019-1.
Exhibit A

Preliminary Structuring Analysis

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Money Non-AMT</td>
<td>175,000,000</td>
<td>175,000,000</td>
<td>175,000,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>175,000,000</td>
<td>175,000,000</td>
<td>175,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bond Structure</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Serials 2019-2032 Non-AMT 1.95 - 3.70 %</td>
<td>53,480,000</td>
<td>33,265,000</td>
<td>40,415,000</td>
</tr>
<tr>
<td>Term 2034 Non-AMT 3.800 %</td>
<td>10,480,000</td>
<td>6,630,000</td>
<td>8,105,000</td>
</tr>
<tr>
<td>Term 2039 Non-AMT 4.000 %</td>
<td>30,095,000</td>
<td>19,160,000</td>
<td>23,255,000</td>
</tr>
<tr>
<td>Term 2044 Non-AMT 4.125 %</td>
<td>36,825,000</td>
<td>23,695,000</td>
<td>26,065,000</td>
</tr>
<tr>
<td>Term 2046 Non-AMT 4.150 %</td>
<td>-</td>
<td>-</td>
<td>14,560,000</td>
</tr>
<tr>
<td>Term 2049 Non-AMT 4.200 %</td>
<td>44,120,000</td>
<td>30,250,000</td>
<td>-</td>
</tr>
<tr>
<td>PAC Term Non-AMT 4.50 / 2.96 %</td>
<td>-</td>
<td>62,000,000</td>
<td>62,600,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>175,000,000</td>
<td>175,000,000</td>
<td>175,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Yields</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Yield (1)</td>
<td>4.692 %</td>
<td>4.692 %</td>
<td>4.692 %</td>
</tr>
<tr>
<td>Bond Yield</td>
<td>3.921 %</td>
<td>3.746 %</td>
<td>3.671 %</td>
</tr>
<tr>
<td>Yield Spread</td>
<td>0.772</td>
<td>0.946</td>
<td>1.022</td>
</tr>
</tbody>
</table>

| Zero Percent Loans (Consumed) / Created | (12,800,000) | (6,000,000) | (3,100,000) |

| Yield Spread After Zero Participations | 1.125 % | 1.125 % | 1.125 % |

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

<table>
<thead>
<tr>
<th>Program</th>
<th>Origination Amount</th>
<th>Mortgage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Choice</td>
<td>171,500,000</td>
<td>4.875% [Existing/Future Production]</td>
</tr>
<tr>
<td>Brave Choice</td>
<td>3,500,000</td>
<td>4.375% [Existing/Future Production]</td>
</tr>
<tr>
<td>85 Ind Overcollaterization</td>
<td>7,500,000</td>
<td>5.000% [reflected in Scenario 3 only]</td>
</tr>
</tbody>
</table>
### Exhibit A - Supplement: Impact of Changing Future Mortgage Rates

#### Preliminary Structuring Analysis

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

<table>
<thead>
<tr>
<th>Structuring Scenario</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No PAC / No Overcollateralization</td>
<td>With PAC / No Overcollateralization</td>
<td>With PAC / With Overcollateralization</td>
</tr>
<tr>
<td>Interest Rate Scale as of Date 10/31/2018</td>
<td>10/31/2018</td>
<td>10/31/2018</td>
<td>10/31/2018</td>
</tr>
<tr>
<td>Including PAC Bonds No</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Including $7,500,000 Over-Collateralization No</td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Bond Yields 3.921 %</td>
<td>3.746 %</td>
<td>3.671 %</td>
<td></td>
</tr>
</tbody>
</table>

#### Mortgage Rates and Zero Percent Loans Needed

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mortgage Rate on 'Future' Mortgages</td>
<td>4.875 %</td>
<td>4.875 %</td>
</tr>
<tr>
<td></td>
<td>Mortgage Rate on 'Future' Mortgages to Reduce Zeros by 50%</td>
<td>5.050 %</td>
<td>4.950 %</td>
</tr>
<tr>
<td></td>
<td>Mortgage Rate on 'Future' Mortgages to Reduce Zeros by 100%</td>
<td>5.230 %</td>
<td>5.050 %</td>
</tr>
<tr>
<td></td>
<td>Mortgage Yield (1)(2)</td>
<td>4.692 %</td>
<td>4.692 %</td>
</tr>
<tr>
<td></td>
<td>Yield Spread</td>
<td>0.772</td>
<td>0.946</td>
</tr>
<tr>
<td></td>
<td>Zero Percent Loans (Consumed) / Created for Full Spread (12,800,000)</td>
<td>(6,000,000)</td>
<td>(3,100,000)</td>
</tr>
<tr>
<td></td>
<td>Mortgage Yield (1)</td>
<td>5.046 %</td>
<td>4.871 %</td>
</tr>
<tr>
<td></td>
<td>Yield Spread</td>
<td>1.125</td>
<td>1.125</td>
</tr>
<tr>
<td></td>
<td>Zero Percent Loans (Consumed) / Created for Full Spread (6,400,000)</td>
<td>(3,000,000)</td>
<td>(1,550,000)</td>
</tr>
</tbody>
</table>

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

(2) Prior to the application of zeroes (Consumed) / Created
APPENDIX A:
ISSUE 2019-1 UNDERWRITER RECOMMENDATION MEMO
MEMORANDUM

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

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

SUBJECT: Underwriter Recommendation
Residential Finance Program Bonds, Issue 2019-1 (the “Bonds”)

DATE: November 2, 2018

Background

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

Elevated Selling Group Member

Excluding the standing THDA managers, the following table shows the retail performance of each selling group member for Issue 2018-4:

<table>
<thead>
<tr>
<th>Member</th>
<th>Retail Orders</th>
<th>Final Allotments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wiley Bros.-Aintree</td>
<td>$5,440</td>
<td>$3,950</td>
</tr>
<tr>
<td>Hilliard Lyons</td>
<td>3,290</td>
<td>2,815</td>
</tr>
<tr>
<td>Duncan-Williams</td>
<td>2,590</td>
<td>1,540</td>
</tr>
<tr>
<td>FTN Financial</td>
<td>1,045</td>
<td>760</td>
</tr>
<tr>
<td>RW Baird</td>
<td>295</td>
<td>195</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,660</strong></td>
<td><strong>$9,260</strong></td>
</tr>
</tbody>
</table>

Whether based on final allotments or retail orders, Wiley Bros. - Aintree Capital qualified as the selling group member to be elevated to co-manager for THDA’s Issue 2019-1.
Book-Running Senior Manager

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

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

RBC Capital Markets continues to perform very well when selected as the book-running senior manager, evidenced by aggressive pricing of Issue 2018-2, the last issue RBC senior-managed for THDA. When senior managing prior issues, the firm has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. CSG has worked with RBC on numerous issuances for other HFAs in the months since Issue 2018-2 and RBC continues to successfully manage and achieve good pricing results for other clients, even in the current challenging municipal bond market.

Given their continued performance, we recommend that RBC Capital Markets serve as book-running senior manager for Issue 2019-1.

TABLE 2: BOOK-RUNNING SENIOR MANAGERS, LAST 4 BOND ISSUES

<table>
<thead>
<tr>
<th>Bond Issue</th>
<th>Amount of Par Bonds Issued ($ millions)</th>
<th>Book-Running Senior Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue 2018-1</td>
<td>$ 99.9</td>
<td>Raymond James</td>
</tr>
<tr>
<td>Issue 2018-2</td>
<td>160.0</td>
<td>RBC Capital Markets</td>
</tr>
<tr>
<td>Issue 2018-3</td>
<td>149.9</td>
<td>Citigroup Global Markets</td>
</tr>
<tr>
<td>Issue 2018-4</td>
<td>225.0</td>
<td>Raymond James</td>
</tr>
</tbody>
</table>

A summary of the orders and final allotments for each of the last three bond issues is provided as Exhibit 1.
EXHIBIT 1: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,
LAST THREE (3) BOND ISSUES
THDA UNDERWRITER PERFORMANCE SUMMARY -- 2018-2, 2018-3, and 2018-4
2018-2 (RBC lead, Wiley co)
160,000,000
Orders
Citigroup*
Tennessee Retail
National Retail
Net Designated
Member
Total
Raymond James
Tennessee Retail
National Retail
Net Designated
Member
Total
RBC Capital Markets
Tennessee Retail
National Retail
Net Designated
Member
Total
J.P. Morgan
Tennessee Retail
National Retail
Net Designated
Member
Total
Wells Fargo
Tennessee Retail
National Retail
Member
Total
Duncan-Williams
Tennessee Retail
National Retail
Member
Total
Fidelity*
Tennessee Retail
National Retail
Total
FTN Financial
Tennessee Retail
National Retail
Member
Total
Harvestons
Tennessee Retail
National Retail
Member
Total
J.J.B. Hilliard
Tennessee Retail
Member
Total
Robert W. Baird & Co.
Tennessee Retail
National Retail
Total
Wiley Bros-Aintree
Tennessee Retail
Total
TOTAL
Tennessee Retail
National Retail
Net Designated
Member
Total

2018-3 (Citi lead, Hilliard co)
149,900,000

Allotments

Orders

2018-4 (RJ lead, Hilliard co)
225,000,000

Allotments

Orders

Combined 2018-2,3,4
534,900,000

Allotments

Orders

Allotments

500
2,600
2,000
19,000
24,100

350
650
300
0
1,300

11,655
14,300
342,535
0
368,490

7,275
4,100
107,600
8,735
127,710

505
4,290
2,815
28,890
36,500

250
2,020
700
815
3,785

12,660
21,190
347,350
47,890
429,090

7,875
6,770
108,600
9,550
132,795

4,450
1,540
500
35,940
42,430

3,200
525
500
0
4,225

8,575
3,640
3,000
20,000
35,215

6,580
2,145
400
0
9,125

44,990
12,675
453,785
350
511,800

35,385
2,845
169,220
350
207,800

58,015
17,855
457,285
56,290
589,445

45,165
5,515
170,120
350
221,150

71,765
24,255
286,685
0
382,705

37,260
1,635
104,660
0
143,555

0
2,200
0
21,000
23,200

0
845
0
0
845

35
1,545
0
43,215
44,795

35
995
0
0
1,030

71,800
28,000
286,685
64,215
450,700

37,295
3,475
104,660
0
145,430

500
4,235
1,500
13,000
19,235

450
1,100
200
0
1,750

575
3,125
0
10,000
13,700

350
1,690
0
0
2,040

275
2,480
0
10,000
12,755

75
475
0
0
550

1,350
9,840
1,500
33,000
45,690

875
3,265
200
0
4,340

100
1,265
38,325
39,690

100
715
0
815

1,225
4,910
30,000
36,135

950
1,880
0
2,830

0
2,170
113,885
116,055

0
1,575
750
2,325

1,325
8,345
182,210
191,880

1,050
4,170
750
5,970

300
0
1,250
1,550

300
0
0
300

200
500
500
1,200

200
300
0
500

1,540
1,050
700
3,290

1,540
0
250
1,790

2,040
1,550
2,450
6,040

2,040
300
250
2,590

570
915
1,485

530
150
680

0
0
0

0
0
0

0
0
0

0
0
0

570
915
1,485

530
150
680

200
285
10,000
10,485

200
0
0
200

1,120
0
2,500
3,620

795
0
0
795

1,045
0
10,000
11,045

760
0
0
760

2,365
285
22,500
25,150

1,755
0
0
1,755

200
450
8,000
8,650

0
0
0
0

0
0
0
0

0
0
0
0

0
0
0
0

0
0
0
0

200
450
8,000
8,650

0
0
0
0

4,360
750
5,110

3,885
0
3,885

3,710
1,300
5,010

2,925
300
3,225

3,290
600
3,890

2,815
0
2,815

11,360
2,650
14,010

9,625
300
9,925

70
75
145

70
75
145

150
255
405

150
255
405

0
295
295

0
195
195

220
625
845

220
525
745

3,195
3,195

3,145
3,145

3,290
3,290

2,425
2,425

5,440
5,440

3,950
3,950

11,925
11,925

9,520
9,520

86,210
35,620
290,685
126,265
538,780

49,490
4,850
105,660
0
160,000

30,500
28,930
345,535
85,300
490,265

21,650
11,215
108,000
9,035
149,900

57,120
24,505
456,600
207,640
745,865

44,810
8,105
169,920
2,165
225,000

173,830
89,055
1,092,820
419,205
1,774,910

115,950
24,170
383,580
11,200
534,900

* Beginning
Beginningwith
withIssue
Issue2018-3,
2018-3,Fidelity
FidelityCapital
CapitalMarkets
Marketssubmits
submitsits
itsorders
ordersthrough
throughaaretail
retaildistribution
distribution
agreement with Citigroup and as such, its orders are reflected in the Citigroup order figures.

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

**AMOUNT:**

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2019-1 (the “Bonds”), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”).

The aggregate principal amount of the Bonds shall not exceed $175,000,000. The actual aggregate principal amount shall be determined by the Bond Finance Committee of the THDA Board of Directors (the “Bond Finance Committee”) upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA’s Bond Counsel and may take into account the following limitations and other factors:

1. the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and

2. the amount of Bonds which may be issued to refund bonds or notes outstanding under the General Resolution, the General Homeownership Program Bond Resolution (the “1985 Resolution”); or under the General Housing Finance Resolution (the “2009 Resolution”) to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and

3. the amount of Bonds that may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans financed from available THDA funds prior to the availability of proceeds from the Bonds; and

4. the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and

5. the availability of THDA’s funds, subject to the review of the Bond Finance Committee, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and

6. the amount of resources (loans and cash) available under the 1985 General Resolution to overcollateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.
APPLICATION OF PROCEEDS: Proceeds of the Bonds will be applied to (i) finance Program Loans by the direct purchase thereof; and (ii) other uses as specified below in approximately the following amounts:

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

DATE, METHOD AND TERMS OF SALE: The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than June 30, 2019. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.

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

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

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

LOAN INTEREST RATES AND COST OF ADMINISTRATION: Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA’s costs of administration for the Bonds may be paid.
RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2019-1
November 13, 2018

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on November 9, 2018, approved a plan of financing for Residential Finance Program Bonds, Issue 2019-1 (the “Bonds”) in an aggregate par amount not to exceed $175,000,000 (the “Plan of Financing”); and

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

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

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

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

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

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

1. The issuance and sale of the Bonds, in an aggregate par amount not to exceed $175,000,000, with the final terms, all as determined by the Committee, upon the recommendation of THDA’s Financial Advisor, the Executive Director and the Secretary of the Committee, with the approval of THDA’s Bond Counsel, is hereby authorized.

2. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, $_________ Issue 2019-1A (AMT), $_________ Issue 2019-1B (Non-AMT), and $_________ Issue 2019-1C (Non-AMT)” (the “Supplemental Resolution”), in the form attached hereto, is adopted, subject to the provisions contained herein.

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

4. The Committee is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds; (f) approve a final principal amount or amounts, not to exceed a par amount of $175,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Committee, upon the recommendation of the Executive Director or Secretary of the Committee, with the approval of Chief Legal
Counsel of THDA and Bond Counsel, as the Committee shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; and (j) award the Bonds in accordance therewith. At the discretion of the Committee, the Bonds may include new volume cap and any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Resolution, under the General Homeownership Program Bond Resolution or under the General Housing Finance Resolution, including, without limitation, to produce proceeds for new mortgage loans or to produce economic savings or opportunities for interest rate subsidies. In addition, the Committee, at its discretion may elect to transfer resources from the General Homeownership Program Bond Resolution and/or the General Housing Finance Resolution to the General Resolution in connection with the issuance of the Bonds upon recommendation of the Executive Director or Secretary of the Committee with the approval of Bond Counsel, Financial Advisor and Chief Legal Counsel.

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

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

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

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

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

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

11. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on November 13, 2018.
TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

$__________ Issue 2019-1A (AMT)

$__________ Issue 2019-1B (Non-AMT)

$__________ Issue 2019-1C (Non-AMT)

Adopted November 13, 2018

as amended and supplemented

by the Bond Finance Committee

of THDA on __________ __, 2019
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A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF

RESIDENTIAL FINANCE PROGRAM BONDS

$__________ ISSUE 2019-1A (AMT)
$__________ ISSUE 2019-1B (Non-AMT)
$__________ ISSUE 2019-1C (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 2019-1 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

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

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

[“400% PSA Prepayment Amount” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2019-1 Bonds (including Program Securities and the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

“Bond Purchase Agreement” means the contract for the purchase of the Issue 2019-1 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

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

“Co-Managers” means [J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and ___________________.]

“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 2019-1 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2019-1 Bonds (including Program Securities [and the Transferred Program Loans]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-1 Bonds.


“Issue 2019-1A Bonds” means the Issue 2019-1A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“Issue 2019-1A PAC Bonds” means the Issue 2019-1A Bonds in the aggregate principal of $__________ maturing __________.]

[“Issue 2019-1A PAC Bonds Planned Amortization Amount” means the cumulative amount of Issue 2019-1A PAC Bonds expected to be redeemed upon the receipt of Excess 2019-1 Principal Payments at a rate equal to ___% PSA, as set forth in Exhibit B hereto.]

“Issue 2019-1B Bonds” means the Issue 2019-1B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.


[“Issue 2019-1C PAC Bonds” means the Issue 2019-1C Bonds in the principal amount of $__________ maturing __________.]

[“Issue 2019-1C PAC Bonds Planned Amortization Amount” means the cumulative amount of Issue 2019-1C PAC Bonds expected to be redeemed upon the receipt of Excess 2019-1 Principal Payments at a rate equal to ___% PSA, as set forth in Exhibit B hereto.]

“Issue Date” means the date on which the Issue 2019-1 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on _____ __, 2019.

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


[“PAC Bonds” means, collectively, the Issue 2019-1A PAC Bonds and the Issue 2019-1C PAC Bonds.]

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

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

“Resolution” means this Supplemental Resolution adopted by THDA on November 13, 2018, as amended and supplemented by the Bond Finance Committee on __________ __, 2019.

“Serial Bonds” means the Issue 2019-1 Bonds which are not Term Bonds.

“Term Bonds” means, collectively, the Issue 2019-1A Bonds maturing __________, the Issue 2019-1B Bonds maturing _____ and the Issue 2019-1C Bonds maturing __________.

[“Transferred Investments” means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2019-1 Bonds upon the refunding of the Refunded Bonds.]”

[“Transferred Program Loans” means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2019-1 Bonds upon the refunding of the Refunded Bonds.]


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

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

(e) [Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans and Program Securities and the phrase “Program Loans allocable to the Issue 2019-1 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2019-1 Bonds.]
Section 1.03. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2019-1A are hereby authorized to be issued in the aggregate principal amount of $__________, Residential Finance Program Bonds, Issue 2019-1B are hereby authorized to be issued in the aggregate principal amount of $__________ and Issue 2019-1C are hereby authorized to be issued in the aggregate principal amount of $__________. In addition to the title “Residential Finance Program Bond,” the Issue 2019-1 Bonds will bear the additional designations “Issue 2019-1A (AMT), “Issue 2019-1B (Non-AMT)” and “Issue 2019-1C (Non-AMT),” as appropriate. The Issue 2019-1 Bonds shall be issued only in fully registered form. The Issue 2019-1A Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds. The Issue 2019-1B Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds. The Issue 2019-1C Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds.

Section 2.02. Purposes. [The Issue 2019-1A Bonds and the Issue 2019-1B Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans and the Transferred Investments will become allocated to the Issue 2019-1 Bonds.] The Issue 2019-1C Bonds are being issued (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2019-1 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2019-1 Bonds.

The proceeds of the Issue 2019-1 Bonds [and the Transferred Investments] shall be applied in accordance with Article IV hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2019-1 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [July 1, 2019], at the rate set opposite such date in the following tables:
<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

**Term Bonds**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

**Issue 2019-1B Bonds**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

**Term Bonds**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

**Issue 2019-1C Bonds**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>
Term Bonds

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
</table>

(b) Whenever the due date for payment of interest on or principal of the Issue 2019-1 Bonds or the date fixed for redemption of any Issue 2019-1 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

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

(b) The Issue 2019-1 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2019-1 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2019-1 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2019-1 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2019-1 Bonds will not receive certificates representing their interest in the Issue 2019-1 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2019-1 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2019-1 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2019-1 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2019-1 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2019-1 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2019-1 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2019-1 Bonds upon instructions from THDA to that effect.
Section 2.07. Place of Payment; Record Date. While the Issue 2019-1 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2019-1 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2019-1 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2019-1 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2019-1 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2019-1 Bonds in a principal amount equal to or exceeding $1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2019-1 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2019-1 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2019-1 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

<table>
<thead>
<tr>
<th>Issue 2019-1A Term Bonds due _________</th>
<th>Amount Due</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

*Maturity

<table>
<thead>
<tr>
<th>Issue 2019-1B Term Bonds due _________</th>
<th>Amount Due</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

*Maturity
(b) Upon the purchase or redemption of Issue 2019-1 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2019-1 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2019-1 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2019-1 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2019-1 Bonds maturing on and after [January 1, 2029] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [July 1, 2028] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

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

<table>
<thead>
<tr>
<th>Period</th>
<th>Issue 2019-1A PAC Bond Redemption Price</th>
<th>Issue 2019-1C PAC Bond Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>[July 1, 2028] to [ ]</td>
<td>[_____]%</td>
<td>[_____]%</td>
</tr>
<tr>
<td>[_____] and thereafter</td>
<td>[_____]</td>
<td>[_____]</td>
</tr>
</tbody>
</table>

Section 2.10. Special Optional Redemption. The Issue 2019-1 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2019-1 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including Program Securities [and the Transferred Program Loans]) allocated to the Issue 2019-
Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2019-1 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2019-1 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the related Planned Amortization Amount [and (C) shall be redeemed on a pro rata basis to the extent of any special optional redemption].

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2019-1 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2019-1 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-1 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10 [and, to the extent the PAC Bonds are redeemed pursuant to any special optional redemption, the PAC Bonds shall be redeemed on a pro rata basis.]

Section 2.11. Special Mandatory Redemptions.

(a) Unexpended Proceeds. The Issue 2019-1 Bonds are subject to mandatory redemption on ______ in the event and to the extent that there are unexpended proceeds of the Issue 2019-1 Bonds on deposit in the Issue 2019-1 Subaccount of the Loan Fund on ______; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2019-1 Bonds are subject to mandatory redemption on ________ , ______, to the extent any amounts remain on deposit in the Issue 2019-1 Subaccount of the Loan Fund on ________ , ______.

The redemption price of the Issue 2019-1 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2019-1 Bonds to be redeemed shall be selected by THDA in its sole discretion;
provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2019-1 Bonds then Outstanding [, and, to the extent the PAC Bonds are redeemed, the PAC Bonds shall be redeemed on a pro rata basis.]

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

While any PAC Bonds remain Outstanding, Excess 2019-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2019-1 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2019-1 Principal Payments shall first be applied to redeem the PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2019-1A PAC Bonds Planned Amortization Amount and the Issue 2019-1C PAC Bonds Planned Amortization Amount, as applicable, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2019-1 Bonds (including Program Securities [and the Transferred Program Loans]) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2019-1 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2019-1A PAC Bonds Planned Amortization Amount and the Issue 2019-1C PAC Bonds Planned Amortization Amount, as applicable, (as set forth in “FIRST” above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2019-1 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds’ proportionate amount of all Issue 2019-1 Bonds then Outstanding and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

The Issue 2019-1A PAC Bonds Planned Amortization Amount, the Issue 2019-1C 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 2019-1 Subaccount of the
Ten Year Rule.

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2019-1 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11(b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2019-1 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2019-1 Bonds (or the date of original issuance of the bonds refunded by the Issue 2019-1 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2019-1 Bonds on or before the next Interest Payment Date with respect to the Issue 2019-1 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2019-1 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2019-1 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the applicable Planned Amortization Amount only if there are no other Issue 2019-1 Bonds Outstanding and if such PAC Bonds are redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

Section 2.12. Selection by Lot. If less than all of the Issue 2019-1 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

Section 2.13. Purchase of Bonds by THDA or Trustee. Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.
Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2019-1 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2019-1 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2019-1 Bonds to the public is hereby authorized and approved.

(c) The Issue 2019-1 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2019-1 Supplemental Resolution.

ARTICLE IV
DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2019-1 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2019-1 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2019-1 Bonds. Amounts on deposit in the Issue 2019-1 Bond Subaccount of the Loan Fund in excess of $__________ shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2019-1 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2019-1 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2019-1 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2019-1 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2019-1 Bonds shall not exceed 2% of the proceeds of the Issue 2019-1 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2019-1 Bond Subaccount of the Loan Fund which are to be used to finance Program Loans (including Program Securities) (or other available funds of THDA), shall be
made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until __________ ___, 2020.

The Bond Reserve Fund Requirement with respect to the Issue 2019-1 Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2019-1 Bonds plus the amount on deposit in the Issue 2019-1 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

Section 4.02. Proceeds of Issue 2019-1A Bonds and Issue 2019-1B Bonds. Proceeds of the Issue 2019-1A Bonds and Issue 2019-1B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2019-1 Bond Subaccount of the Loan Fund. On the Issuance Date, $__________ of the amount on deposit in the Issue 2019-1 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2019-1A Bonds and the [entire proceeds of the] Issue 2019-1B Bonds [in the aggregate amount of $__________ [and available funds of THDA in the amount of $__________]]) shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans shall be credited to the Issue 2019-1 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]

Section 4.03. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2019-1 Bonds unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the real property or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

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

(b) have been insured or guaranteed by the Federal Housing Administration, the Farmers Home Administration, the Veteran’s Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or

(c) have a principal balance not exceeding 78% of the value, as determined in an appraisal by or acceptable to THDA, or the purchase price of the property securing the Program Loan, whichever is less; or

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

**ARTICLE V**

**FORM OF BONDS, AND TRUSTEE’S CERTIFICATE OF AUTHENTICATION**

**Section 5.01. Form of Bonds.** Subject to the provisions of the General Resolution, the Issue 2019-1 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

**Section 5.02. Form of Trustee’s and Authenticating Agent’s Certificate of Authentication.** The Issue 2019-1 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE’S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2019-1A (AMT)] [Issue 2019-1B (Non-AMT)] [Issue 2019-1C (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 2019-1 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2019-1 Bonds and neither the members of THDA nor any person executing the Issue
2019-1 Bonds may be liable personally on the Issue 2019-1 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2019-1 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2019-1 Bonds. The Issue 2019-1 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2019-1 Bonds.

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

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

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

Section 6.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2019-1 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2019-1 Bonds from time to time.


(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 2019-1 Bonds:

(i) principal and interest payment delinquencies;

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

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

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

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

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2019-1 Bonds, or other material events affecting the tax status of the Issue 2019-1 Bonds;

(vii) modifications to rights of the holders of the Issue 2019-1 Bonds, if material;

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

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2019-1 Bonds, if material;
(xi) rating changes;

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

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

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

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2019-1 Bonds or defeasance of any Issue 2019-1 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2019-1 Bonds pursuant to the Resolution.

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

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

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2019-1 Bonds whether or not the Rule (as defined below) applies to such Issue 2019-1 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2019-1 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements

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as so amended would have complied with the requirements of Rule 15c2-12 (the “Rule”) as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2019-1 Bonds or (B) the holders of the Issue 2019-1 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA’s obligations with respect to the beneficial owners of the Issue 2019-1 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2019-1 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2019-1 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

Section 6.08. Confirmation and Adjustment of Terms by Committee. The terms of the Issue 2019-1 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2019-1 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2019-1 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

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

[PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS]

<table>
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<th>Date</th>
<th>[Issue 2019-1A PAC Bonds Planned Amortization Amount]</th>
<th>[Issue 2019-1C PAC Bonds Planned Amortization Amount]</th>
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</table>

[[400]% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2019-1 BONDS]

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<thead>
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<th>Date</th>
<th>Cumulative Amount</th>
<th>Date</th>
<th>Cumulative Amount</th>
</tr>
</thead>
</table>

EXHIBIT C

FORM OF BOND

REGISTERED

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

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2019-1[A][B][C] [(AMT)][(Non-AMT)]

<table>
<thead>
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<th>Dated Date</th>
<th>Maturity Date</th>
<th>Cusip</th>
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<tbody>
<tr>
<td>[__]%</td>
<td>[____], 2019</td>
<td>[____]</td>
<td>880461[___]</td>
</tr>
</tbody>
</table>

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: [_______]

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

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

This bond is one of a series of bonds additionally designated “Issue 2019-1[A][B][C]” (herein called the “Bonds”) issued in the aggregate principal amount of $________ under the General Resolution, a resolution of THDA adopted on November 13, 2018, as amended and supplemented by the Bond Finance Committee of THDA on __________ __, 2019 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

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

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

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

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

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

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

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

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

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

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

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

TENNESSEE HOUSING DEVELOPMENT AGENCY

By

[__________________________]

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 2019-1[A][B][C] [(AMT)][(Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By  ________________________________
   Authorized Signatory

Dated: ____________, 2019
ABBREVIATIONS

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

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

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

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

ASSIGNMENT

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

Dated:

Social Security Number or Employer Identification Number of Transferred:

Signature guaranteed:

NOTICE: The assignor’s signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSMENT OF THDA
FROM PROCEEDS OF ISSUE 2019-1
November 13, 2018

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

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2019-1, if and when issued and sold (the “Bonds”), through the direct purchase of eligible mortgage loans; and

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

WHEREAS, THDA expects that up to $100,000,000 in mortgage loans may be purchased prior to Closing; and

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

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

1. Use of proceeds from the Bonds in an amount not to exceed $100,000,000 shall be used to reimburse THDA for the actual amounts expended to purchase mortgage loans made to eligible borrowers who purchased single family residences in accordance with the requirements of the Code and the 2013 General Resolution.

2. This resolution shall take effect immediately.
MEMORANDUM

DATE: November 6, 2018

TO: Bond Finance Committee

FROM: Lynn E. Miller
Chief Legal Counsel

SUBJECT: THDA Debt Issuance and Underwriter Performance Review

Pursuant to Part XII of the THDA Debt Management Policy, THDA’s financial advisor is to prepare a report at least annually showing the results of THDA debt issuance and the performance of underwriters for review by the Bond Finance Committee. In compliance with the THDA Debt Management Policy, CSG Advisors, Incorporated, prepared the attached report for calendar year 2018.

David Jones and Tim Rittenhouse, with CSG, will be available by telephone for the November Bond Finance Committee meeting on Friday, November 9, 2018, at 2:00 p.m. They will provide a brief overview of this report and will be available to answer questions, if any.

LEM/ds
MEMORANDUM

TO: THDA Bond Finance Committee
FROM: Tim Rittenhouse, David Jones, and Eric Olson
SUBJECT: Underwriter Performance Review, January 2018 through October 2018
DATE: November 1, 2018

EXECUTIVE SUMMARY


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 strong 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 and J.J.B Hilliard in the selling group and J.P. Morgan among the regular co-managers, the syndicate members contributed significantly in gathering valuable Tennessee and national retail orders for the offerings. Selling group member R.W. Baird was least effective in generating retail orders.

INTRODUCTION

As financial advisor to THDA, CSG Advisors prepared this review of THDA’s underwriters’ performance for bond issues sold in 2018. 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 early in 2018, the co-senior managing members of the team – Citigroup, Raymond James, and RBC Capital Markets – and regular co-managers J.P. Morgan and Wells Fargo Securities were familiar from their performance on prior THDA bond offerings.
Consistent with THDA’s practice in recent years, 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 in 2018 of seven 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.

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 Issues 2018-1 and 2018-2. J.J.B. Hilliard, W.L. Lyons, LLC was a co-manager on Issues 2018-3 and 2018-4.

Roles

The members of the underwriting team are expected to perform distinct functions:

**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.

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 institutional order).

d) As book-running manager, typically logs the most professional retail investor orders (and receives the largest share of 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, typically receiving larger shares of sales compensation from institutional orders (“designations”) to the extent of the firm’s assistance to the investor and all of the sales compensation from professional retail orders.

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.** (J.P. Morgan, Wells Fargo, and one firm from the selling group based on performance on previous sale):

a) Provide 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 and allotments on priority 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 selected 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 it had previously used, with one significant change: instead of continuing to employ a formal rotation between co-senior managers for the firm to lead the next bond offering, the book-runner for the next issue is now selected upon authorization of an 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 manager’s 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 during 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 review that was concluded early this year, choosing the bookrunning manager has occurred with the authorization of each new issue. In 2018 selections have been 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 other 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 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 and JJB Hilliard. Overall, the size of the selling group has been appropriate to the size of THDA’s offerings. The performance of selling group member RW Baird,
shown in Table 6, has been less consistent. 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 other firms have applied for the role that may 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.** J.P. 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. (See Table 2.) Each of the managers could provide, through key assigned individuals, 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, as well as other factors, selling group members have been selected for their strength of in-state bond sales, 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 proven to be an effective motivator of selling group members and has become more widespread among HFAs throughout the country as a tool to spur and reward strong retail sales performance.

**Established Fee Levels.** THDA set practices for the managers’ share of management fees, established liabilities (“participation”) for unsold balances on bond issues, and reconfirmed 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 of 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 2018, THDA completed four bond issues with its current underwriting team. The following table lists the issues with their dates of sale, collateral, ratings and issue composition.
Table 1. THDA Bond Issue Summary, 2018 to Date

<table>
<thead>
<tr>
<th>Description</th>
<th>Issue Date</th>
<th>Collateral</th>
<th>Amount</th>
<th>Moody's Rating</th>
<th>S&amp;P Rating</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Finance Program Bonds</td>
<td>2018-1</td>
<td>Whole Loans</td>
<td>99,900,000</td>
<td>Aa1</td>
<td>AA+</td>
<td>Non-AMT, PAC</td>
</tr>
<tr>
<td>Residential Finance Program Bonds</td>
<td>2018-2</td>
<td>Whole Loans</td>
<td>160,000,000</td>
<td>Aa1</td>
<td>AA+</td>
<td>Non-AMT, PAC</td>
</tr>
<tr>
<td>Residential Finance Program Bonds</td>
<td>2018-3</td>
<td>Whole Loans</td>
<td>149,900,000</td>
<td>Aa1</td>
<td>AA+</td>
<td>Non-AMT, PAC</td>
</tr>
<tr>
<td>Residential Finance Program Bonds</td>
<td>2018-4</td>
<td>Whole Loans</td>
<td>225,000,000</td>
<td>Aa1</td>
<td>AA+</td>
<td>Non-AMT, PAC</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>634,800,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Noteworthy features are as follows:

**Size.** All four issues in 2018 were relatively large – at or above $99.9 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.** The four 2018 issues to-date totaled $634.8 million, all sold as Residential Finance Program Bonds under THDA’s 2013 General Resolution. All four 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. THDA staff, in consultation with the Office of State and Local Finance and other members of the financing team considers the amount and timing of loan production and optional call dates in setting sale dates.

Figure 1 shows the timing of each of the bond offering compared to the levels and movements of several market indices at the time. Although 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
2017 - present

Revenue Bond Index
G.O. Bond Index
10 Year Treasury Bond

Jan-17  Mar-17  May-17  Jul-17  Sep-17  Nov-17  Jan-18  Mar-18  May-18  Jul-18  Sep-18

2018-1  2/27/18
2018-2  5/8/18
2018-3  8/7/18
2018-4  10/3/18
III. EVALUATION

1. Retail Distribution.

Sales to retail investors continues to be an important goal for THDA’s underwriting team. For the four bond issues to-date in 2018, retail investors recorded approximately $373.3 million of orders and received $179.7 million of bond allotments, or 17.0% of total orders and 28.3% 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 an important role in lieu of traditional “mom-and-pop” buyers. (Professional retail consists of investments managed by professional investment firms on behalf of retail accounts, compared to traditional mom-and-pop orders placed by private individuals or their advisors.) Like institutional investors, professional retail investors know they improve their chances of an allotment in placing their orders directly with the book-running senior manager, and with multiple brokerage relationships they have the flexibility to allow them to switch firms receiving their orders easily. Also, they tend to behave more like institutional buyers in having stronger pricing views about what a bond is worth under current market conditions, regardless of the absolute levels of rates.

Table 2 on the following page summarizes all retail orders and allotments for THDA’s four bond issues in 2018, including pie chart representations of each underwriter’s contribution to the orders and allotments.
Table 2. Retail Orders and Allotments by Underwriter ($s in 000s), 2018 To-Date

<table>
<thead>
<tr>
<th>Senior Managers</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citigroup</td>
<td>500</td>
<td>-</td>
<td>3,100</td>
<td>1,000</td>
<td>25,955</td>
<td>11,375</td>
<td>4,795</td>
<td>2,270</td>
<td>34,350</td>
<td>14,645</td>
</tr>
<tr>
<td>Raymond James</td>
<td>74,965</td>
<td>24,520</td>
<td>5,990</td>
<td>3,725</td>
<td>12,215</td>
<td>8,725</td>
<td>57,665</td>
<td>38,230</td>
<td>150,835</td>
<td>75,200</td>
</tr>
<tr>
<td>RBC Capital Markets</td>
<td>2,445</td>
<td>665</td>
<td>96,020</td>
<td>38,895</td>
<td>2,200</td>
<td>845</td>
<td>1,580</td>
<td>1,030</td>
<td>102,245</td>
<td>41,435</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Residential Finance</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
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<tbody>
<tr>
<td>2018-1</td>
<td>$99,900,000</td>
<td>500</td>
<td>-</td>
<td>3,100</td>
<td>1,000</td>
<td>25,955</td>
<td>11,375</td>
<td>4,795</td>
<td>2,270</td>
<td>34,350</td>
</tr>
<tr>
<td>2018-2</td>
<td>$160,000,000</td>
<td>74,965</td>
<td>24,520</td>
<td>5,990</td>
<td>3,725</td>
<td>12,215</td>
<td>8,725</td>
<td>57,665</td>
<td>38,230</td>
<td>150,835</td>
</tr>
<tr>
<td>2018-3</td>
<td>$149,900,000</td>
<td>2,445</td>
<td>665</td>
<td>96,020</td>
<td>38,895</td>
<td>2,200</td>
<td>845</td>
<td>1,580</td>
<td>1,030</td>
<td>102,245</td>
</tr>
<tr>
<td>2018-4</td>
<td>$225,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$634,800,000</td>
<td>110,430</td>
<td>39,565</td>
<td>121,830</td>
<td>54,340</td>
<td>59,430</td>
<td>32,865</td>
<td>81,625</td>
<td>52,915</td>
<td>373,315</td>
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<table>
<thead>
<tr>
<th>Sellling Group Only</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
<th>Orders</th>
<th>Allotments</th>
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<tbody>
<tr>
<td>Duncan-Williams</td>
<td>2,950</td>
<td>2,355</td>
<td>300</td>
<td>300</td>
<td>700</td>
<td>500</td>
<td>2,590</td>
<td>1,540</td>
<td>6,540</td>
<td>4,695</td>
</tr>
<tr>
<td>Fidelity</td>
<td>4,160</td>
<td>1,460</td>
<td>1,485</td>
<td>680</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,645</td>
</tr>
<tr>
<td>FTN Financial</td>
<td>4,200</td>
<td>2,100</td>
<td>485</td>
<td>200</td>
<td>1,120</td>
<td>795</td>
<td>1,045</td>
<td>760</td>
<td>6,850</td>
<td>3,855</td>
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<tr>
<td>Harvestons</td>
<td>3,425</td>
<td>1,375</td>
<td>650</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,075</td>
<td>1,375</td>
</tr>
<tr>
<td>Robert W. Baird</td>
<td>280</td>
<td>-</td>
<td>145</td>
<td>145</td>
<td>405</td>
<td>405</td>
<td>295</td>
<td>195</td>
<td>1,125</td>
<td>745</td>
</tr>
</tbody>
</table>

Total                   | 110,430 | 39,565     | 121,830| 54,340     | 59,430 | 32,865     | 81,625 | 52,915     | 373,315| 179,685    |

Table 3 shows syndicate members ranked by the amount of total retail allotments on THDA’s 2018 issues.
Table 3. Retail Distribution Summary ($s in 000s), 2018 To-Date
Firms Ranked by Retail Allotments

<table>
<thead>
<tr>
<th>Firm</th>
<th>Role</th>
<th>Orders</th>
<th>As %</th>
<th>Allotments</th>
<th>As %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond James</td>
<td>Co-Senior Manager</td>
<td>150,835</td>
<td>40%</td>
<td>75,200</td>
<td>42%</td>
</tr>
<tr>
<td>RBC Capital Markets</td>
<td>Co-Senior Manager</td>
<td>102,245</td>
<td>27%</td>
<td>41,435</td>
<td>23%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Co-Senior Manager</td>
<td>34,350</td>
<td>9%</td>
<td>14,645</td>
<td>8%</td>
</tr>
<tr>
<td>Wiley Bros-Aintree</td>
<td>Selling Group (a)</td>
<td>15,900</td>
<td>4%</td>
<td>12,425</td>
<td>7%</td>
</tr>
<tr>
<td>J.J.B. Hilliard</td>
<td>Selling Group (b)</td>
<td>14,120</td>
<td>4%</td>
<td>11,200</td>
<td>6%</td>
</tr>
<tr>
<td>J.P. Morgan</td>
<td>Regular Co-Manager</td>
<td>18,180</td>
<td>5%</td>
<td>6,385</td>
<td>4%</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>Regular Co-Manager</td>
<td>13,450</td>
<td>4%</td>
<td>5,585</td>
<td>3%</td>
</tr>
<tr>
<td>Duncan-Williams</td>
<td>Selling Group</td>
<td>6,540</td>
<td>2%</td>
<td>4,695</td>
<td>3%</td>
</tr>
<tr>
<td>FTN Financial</td>
<td>Selling Group</td>
<td>6,850</td>
<td>2%</td>
<td>3,855</td>
<td>2%</td>
</tr>
<tr>
<td>Fidelity</td>
<td>Selling Group</td>
<td>5,645</td>
<td>2%</td>
<td>2,140</td>
<td>1%</td>
</tr>
<tr>
<td>Harvestons</td>
<td>Selling Group</td>
<td>4,075</td>
<td>1%</td>
<td>1,375</td>
<td>1%</td>
</tr>
<tr>
<td>Robert W. Baird</td>
<td>Selling Group</td>
<td>1,125</td>
<td>0%</td>
<td>745</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>373,315</td>
<td>100%</td>
<td>179,685</td>
<td>100%</td>
</tr>
</tbody>
</table>

(a) Wiley Bros-Aintree also served on Issues 2018-1 and 2018-2 as the added co-manager.
(b) J.J.B. Hilliard also served on Issues 2018-3 and 2018-4 as the added co-manager.

**Book-Running Senior Managers.** The three co-senior managers collectively accounted for $287.4 million, or 77.0%, of the $373.3 million total of retail orders in 2018, with retail strength in Tennessee contributing significantly to this performance. Raymond James and RBC led these orders and allotments, as shown in Tables 2 and 3, and the majority of those orders were logged 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.

Table 4. Retail Orders from Co-Seniors While Not Running the Books ($s in 000s)
2018 To-Date

<table>
<thead>
<tr>
<th>Firm</th>
<th>As % of Firm’s Total Orders</th>
<th>Co-Senior Orders</th>
<th>As % of Firm’s Total Allotments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond James</td>
<td>12%</td>
<td>18,205</td>
<td>17%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>24%</td>
<td>8,395</td>
<td>22%</td>
</tr>
<tr>
<td>RBC Capital Markets</td>
<td>6%</td>
<td>6,225</td>
<td>6%</td>
</tr>
</tbody>
</table>

**Regular Co-Managers.** Using their retail networks in Tennessee and nationally, the two regular co-managers accounted for 8.5% of all retail orders and 7% of retail allotments. J.P Morgan received approximately $6.4 million of retail allotments while Wells Fargo got $5.6 million.

**Elevated Selling Group Members as Co-Manager.** With active in-state marketing networks, the two firms elevated to the co-manager role on different transactions in 2018 – J.J.B. Hilliard, W.L. Lyons and Wiley Bros.-Aintree Capital – together generated approximately $30.0 million, or 8.0%, of all retail orders and over 13% of retail allotments, reflecting the first priority of in-state orders.

**Selling Group Members.** Including J.J.B. Hilliard and Wiley Brothers-Aintree when not acting as a co-manager, the selling group accounted for $40.1 million of retail orders (10.7% of total) and $24.6 million...
of retail allotments (13.7% of total), significantly contributing to retail distribution. J.J.B.Hilliard continued to stand out with orders and allotment levels just below those of Wiley Brothers-Aintree. RW Baird was least successful.

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 is the most direct way to measure any particular underwriter’s contribution to a bond sale, the overall success of the underwriting team is best measured by looking at comparable transactions. In 2018 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>
<thead>
<tr>
<th>Table 5. Selected Comparable Single Family Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>THDA 2018-1</td>
</tr>
<tr>
<td>Tennessee</td>
</tr>
<tr>
<td>Wisconsin</td>
</tr>
<tr>
<td>New York</td>
</tr>
<tr>
<td>Nebraska</td>
</tr>
<tr>
<td>THDA 2018-2</td>
</tr>
<tr>
<td>Tennessee</td>
</tr>
<tr>
<td>Oregon</td>
</tr>
<tr>
<td>North Dakota</td>
</tr>
<tr>
<td>THDA 2018-3</td>
</tr>
<tr>
<td>Tennessee</td>
</tr>
<tr>
<td>Texas</td>
</tr>
<tr>
<td>New Mexico</td>
</tr>
<tr>
<td>North Dakota</td>
</tr>
<tr>
<td>THDA 2018-4</td>
</tr>
<tr>
<td>Tennessee</td>
</tr>
<tr>
<td>Oklahoma</td>
</tr>
<tr>
<td>Michigan</td>
</tr>
</tbody>
</table>

Historically, holding ratings and other features equal, THDA’s tax-exempt bonds typically achieve lower interest rates than similarly-rated HFAs in most other states. HFA issues in ‘specialty states,’ including Virginia, Connecticut, New York, Massachusetts, and Maryland, often price better than similar HFA issues from non-specialty states, such as THDA. 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 offerings shown provide only limited direct help in comparing the pricing of THDA’s issues. Transactions priced on the same day by different HFAs are often not exactly comparable, and market conditions may be significantly different for sales that occurred further apart.
PAC Bonds

Planned amortization class bonds have been a significant component of THDA’s issues in 2018, accounting for $222.6 million, or 35%, of the total $634.8 million of bond par issued. THDA’s lead underwriters continued to succeed in pricing THDA’s PACs at spreads among the tightest to the benchmark high-quality Municipal Market Data Index (the “MMD”), as shown in Table 6, below.

Table 6. Selected Comparable Single Family PAC Bonds

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Sale Date</th>
<th>PAC Bond Size</th>
<th>Average Life</th>
<th>Spread to iMMD</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>THDA 2018-1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tennessee</td>
<td>2/27/18</td>
<td>35,400,000</td>
<td>5 yrs</td>
<td>+63</td>
<td>Aa1 / AA+</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>2/22/18</td>
<td>42,140,000</td>
<td>4.5 yrs</td>
<td>+67</td>
<td>Aa2 / AA</td>
</tr>
<tr>
<td>New York</td>
<td>2/27/18</td>
<td>48,875,000</td>
<td>4.6 yrs</td>
<td>+66</td>
<td>Aa1 / -</td>
</tr>
<tr>
<td>Nebraska</td>
<td>3/6/18</td>
<td>29,405,000</td>
<td>5 yrs</td>
<td>+65</td>
<td>- / AA+</td>
</tr>
<tr>
<td>THDA 2018-2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tennessee</td>
<td>5/8/18</td>
<td>48,600,000</td>
<td>5 yrs</td>
<td>+65</td>
<td>Aa1 / AA+</td>
</tr>
<tr>
<td>Oregon</td>
<td>5/8/18</td>
<td>24,830,000</td>
<td>5 yrs</td>
<td>+70</td>
<td>Aa2 / -</td>
</tr>
<tr>
<td>North Dakota</td>
<td>5/10/18</td>
<td>32,500,000</td>
<td>5 yrs</td>
<td>+64</td>
<td>Aa1 / -</td>
</tr>
<tr>
<td>THDA 2018-3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tennessee</td>
<td>8/7/18</td>
<td>52,400,000</td>
<td>5 yrs</td>
<td>+68</td>
<td>Aa1 / AA+</td>
</tr>
<tr>
<td>Texas</td>
<td>8/2/18</td>
<td>50,065,000</td>
<td>5 yrs</td>
<td>+74</td>
<td>Aa1 / AA+</td>
</tr>
<tr>
<td>New Mexico</td>
<td>8/8/18</td>
<td>30,300,000</td>
<td>5 yrs</td>
<td>+66</td>
<td>Aaa / -</td>
</tr>
<tr>
<td>North Dakota</td>
<td>8/9/18</td>
<td>40,450,000</td>
<td>5 yrs</td>
<td>+67</td>
<td>Aa1 / -</td>
</tr>
<tr>
<td>THDA 2018-4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tennessee</td>
<td>10/3/18</td>
<td>86,200,000</td>
<td>5 yrs</td>
<td>+60</td>
<td>Aa1 / AA+</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>9/24/18</td>
<td>16,630,000</td>
<td>5 yrs</td>
<td>+63</td>
<td>Aaa / -</td>
</tr>
<tr>
<td>Michigan</td>
<td>10/10/18</td>
<td>110,095,000</td>
<td>4.9 yrs</td>
<td>+72</td>
<td>Aa2 / AA+</td>
</tr>
</tbody>
</table>

After the financial crisis of 2008, the market for PAC bonds experienced a slow recovery into 2014. 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 become so low that some of the leading buyers declined to make purchases, and during this period spreads narrowed between whole loan backed PACs and those in issues secured by MBS. In the last few years PACs have not been decisively differentiated by the collateral of the underlying loans.

With the increase in absolute rates that followed the U.S. presidential election, many of the leading PAC investors have returned to the market more regularly throughout 2017 and 2018. At the same time the depth of orders, reflected in oversubscriptions of PAC orders, has often thinned, placing a greater reliance on winning the support of lead investors during the premarketing of the bonds.
CONCLUSION

The capital markets in 2018 have continued to pose challenges that impact traditional mortgage revenue bond offerings. With the rise in fixed income rates, the absolute compression between municipal market bond yields and prevailing mortgage rates has widened, improving the economics of tax-exempt housing bonds. Higher reinvestment rates are offering more attractive opportunities for returns on bond proceeds. Going forward, concerns driving market activity include the following.

1) Following the December 2017 federal tax cut, the ballooning of the federal deficit increases both the potential for inflation and the likelihood of higher long term interest rates.

2) Strong reports of domestic US growth continue to provide the Fed with confidence to proceed with up to three more 0.25% rate hikes by June of 2019, based on current fixed income options market estimates.

3) Rising interest rates underscore the importance of close pipeline management. THDA’s transition to more frequent issues has been a valuable step in limiting interest rate risk from new mortgage commitments. With improved reinvestment rates, financing earlier in the pipeline accumulation cycle may help to further trim origination risk.

4) Adding uncertainty but weighing against the Fed’s freedom to push up short term lending rates are trade tensions with China, economic weakness in Europe, China, and emerging market countries, and fears that over-aggressive action by the Fed could precipitate an economic downturn in the US.

THDA’s 2018 offerings succeeded well, despite market challenges.

- The $99.9 million Issue 2018-1 priced in late-February and attracted $415 million in total orders. With the rise in rates experienced during the preceding period of mortgage loan commitments, the transaction consumed $4.7 million in zero participations while achieving a full spread.
- The $160 million Issue 2018-2 garnered $411 million in total orders in early-May and, with the benefit of refunding Issue 2009-1, produced $1.3 additional zeros, while achieving a full spread.
- In early-August in a difficult market THDA’s $149.9 million Issue 2018-3 won $400 million in total orders, consuming $3.3 million in net zeros to achieve a full spread.
- In spite of a market experiencing a sharp selloff, THDA’s $225 million Issue 2018-4 drew over $525 million in orders in the early-October offering. Using $2.6 million of net zeros allowed THDA to meet its accelerating mortgage loan production while maintaining a full spread.

Even as most housing finance agencies continued to see their balance sheet levels of earning assets decline, THDA’s four 2018 transactions financed $605.9 million of competitive mortgage loans under the Residential Finance Program Bond General Resolution at maximum allowable spreads.
To Be Sent Separately

Bond Finance Committee

Agenda Item No.

7. THDA Debt Limit Analysis

Documentation for this item will be provided prior to the November 9 Committee meeting.
MEMORANDUM:

TO: THDA Bond Finance Committee
   THDA Board of Directors
FROM: Wayne Beard, Director of Finance
SUBJECT: FY19-23 Five Year Financial Plan
DATE: November 5, 2018

Attached is THDA’s FY19-23 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 $1.84 billion ($134 million refunding) over the next five years all without the moral obligation of the State. Annual loan production is assumed to be $518 million the first year of the plan and $330 million the final 4 years. Total withdrawals and uses of resources from the various Bond Indentures is estimated to be $321.9 million, which will be offset by $84.5 million in bond premiums, DPA/New Start recoveries and mortgage servicing fee savings for net withdrawals and uses of approximately $237.4 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 $25 million bonds outstanding that are subject to the moral obligation of the State by June 2023. 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 $26.2 million and of $5 million from the 2009 Resolution.

In summary, the Plan maintains an overall Weighted Average PADR above 1.16 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.
Tennessee Housing Development Agency
Five Year Strategic Financial Plan Summary
FY 2018 – FY 2022

Guiding Principles:

Statutory Purpose (TCA 13-23-101)

- To promote the production of more affordable new housing units for very low, low and moderate income individuals and families in the state,
- To promote the preservation and rehabilitation of existing housing units for such persons, and
- To bring greater stability to the residential construction industry and related industries so as to assure a steady flow of production of new housing units.

Long Term Financial Objectives:

As indicated in THDA’s Debt Management Policy – Section IV “Long Term Financial Objectives”, THDA has made a commitment 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 assigned by Standard & Poors and Moody’s. The Five Year Strategic Financial Plan (Plan) is intended to show the potential impact THDA’s decisions, relative to the use of our resources, may have on our financial position, given a set of assumptions. It should be noted that the Five Year Financial Plan is a liquidity analysis tool used by management for decision-making purposes. Thus, this plan should not be used for external financial reporting purposes.

Looking Back at FY18:

Although slightly up over last year, reinvestment rates again remained relatively low, limiting investment interest income. However, we took advantage of some bond refunding opportunities ($24.5 million) to reduce bond interest expense. At June 30, 2018, only 11.48% of THDA’s debt carried the “moral obligation” pledge of the State. Downpayment assistance (DPA) along with bond structuring and refundings enabled THDA to purchase over $448 million in loans. The overall Program Asset to Debt Ratio (PADR) across all Bond Resolutions at June 30, 2018 was 1.23. We again believe the PADR of the 2013 General Resolution under which bonds were issued in FY18 contributed, along with favorable market conditions, to THDA’s ability to price well in the market while maintaining the flexibility of a Double-A rated organization.

Looking Ahead

We have an abundance of tax-exempt resources for single family bonds, which currently totals approximately $841 million for Single Family MRBs. Working with our financial advisor, CSG Advisors, Inc., we have developed a Plan that estimates in excess of $367 million in average annual loan production, maintains our financial strength, and maximizes resources for programs that benefit Tennessee’s very low income and special needs populations (Downpayment Assistance, Housing Trust Fund, and New Start). The Plan also models the net cash impact of our in-house loan servicing operation.
Summary of New Production and Program Withdrawals

This slide shows liquidity needs for five years to fund anticipated homeownership production and other housing program grants and expenses. Liquidity needs for homeownership production is based on the assumption that after FY 2019 (projected $518 million) we will continue in the $330 million range for production over the next four years, using approximately $101 million in zeros as well. This plan estimates refunding opportunities totaling approximately $134.4 million over the next five years and projects that less than $25 million of THDA’s debt will carry the “moral obligation” pledge of the State by June 30, 2023, compared to over $1.3 billion at June 30, 2013. Liquidity assumptions for the housing trust fund and new start mortgages are $39 million and $22.5 million ($25 million less $2.5 of New Start recoveries) respectively over the next five years. THDA withdrawals for DPA is assumed to be approximately $54.6 million ($79.2 million funded less $24.6 million of DPA recoveries).

Financial Results


This slide shows the composition of our cash and investments after planned withdrawals and uses. Overall total cash and investments is projected to increase from approximately $284 million in 2019 to approximately $292 million in 2023. Remaining Liquidity is projected to increase from approximately $155 million in 2019 to approximately $159 million in 2023.


Remaining Liquidity represents a combination of cash and investments remaining after considering the 2.25% loan loss reserve required by the rating agencies, $25 million BFC requirement, mortgage repays and preps used to call bonds, bond reserve requirements, and program withdrawals. This slide is a further breakdown of the remaining cash and investments. Of the $159.7 million in remaining liquidity at June 30, 2023, $106.4 million is projected to reside in the 2013 Resolution, which is vital to maintaining a strong PADR for pricing purposes.


These charts show that at projected production levels and assumed uses of liquidity total debt outstanding is projected to be less than THDA’s Statutory Debt Limit of $2.93 billion, growing to approximately $2.53 billion by 2022. The overall Weighted Average Program Asset to Debt Ratios (PADR) for THDA ranges from 1.20 in 2019 to 1.16 in 2023. As a comparison, the 2017 Housing Finance Agency average and median PADR for Bond Indentures as reported by Moody’s was 1.27 and 1.20, respectively. The PADRs for the 09 and 13 Resolutions remain above levels required by Rating Agencies, with projected 2023 PADRs of 1.60 and 1.11, respectively. We maintain a healthy fund balance ($399 million in 2023) while using our earnings and corpus to continue funding important housing programs approved by the Board, such as DPA, HTF, and New Start.

Detailed Assumptions

In addition to the assumptions included on the Summary of New Production and Program Withdrawals, other assumptions for each bond resolution are listed separately. Some of the additional assumptions include, but are not limited to, (1) $25 million BFC set-aside is available each year, (2) cashflow scenarios assume a 150% PSA based on historical prepayment speeds, (3) reinvestment rates of 1.50% for all funds
excluding reserve funds which are assumed at 2.50%, and (4) 98% of new loans will have a DPA deferred second mortgage.
## Tennessee Housing Development Agency
### Summary of New Production and Program Withdrawals
#### Expected Bond Volume

**Strategic Financial Plan: 2019 - 2023**
150% PSA

Fiscal Year Ending June 30

### Homeownership Production:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds Issued:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Date (2018-3,2018-4):</td>
<td>$374,900,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$374,900,000</td>
</tr>
<tr>
<td>Future Issues:</td>
<td>138,745,000</td>
<td>342,185,000</td>
<td>363,255,000</td>
<td>330,000,000</td>
<td>330,000,000</td>
<td>1,504,185,000</td>
</tr>
<tr>
<td>Total Bonds Issued</td>
<td>513,645,000</td>
<td>342,185,000</td>
<td>363,255,000</td>
<td>330,000,000</td>
<td>330,000,000</td>
<td>1,879,085,000</td>
</tr>
<tr>
<td>Zero Participation Loans from Prior Bond Deals</td>
<td>88,400,000</td>
<td>57,000,000</td>
<td>31,000,000</td>
<td>-</td>
<td>-</td>
<td>176,400,000</td>
</tr>
<tr>
<td>Zero Participation Proceeds held for future production</td>
<td>(57,000,000)</td>
<td>(26,000,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(83,000,000)</td>
</tr>
<tr>
<td>Less Refunding Bonds</td>
<td>(27,045,000)</td>
<td>(43,185,000)</td>
<td>(64,255,000)</td>
<td>-</td>
<td>-</td>
<td>(134,485,000)</td>
</tr>
<tr>
<td>Total Funds Available for Production</td>
<td>$518,000,000</td>
<td>$330,000,000</td>
<td>$330,000,000</td>
<td>$330,000,000</td>
<td>$330,000,000</td>
<td>$1,838,000,000</td>
</tr>
</tbody>
</table>

### Program Withdrawals and Uses of Cash:

#### 1974 Resolution:

- New Start Loans (for future production): 2,000,000
- Less: Future New Start Loan Recoveries: (31,060)
- Unrestricted Mortgage Transfer: 6,820,440
- Housing Trust Fund: 12,300,000
- Program Compliance Reserve: 1,046,000
- New Start Loans (for future production): 3,000,000
- Less: Future New Start Loan Recoveries: (5,000,000)

#### 1985 Resolution:

- Capitalized Interest: 1,20%
- Underwriters’ Fees: 820,000
- Housing Trust Fund: 9,000,000
- Program Compliance Reserve: 1,046,000
- Servicing Net Cash Outlays / (Receipts): 26,833,252
- New Start Loans (for future production): 3,000,000
- Capitalized Interest: 1,000,000

#### 2009 Resolution:

- Downpayment Assistance (from '09 DPA & Agency Fees): 773,579
- THDA Operating Expenses: 12,300,000
- Housing Trust Fund: 9,000,000
- Program Compliance Reserve: 1,046,000
- New Start Loans (for future production): 3,000,000
- Capitalized Interest: 1,000,000
- Less: Bond Premium: (10,226,206)

#### 2013 Resolution:

- New Production: 1,382,745,000
- Housing Assistance: 7,182,400
- Underwriters’ Fees: 2,254,589
- Cost of Issuance: 527,000
- Capitalized Interest: 1,000,000
- Less: Bond Premium: (10,226,206)

#### 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 2.5% of the bond issuance par amount.
3. Capitalized interest, costs of issuance and underwriter fees were approximately 1.20% of bond issuance par amount.
1974, 1985, 2009 & 2013 Resolutions
Consolidated Cash & Investment Composition
150% PSA

Fiscal Year Ended June 30

$173
$155 $153 $157 $156
$160

- 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.
- 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 $79 million of future originations during forecast period.
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, 2018 are derived from the June 30, 2018 audited financials
- Cash and investments that are 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, 2018 are derived from the June 30, 2018 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.
- $26 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, 2018 are derived from the June 30, 2018 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 2019 through FY 2023.
- 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 99.49%
- Great Choice (and Vet) without 2nd 0.51%
  100.00%

- 99% 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, 2018 are derived from the June 30, 2018 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)
- $26 million of loans with no bonds outstanding were transferred to the 2013 Resolution.
October 9, 2018

Mr. Ralph Perrey, Executive Director
Tennessee Housing Development Agency
Andrew Jackson Building, 3rd Floor
502 Deaderick Street
Nashville, TN 37243-0200

Dear Mr. Perrey:

We hereby acknowledge receipt of a copy of the Tennessee Housing Development Agency’s Report on Debt Obligation on October 9, 2018. Enclosed is a date stamped copy of the report for your records.

Thank you for complying with T.C.A. § 9-21-151(c)(2). If you should have any questions, or we may be of assistance, please feel free to call.

If you need further assistance, please contact your financial analyst, Steve Osborne, at 615-747-5343 or Steve.Osborne@cot.tn.gov. You may also contact our office by mail at the address located at the bottom of this page. Please send it to the attention of your analyst at the Office of State and Local Finance.

Sincerely,

Sandra Thompson
Director of the Office of State and Local Finance

cc: Ms. Lynn E. Miller, Chief Legal Counsel, Tennessee Housing Development Agency.

Enclosure: Date stamped copy of Report on Debt Obligation
**REPORT ON DEBT OBLIGATION**

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

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

2. **Face Amount:** $149,900,000.00
   - **Premium/Discount:** $See Attachment 1

3. **Interest Cost:** 3.7027 %
   - **Tax-exempt** ☑
   - **Taxable**
   - **TIC** ☑
   - **NIC** *Excluding Underwriter's Discount
   - **Variable:** Index plus basis points or
   - **Variable:** Remarketing Agent
   - **Other:**

4. **Debt Obligation:**
   - **TRAN**
   - **RAN**
   - **CON**
   - **BAN**
   - **CRAN**
   - **GAN**
   - **Bond** ☑
   - **Loan Agreement**
   - **Capital Lease**

5. **Ratings:**
   - **Unrated**
   - **Moody's** Aa1
   - **Standard & Poor's** AA+
   - **Fitch**

6. **Purpose:**
   - **General Government**
   - **Education**
   - **Utilities**
   - **Other** ☑ 100.00%
   - **Refunding/Renewal**
   - **Brief Description:** Single Family Housing

7. **Security:**
   - **General Obligation**
   - **Revenue**
   - **Annual Appropriation (Capital Lease Only)** ☑
   - **Other (Describe):** special limited obligation

8. **Type of Sale:**
   - **Competitive Public Sale**
   - **Interfund Loan**
   - **Negotiated Sale** ☑
   - **Loan Program**
   - **Informal Bid**

9. **Date:**
   - **Dated Date:** 09/06/2018
   - **Issue/Closing Date:** 09/06/2018
# REPORT ON DEBT OBLIGATION
(Pursuant to Tennessee Code Annotated Section 9-21-151)

## 10. Maturity Dates, Amounts and Interest Rates *

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ See Attachment 2</td>
<td>%</td>
</tr>
</tbody>
</table>

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:

| Financial Advisor Fees | $ 47,500 |
| Legal Fees | $ 35,000 |
| Bond Counsel | $ 0 |
| Issuer's Counsel | $ 0 |
| Trustee's Counsel | $ 0 |
| Bank Counsel | $ 0 |
| Disclosure Counsel | $ 0 |
| Paying Agent Fees | $ 7,495 |
| Registrar Fees | $ 0 |
| Trustee Fees | $ 0 |
| Remarking Agent Fees | $ 0 |
| Liquidity Fees | $ 0 |
| Rating Agency Fees | $ 137,000 |
| Credit Enhancement Fees | $ 0 |
| Bank Closing Costs | $ 0 |
| Underwriter's Discount | % 838,256 |
| Take Down | $ 30,000 |
| Management Fee | $ 0 |
| Risk Premium | $ 0 |
| Underwriter's Counsel | $ 25,000 |
| Other expenses | $ 20,013 |
| Printing and Advertising Fees | $ 2,790 |
| Issuer/Administrator Program Fees | $ 0 |
| Real Estate Fees | $ 0 |
| Sponsorship/Referral Fee | $ 0 |
| Other Costs | $ 0 |

**Total Costs**: $ 1,143,054

---

FIRM NAME

| CSG Advisors Incorporated |
| Kutak Rock |
| US Bank, NA |
| Moody's and S & P |
| Citigroup Global Markets Inc. ("Citigroup") |
| Citigroup |
| Hawkins Delafield and Wood |
| Citigroup |
| iDeal and TN General Services Printing Division |
REPORT ON DEBT OBLIGATION  
(Pursuant to Tennessee Code Annotated Section 9-21-151)

12. Recurring Costs:  

- No Recurring Costs

<table>
<thead>
<tr>
<th></th>
<th>AMOUNT (Base points$/)</th>
<th>FIRM NAME (If different from #11)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Remarks:  
- Remarketing Agent  
- Paying Agent / Registrar  
- Trustee  
- Liquidity / Credit Enhancement  
- Escrow Agent  
- Sponsorship / Program / Admin  
- Other


- None Prepared
- EMMA link
- Copy attached

See Attachment 3: Issue 2018-3 Supplemental Resolution and Attachment 4: Issue 2018-3 Official Statement or

14. Continuing Disclosure Obligations:  

- Yes  
- No

- Yes  
- No

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

Name and title of person responsible for compliance Trent Ridley, Chief Financial Officer/Lynn Miller, Chief Legal Counsel

15. Written Debt Management Policy:  

Governing Body’s approval date of the current version of the written debt management policy 11/28/2011, as amended

- 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

- Yes  
- No

17. Submission of Report:  

To the Governing Body: on 11/07/2018 and presented at public meeting held on 11/13/2018

Copy to Director to OSLF: on 10/09/2018 either by:

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

18. Signatures:  

AUTHORIZED REPRESENTATIVE  

Name: Tennessee Housing Development Agency  
Title: Executive Director  
Email: RPerrey@thda.org  
Date: 09/06/2018

PREPARER  

Name: Tennessee Housing Development Agency  
Title: Chief Legal Counsel  
Email: LMiller@thda.org  
Date: 09/06/2018
2. **PREMIUM/DISCOUNT:**

   Includes the original issue premium of $3,782,756 on the Issue 2018-3 Bonds maturing July 1, 2049.
## 10. MATURITY DATES, AMOUNTS AND INTEREST RATES

### $149,900,000 Issue 2018-4 (Non-AMT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Maturity Date</th>
<th>Amount Due</th>
<th>Interest Rate</th>
<th>CUSIP Number(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>January 1</td>
<td>$785,000</td>
<td>1.50 %</td>
<td>880461UU0</td>
</tr>
<tr>
<td>2020</td>
<td>January 1</td>
<td>$940,000</td>
<td>1.65</td>
<td>880461UV8</td>
</tr>
<tr>
<td>2021</td>
<td>January 1</td>
<td>$990,000</td>
<td>1.90</td>
<td>880461UX4</td>
</tr>
<tr>
<td>2022</td>
<td>January 1</td>
<td>$1,015,000</td>
<td>2.05</td>
<td>880461UZ9</td>
</tr>
<tr>
<td>2023</td>
<td>January 1</td>
<td>$1,040,000</td>
<td>2.20</td>
<td>880461VB1</td>
</tr>
<tr>
<td>2024</td>
<td>January 1</td>
<td>$1,065,000</td>
<td>2.35</td>
<td>880461VD7</td>
</tr>
<tr>
<td>2025</td>
<td>January 1</td>
<td>$1,095,000</td>
<td>2.55</td>
<td>880461VF2</td>
</tr>
<tr>
<td>2026</td>
<td>January 1</td>
<td>$1,125,000</td>
<td>2.80</td>
<td>880461VH8</td>
</tr>
<tr>
<td>2027</td>
<td>January 1</td>
<td>$1,165,000</td>
<td>2.90</td>
<td>880461VK1</td>
</tr>
<tr>
<td>2028</td>
<td>January 1</td>
<td>$1,205,000</td>
<td>3.00</td>
<td>880461VM7</td>
</tr>
<tr>
<td>2029</td>
<td>January 1</td>
<td>$1,245,000</td>
<td>3.05</td>
<td>880461VP0</td>
</tr>
<tr>
<td>2030</td>
<td>January 1</td>
<td>$1,290,000</td>
<td>3.20</td>
<td>880461VR6</td>
</tr>
<tr>
<td>2031</td>
<td>January 1</td>
<td>$1,340,000</td>
<td>3.30</td>
<td>880461VT2</td>
</tr>
</tbody>
</table>

### $28,055,000 Serial Bonds

<table>
<thead>
<tr>
<th>Year</th>
<th>Maturity Date</th>
<th>Amount Due</th>
<th>Interest Rate</th>
<th>CUSIP Number(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>January 1</td>
<td>$785,000</td>
<td>1.50 %</td>
<td>880461UU0</td>
</tr>
<tr>
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<td>$940,000</td>
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</tr>
<tr>
<td>2021</td>
<td>January 1</td>
<td>$990,000</td>
<td>1.90</td>
<td>880461UX4</td>
</tr>
<tr>
<td>2022</td>
<td>January 1</td>
<td>$1,015,000</td>
<td>2.05</td>
<td>880461UZ9</td>
</tr>
<tr>
<td>2023</td>
<td>January 1</td>
<td>$1,040,000</td>
<td>2.20</td>
<td>880461VB1</td>
</tr>
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<td>$1,125,000</td>
<td>2.80</td>
<td>880461VH8</td>
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<td>2.90</td>
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<td>January 1</td>
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<td>3.00</td>
<td>880461VM7</td>
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<tr>
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<td>January 1</td>
<td>$1,245,000</td>
<td>3.05</td>
<td>880461VP0</td>
</tr>
<tr>
<td>2030</td>
<td>January 1</td>
<td>$1,290,000</td>
<td>3.20</td>
<td>880461VR6</td>
</tr>
<tr>
<td>2031</td>
<td>January 1</td>
<td>$1,340,000</td>
<td>3.30</td>
<td>880461VT2</td>
</tr>
</tbody>
</table>

### $121,845,000 Term Bonds

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount Due</th>
<th>Interest Rate</th>
<th>CUSIP Number(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2033</td>
<td>$5,740,000</td>
<td>3.45 %</td>
<td>880461VV7</td>
</tr>
<tr>
<td>July 1, 2038</td>
<td>$16,540,000</td>
<td>3.75</td>
<td>880461VW5</td>
</tr>
<tr>
<td>July 1, 2043</td>
<td>$20,335,000</td>
<td>3.85</td>
<td>880461VX3</td>
</tr>
<tr>
<td>January 1, 2049</td>
<td>$26,830,000</td>
<td>3.95</td>
<td>880461YY1</td>
</tr>
<tr>
<td>July 1, 2049 (PAC)</td>
<td>$52,400,000</td>
<td>4.25</td>
<td>880461VZ8</td>
</tr>
</tbody>
</table>

**PRICE OF ISSUE 2018-3 BONDS DUE JULY 1, 2049 (PAC): 107.219%**

**PRICE OF ALL REMAINING ISSUE 2018-3 BONDS: 100.000%**

---

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

---

TENNESSEE HOUSING DEVELOPMENT AGENCY

---

A Supplemental Resolution
Authorizing the Sale of
Residential Finance Program Bonds
$149,900,000 Issue 2018-3 (Non-AMT)

---

Adopted May 22, 2018
as amended and supplemented
by the Bond Finance Committee
of THDA on August 7, 2018
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Section 6.07. Continuing Disclosure Undertaking

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Section 6.09. Effective Date

EXHIBIT A BOND PURCHASE AGREEMENT
EXHIBIT B PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS AND 400% PSA PREPAYMENT AMOUNT TABLE
EXHIBIT C FORM OF BOND
A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS
$149,900,000 ISSUE 2018-3 (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
2018-3 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

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

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

“400% PSA Prepayment Amount” means the cumulative amount of
principal prepayments on the Program Loans allocable to the Issue 2018-3 Bonds
at a rate equal to 400% PSA, as set forth in Exhibit B hereto.

“Bond Purchase Agreement” means the contract for the purchase of the
Issue 2018-3 Bonds between THDA and the Underwriters, in substantially the
form attached hereto as Exhibit A.

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

“Co-Managers” means J.P. Morgan Securities LLC, Wells Fargo Bank,
National Association and J.J.B. Hilliard, W.L. Lyons, LLC.

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

“DTC” means The Depository Trust Company, New York, New York, a
limited-purpose trust company organized under the laws of the State of New
York, and its successors and assigns.
“Excess 2018-3 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2018-3 Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2018-3 Bonds.

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

“Issue Date” means the date on which the Issue 2018-3 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on September 6, 2018.

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


“PAC Bonds” means the Issue 2018-3 Bonds in the aggregate principal amount of $52,400,000 maturing July 1, 2049.

“PAC Bonds Planned Amortization Amount” means the cumulative amount of PAC Bonds expected to be redeemed upon the receipt of Excess 2018-3 Principal Payments at a rate equal to 100% PSA, as set forth in Exhibit B hereto.


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

“Resolution” means this Supplemental Resolution adopted by THDA on May 22, 2018, as amended and supplemented by the Bond Finance Committee on August 7, 2018.

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

“Term Bonds” means, collectively, the Issue 2018-3 Bonds maturing July 1, 2033, July 1, 2038, July 1, 2043, January 1, 2049 and July 1, 2049.

respective successors and assigns, and the Co-Managers as purchasers of the Issue 2018-3 Bonds.

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

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

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

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

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2018-3 are hereby authorized to be issued in the aggregate principal amount of $149,900,000. In addition to the title “Residential Finance Program Bond,” the Issue 2018-3 Bonds will bear the additional designation “Issue 2018-3 (Non-AMT).” The Issue 2018-3 Bonds shall be issued only in fully registered form. The Issue 2018-3 Bonds will consist of $28,055,000 principal amount of Serial Bonds and $121,845,000 principal amount of Term Bonds.

Section 2.02. Purposes. The Issue 2018-3 Bonds are being issued (a) to finance Program Loans, or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2018-3 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2018-3 Bonds.

The proceeds of the Issue 2018-3 Bonds shall be applied in accordance with Article IV hereof.
Section 2.03. Amounts, Maturities and Interest Rates.

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

### Issue 2018-3 Bonds

#### Serial Bonds

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2019</td>
<td>$785,000</td>
<td>1.50%</td>
<td>January 1, 2026</td>
<td>$1,125,000</td>
<td>2.80%</td>
</tr>
<tr>
<td>January 1, 2020</td>
<td>940,000</td>
<td>1.65</td>
<td>July 1, 2026</td>
<td>1,145,000</td>
<td>2.85</td>
</tr>
<tr>
<td>July 1, 2020</td>
<td>980,000</td>
<td>1.75</td>
<td>January 1, 2027</td>
<td>1,165,000</td>
<td>2.90</td>
</tr>
<tr>
<td>January 1, 2021</td>
<td>990,000</td>
<td>1.90</td>
<td>July 1, 2027</td>
<td>1,185,000</td>
<td>2.90</td>
</tr>
<tr>
<td>July 1, 2021</td>
<td>1,000,000</td>
<td>2.00</td>
<td>January 1, 2028</td>
<td>1,205,000</td>
<td>3.00</td>
</tr>
<tr>
<td>January 1, 2022</td>
<td>1,015,000</td>
<td>2.05</td>
<td>July 1, 2028</td>
<td>1,225,000</td>
<td>3.00</td>
</tr>
<tr>
<td>July 1, 2022</td>
<td>1,025,000</td>
<td>2.15</td>
<td>January 1, 2029</td>
<td>1,245,000</td>
<td>3.05</td>
</tr>
<tr>
<td>January 1, 2023</td>
<td>1,040,000</td>
<td>2.20</td>
<td>July 1, 2029</td>
<td>1,270,000</td>
<td>3.05</td>
</tr>
<tr>
<td>July 1, 2023</td>
<td>1,050,000</td>
<td>2.25</td>
<td>January 1, 2030</td>
<td>1,290,000</td>
<td>3.20</td>
</tr>
<tr>
<td>January 1, 2024</td>
<td>1,065,000</td>
<td>2.35</td>
<td>July 1, 2030</td>
<td>1,315,000</td>
<td>3.20</td>
</tr>
<tr>
<td>July 1, 2024</td>
<td>1,080,000</td>
<td>2.40</td>
<td>January 1, 2031</td>
<td>1,340,000</td>
<td>3.30</td>
</tr>
<tr>
<td>January 1, 2025</td>
<td>1,095,000</td>
<td>2.55</td>
<td>July 1, 2031</td>
<td>1,365,000</td>
<td>3.30</td>
</tr>
<tr>
<td>July 1, 2025</td>
<td>1,115,000</td>
<td>2.65</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Term Bonds

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2033</td>
<td>$5,740,000</td>
<td>3.45%</td>
</tr>
<tr>
<td>July 1, 2038</td>
<td>16,540,000</td>
<td>3.75</td>
</tr>
<tr>
<td>July 1, 2043</td>
<td>20,335,000</td>
<td>3.85</td>
</tr>
<tr>
<td>January 1, 2049</td>
<td>26,830,000</td>
<td>3.95</td>
</tr>
<tr>
<td>July 1, 2049 (PAC)</td>
<td>52,400,000</td>
<td>4.25</td>
</tr>
</tbody>
</table>

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

Section 2.04. Denominations, Numbers and Letters.

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

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

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

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

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

Section 2.08. Sinking Fund Redemption Provisions.

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

### Issue 2018-3 Term Bonds due July 1, 2033

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Date</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2032</td>
<td>$1,390,000</td>
<td>January 1, 2033</td>
<td>$1,450,000</td>
</tr>
<tr>
<td>July 1, 2032</td>
<td>1,420,000</td>
<td>July 1, 2033*</td>
<td>1,480,000</td>
</tr>
</tbody>
</table>

*Maturity

### Issue 2018-3 Term Bonds due July 1, 2038

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Date</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2034</td>
<td>$1,505,000</td>
<td>July 1, 2036</td>
<td>$1,670,000</td>
</tr>
<tr>
<td>July 1, 2034</td>
<td>1,540,000</td>
<td>January 1, 2037</td>
<td>1,700,000</td>
</tr>
<tr>
<td>January 1, 2035</td>
<td>1,570,000</td>
<td>July 1, 2037</td>
<td>1,735,000</td>
</tr>
<tr>
<td>July 1, 2035</td>
<td>1,600,000</td>
<td>January 1, 2038</td>
<td>1,775,000</td>
</tr>
<tr>
<td>January 1, 2036</td>
<td>1,635,000</td>
<td>July 1, 2038*</td>
<td>1,810,000</td>
</tr>
</tbody>
</table>

*Maturity

### Issue 2018-3 Term Bonds due July 1, 2043

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Date</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2039</td>
<td>$1,850,000</td>
<td>July 1, 2041</td>
<td>$2,050,000</td>
</tr>
<tr>
<td>July 1, 2039</td>
<td>1,885,000</td>
<td>January 1, 2042</td>
<td>2,095,000</td>
</tr>
<tr>
<td>January 1, 2040</td>
<td>1,925,000</td>
<td>July 1, 2042</td>
<td>2,140,000</td>
</tr>
<tr>
<td>July 1, 2040</td>
<td>1,965,000</td>
<td>January 1, 2043</td>
<td>2,185,000</td>
</tr>
<tr>
<td>January 1, 2041</td>
<td>2,010,000</td>
<td>July 1, 2043*</td>
<td>2,230,000</td>
</tr>
</tbody>
</table>

*Maturity
### Issue 2018-3 Term Bonds due January 1, 2049

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Date</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2044</td>
<td>$2,280,000</td>
<td>January 1, 2047</td>
<td>$2,590,000</td>
</tr>
<tr>
<td>July 1, 2044</td>
<td>$2,325,000</td>
<td>July 1, 2047</td>
<td>$2,645,000</td>
</tr>
<tr>
<td>January 1, 2045</td>
<td>$2,380,000</td>
<td>January 1, 2048</td>
<td>$2,700,000</td>
</tr>
<tr>
<td>July 1, 2045</td>
<td>$2,425,000</td>
<td>July 1, 2048</td>
<td>$2,760,000</td>
</tr>
<tr>
<td>January 1, 2046</td>
<td>$2,480,000</td>
<td>January 1, 2049*</td>
<td>1,715,000</td>
</tr>
<tr>
<td>July 1, 2046</td>
<td>$2,530,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Maturity*
### Issue 2018-3 Term Bonds due July 1, 2049 (PAC)

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Date</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2019</td>
<td>$430,000</td>
<td>January 1, 2035</td>
<td>$820,000</td>
</tr>
<tr>
<td>January 1, 2020</td>
<td>435,000</td>
<td>July 1, 2035</td>
<td>840,000</td>
</tr>
<tr>
<td>July 1, 2020</td>
<td>445,000</td>
<td>January 1, 2036</td>
<td>855,000</td>
</tr>
<tr>
<td>January 1, 2021</td>
<td>455,000</td>
<td>July 1, 2036</td>
<td>875,000</td>
</tr>
<tr>
<td>July 1, 2021</td>
<td>465,000</td>
<td>January 1, 2037</td>
<td>895,000</td>
</tr>
<tr>
<td>January 1, 2022</td>
<td>475,000</td>
<td>July 1, 2037</td>
<td>915,000</td>
</tr>
<tr>
<td>July 1, 2022</td>
<td>485,000</td>
<td>January 1, 2038</td>
<td>930,000</td>
</tr>
<tr>
<td>January 1, 2023</td>
<td>495,000</td>
<td>July 1, 2038</td>
<td>950,000</td>
</tr>
<tr>
<td>July 1, 2023</td>
<td>505,000</td>
<td>January 1, 2039</td>
<td>970,000</td>
</tr>
<tr>
<td>January 1, 2024</td>
<td>515,000</td>
<td>July 1, 2039</td>
<td>995,000</td>
</tr>
<tr>
<td>July 1, 2024</td>
<td>530,000</td>
<td>January 1, 2040</td>
<td>1,015,000</td>
</tr>
<tr>
<td>January 1, 2025</td>
<td>540,000</td>
<td>July 1, 2040</td>
<td>1,035,000</td>
</tr>
<tr>
<td>July 1, 2025</td>
<td>550,000</td>
<td>January 1, 2041</td>
<td>1,055,000</td>
</tr>
<tr>
<td>January 1, 2026</td>
<td>565,000</td>
<td>July 1, 2041</td>
<td>1,080,000</td>
</tr>
<tr>
<td>July 1, 2026</td>
<td>575,000</td>
<td>January 1, 2042</td>
<td>1,105,000</td>
</tr>
<tr>
<td>January 1, 2027</td>
<td>585,000</td>
<td>July 1, 2042</td>
<td>1,125,000</td>
</tr>
<tr>
<td>July 1, 2027</td>
<td>600,000</td>
<td>January 1, 2043</td>
<td>1,150,000</td>
</tr>
<tr>
<td>January 1, 2028</td>
<td>610,000</td>
<td>July 1, 2043</td>
<td>1,175,000</td>
</tr>
<tr>
<td>July 1, 2028</td>
<td>625,000</td>
<td>January 1, 2044</td>
<td>1,200,000</td>
</tr>
<tr>
<td>January 1, 2029</td>
<td>640,000</td>
<td>July 1, 2044</td>
<td>1,225,000</td>
</tr>
<tr>
<td>July 1, 2029</td>
<td>650,000</td>
<td>January 1, 2045</td>
<td>1,250,000</td>
</tr>
<tr>
<td>January 1, 2030</td>
<td>665,000</td>
<td>July 1, 2045</td>
<td>1,280,000</td>
</tr>
<tr>
<td>July 1, 2030</td>
<td>680,000</td>
<td>January 1, 2046</td>
<td>1,305,000</td>
</tr>
<tr>
<td>January 1, 2031</td>
<td>695,000</td>
<td>July 1, 2046</td>
<td>1,335,000</td>
</tr>
<tr>
<td>July 1, 2031</td>
<td>710,000</td>
<td>January 1, 2047</td>
<td>1,360,000</td>
</tr>
<tr>
<td>January 1, 2032</td>
<td>725,000</td>
<td>July 1, 2047</td>
<td>1,370,000</td>
</tr>
<tr>
<td>July 1, 2032</td>
<td>740,000</td>
<td>January 1, 2048</td>
<td>1,400,000</td>
</tr>
<tr>
<td>January 1, 2033</td>
<td>755,000</td>
<td>July 1, 2048</td>
<td>1,430,000</td>
</tr>
<tr>
<td>July 1, 2033</td>
<td>770,000</td>
<td>January 1, 2049</td>
<td>1,460,000</td>
</tr>
<tr>
<td>January 1, 2034</td>
<td>790,000</td>
<td>July 1, 2049*</td>
<td>1,490,000</td>
</tr>
<tr>
<td>July 1, 2034</td>
<td>805,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: Maturity*

(b) Upon the purchase or redemption of Issue 2018-3 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 2018-3 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 2018-3 Bonds of such maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such maturity of Issue 2018-3 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.
Section 2.09. Optional Redemption. The Issue 2018-3 Bonds maturing on and after January 1, 2028, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after July 1, 2027 (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Section 2.10. Special Optional Redemption. The Issue 2018-3 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2018-3 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans allocated to the Issue 2018-3 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2018-3 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2018-3 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof and (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the PAC Bonds Planned Amortization Amount.

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

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

Section 2.11. Special Mandatory Redemptions.

(a) Unexpended Proceeds. The Issue 2018-3 Bonds are subject to mandatory redemption on July 1, 2019 in the event and to the extent that there are unexpended proceeds of the Issue 2018-3 Bonds on deposit in the Issue 2018-3 Subaccount of the Loan Fund on June 1, 2019; provided that such redemption date may be extended, at the
option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2018-3 Bonds are subject to mandatory redemption on March 1, 2022, to the extent any amounts remain on deposit in the Issue 2018-3 Subaccount of the Loan Fund on February 1, 2022.

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

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

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

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

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2018-3 Bonds are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2018-3 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount (as set forth in “FIRST” above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2018-3 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 2018-3 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 2018-3 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.

(c) **Ten Year Rule.**

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

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

**Section 2.12. Selection by Lot.** If less than all of the Issue 2018-3 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 2018-3 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chair, Secretary or Assistant Secretary of the Bond Finance Committee and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2018-3 Bonds.

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

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

ARTICLE IV
DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2018-3 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2018-3 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2018-3 Bonds. Amounts on deposit in the Issue 2018-3 Bond Subaccount of the Loan Fund 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, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

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

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2018-3 Bond Subaccount of the Loan Fund which are to be used to finance Program Loans (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 6, 2019.

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

**Section 4.02. Proceeds of Issue 2018-3 Bonds.** Proceeds of the Issue 2018-3 Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2018-3 Bond Subaccount of the Loan Fund.

**Section 4.03. Program Loan Determinations.** No Program Loan shall be financed with proceeds of the Issue 2018-3 Bonds unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the 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 2018-3 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

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

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2018-3 (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 2018-3 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2018-3 Bonds and neither the members of THDA nor any person executing the Issue 2018-3 Bonds may be liable personally on the Issue 2018-3 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2018-3 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2018-3 Bonds. The Issue 2018-3 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2018-3 Bonds.

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

Section 6.04. Authorized Officers. The Chair, Vice Chair, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.
Section 6.05. Authorized Trustee. THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

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


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

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

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

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

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

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

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

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

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

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

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

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2018-3 Bonds, or other material events affecting the tax status of the Issue 2018-3 Bonds;

(vii) modifications to rights of the holders of the Issue 2018-3 Bonds, if material;

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

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2018-3 Bonds, if material;

(xi) rating changes;

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

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

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

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

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

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

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

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2018-3 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of Rule 15c2-12 (the “Rule”) as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2018-3 Bonds or (B) the holders of the Issue 2018-3 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

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

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

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

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

BOND PURCHASE AGREEMENT
EXHIBIT B

PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS

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## 400% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2018-3 BONDS

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EXHIBIT C

FORM OF BOND

REGISTERED

R[-1] $[_________

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2018-3 (Non-AMT)

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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, 2019. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

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

This bond is one of a series of bonds additionally designated “Issue 2018-3” (herein called the “Bonds”) issued in the aggregate principal amount of $149,900,000 under the General Resolution, a resolution of THDA adopted on May 22, 2018, as amended and supplemented by the Bond Finance Committee of THDA on August 7, 2018 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

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

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

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

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

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

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

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

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

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

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

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

TENNESSEE HOUSING DEVELOPMENT AGENCY

By ______________________________
Kim Grant Brown
Chair
[SEAL]

Attest:

By ______________________________
Ralph M. Perrey
Executive Director
CERTIFICATE OF AUTHENTICATION

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

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ________________________________
Authorized Signatory

Dated: September 6, 2018
ABBREVIATIONS

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

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEN COM</td>
<td>as tenants in common</td>
</tr>
<tr>
<td>TEN ENT</td>
<td>as tenants by the entireties</td>
</tr>
<tr>
<td>JT TEN</td>
<td>as joint tenants with the right of survivorship and not as tenants in common</td>
</tr>
</tbody>
</table>

UNIFORM GIFT MIN ACT - ______ (Cust) Custodian ______ (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

See Tab 8
Tab # 4

Items:
Lending Committee Meeting Materials
AGENDA

1. Call to Order ................................................................. Cleaves
2. Approval of Minutes for September 25, 2018 Meeting ....................... Cleaves
3. Appraisal Gap Pilot Program Amendment ........................................... Hall
4. Mortgage Credit Certificate Program Update ........................................ Hall
5. Hardest Hit Fund Program Update ..................................................... Peraza
6. Adjourn ............................................................................. Cleaves

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

Dorothy Cleaves, Chair
Regina Hubbard
Larry Martin
Todd Skelton
Mary Mac Wilson
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, September 25, 2018, at 9:30 a.m., in the Kress Ballroom, Spring Hill Suites, 85 West Court Avenue, Memphis, Tennessee.

The following Committee members were present: Dorothy Cleaves (Chair), Regina Hubbard, Todd Skelton, and Kim Grant Brown. Committee members Commissioner of Finance and Administration Larry Martin and Mary Mac Wilson were absent. Other Board members present were Secretary of State Tre Hargett, Treasurer David Lillard, John Snodderly, Lynn Tully, Pieter van Vuuren, and Ann Butterworth for Comptroller Justin Wilson. Seeing a quorum present, Chairman Cleaves called the meeting to order and called for consideration of the minutes from July 24, 2018. Upon motion by Mr. Skelton, second by Ms. Hubbard, the minutes were approved.

Chair Cleaves called on Lindsay Hall, Chief Operating Officer of Single Family Programs, to present the first item on the agenda, the proposed Appraisal Gap Pilot Program. Ms. Hall referred to her memos dated July 17, 2018, and September 17, 2018, along with a term sheet for the Appraisal Gap Pilot Program. Ms. Hall reminded the Committee that the proposed pilot program is designed to assist non-profit affordable homebuilders who build or renovated homes in neighborhoods that have not appreciated at a pace that matches the appraised value with the actual sales price of homes. She explained that lenders are required to use the lesser of the sales price or appraised value when calculating the maximum loan amount, so non-profit affordable homebuilders are left with a shortfall between the achievable sales price and their building or renovation expenses. She noted that staff believes that the shortfall is approximately $15,000 to $20,000 per house, so staff recommends using $500,000 from THDA funds for the Appraisal Gap Pilot Program to provide grants of up to $20,000 per unit to eligible non-profit affordable homebuilders in specific ZIP codes of Shelby, Hamilton, and Anderson counties on a first come, first served basis until December 31, 2020. Ms. Hall called attention to the term sheet to address a change to eligibility requirements by eliminating the requirement of a Great Choice mortgage loan. Ms. Hall indicated that the staff recommendation is as follows:

- Approve the term sheet attached to the referenced memos with the described change to the eligibility requirements;
- Authorize staff to modify approved ZIP Codes as deemed necessary;
- Authorize staff to make minor changes and housekeeping changes as deemed necessary;
- Authorize staff to do all things necessary and proper to carry out and launch the Appraisal Gap Pilot Program in accordance with the Term Sheet.

Upon motion by Mr. Skelton, second by Ms. Hubbard, the staff recommendations were adopted for recommendation to the Board.

Chair Cleaves called on Steve Fisher, Director of Mortgage Loan Administration, to present a loan servicing update on behalf of Volunteer Mortgage Loan Servicing (VMLS). Mr. Fisher presented highlights of August, 2018 which were included with Board material.
Considering the volume of loans transferred at one time, Mr. Fisher acknowledged there have been challenges providing to all customers the high level of customer service that VMLS strives for. He commended the VMLS staff for their handling of the increased volume of calls and emails during the month, and stated the default rate for VMLS remained lower than U.S. Bank’s default rate. Mr. Fisher anticipates customer service calls to diminish soon and the level of calls and emails to become manageable.

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

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the day of __________, 2018.
MEMORANDUM

DATE: November 2, 2018

TO: THDA Board of Directors
Lending Committee

FROM: Lindsay Hall, Chief Operating Officer, Single Family Programs

SUBJECT: Appraisal Gap Pilot Program-Proposed Program Changes

Recommendation

The THDA Board of Directors approved the Appraisal Gap Pilot Program on September 17, 2018. Upon additional review, staff recommends the following adjustments to the Appraisal Gap Term Sheet provided at the September 2018 Board of Directors meeting:

1. A maximum of up to $500,000 of THDA funds for the Appraisal Gap Pilot Program to provide grants to eligible non-profit participants in focus areas of Memphis, Chattanooga and Oak Ridge on a first come, first served basis through December 31, 2020. The focus areas are in lieu of identifying the eligible areas by ZIP code.

2. A borrower purchasing a home associated with the Appraisal Gap Pilot Program is not required to obtain a Great Choice Mortgage Loan when financing the purchase of the home.

The revised Appraisal Gap Pilot Program Term Sheet is attached.
## APPRAISAL GAP PROGRAM

### PILOT

#### Summary Guidelines

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Program Overview</td>
<td>The Tennessee Housing Development Agency (THDA) will provide gap funding to help cover the costs to build new construction or repair homes in specified areas of the state where the property values still have not recovered. This program will provide funds to the nonprofit/builder when the appraised value is less than the sales price/cost of construction; up to $20,000 per property.</td>
</tr>
<tr>
<td>2. Program Goals</td>
<td>THDA believes this grant program will allow non-profit participants to increase the availability of new and/or renovated housing stock at an affordable price without depleting their capital; in an effort to stabilize home values within these distressed neighborhoods.</td>
</tr>
<tr>
<td>3. Focus Areas</td>
<td>Memphis, Chattanooga and Oak Ridge.</td>
</tr>
<tr>
<td>4. Max Grant Amount</td>
<td>Up to $20,000 per property. Available at a first come, first served basis.</td>
</tr>
<tr>
<td>5. Program Allocation</td>
<td>$500,000 of THDA funds</td>
</tr>
<tr>
<td>6. Borrower Eligibility Criteria</td>
<td>The borrowers must meet the THDA Great Choice Mortgage Loan income limits per county.</td>
</tr>
<tr>
<td>7. Borrower’s Financing</td>
<td>The borrower is not required to obtain mortgage loan financing through THDA’s Great Choice Mortgage Loan.</td>
</tr>
<tr>
<td>8. Acquisition Cost Limits</td>
<td>The subject property must meet the THDA Great Choice Mortgage Loan acquisition limit per county.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>10. Program Exclusions</strong></td>
<td>Condominiums, co-ops, manufactured housing</td>
</tr>
<tr>
<td><strong>11. Structure of Assistance</strong></td>
<td>One-time disbursement per property to the nonprofit/builder in order to cover the difference between the building or renovation cost and the appraised value of the property.</td>
</tr>
<tr>
<td><strong>12. Duration of Program</strong></td>
<td>December of 2020</td>
</tr>
<tr>
<td><strong>13. Homebuyer Education</strong></td>
<td>Pre Purchase and Post Purchase Homebuyer Education required prior to closing.</td>
</tr>
<tr>
<td><strong>14. Servicing</strong></td>
<td>No servicing will be required.</td>
</tr>
</tbody>
</table>
MEMORANDUM:

DATE: November 5, 2018

TO: THDA Board of Directors
    Lending Committee

FROM: Lindsay Hall, Chief Operating Officer, Single Family Programs

SUBJECT: Take Credit Mortgage Credit Certificate Program Update

INTRODUCTION

The Mortgage Credit Certificate Program, known as Take Credit, allows approved homebuyers to claim a tax credit for some portion of the mortgage interest they pay each year. It is a dollar for dollar reduction against their federal tax liability with a maximum of $2,000 dollars per year over the lifetime of the loan as long as they remain owner occupant. It is a non-refundable tax credit, therefore a homebuyer must have tax liability in order to take advantage of the tax credit.

For the past several years, THDA has carried forward unused volume cap for Mortgage Credit Certificates (“MCC”). Although no 2015 volume cap is available to carry forward for MCCs, the program will remain operational in 2019 with approximately $168,782,195 of volume cap available.

Year to date THDA has funded $5,469,831 in MCCs for 38 in loans.
MEMORANDUM:

DATE: November 5, 2018

TO: Board of Directors, Lending Committee

FROM: Cynthia Peraza, Director of Special Programs

SUBJECT: Hardest Hit Fund (“HHF”) Down Payment Assistance (“DPA”) Program Changes

INTRODUCTION

In March 2016, after THDA Board and US Treasury approval, THDA began offering $15,000 in down payment assistance in designated ZIP Codes throughout Tennessee to help stabilize neighborhoods still hit hard by the mortgage crisis. The funds for the HHF DPA program are provided to THDA through the US Treasury. As funds have been allocated to the HHF DPA program from its original source, THDA has also been allowed to reallocate recovered funds from previous HHF programs into the HHF DPA program. Currently, there is an additional $6,503,037 of recovered funds that will be moved into the HHF DPA funds, thus allowing THDA to continue the HHF DPA program in 2019 until all funds are used.

In addition, as THDA measures the impact of these funds, there are 10 currently eligible ZIP Codes that will be removed from the program as of January 1, 2019. This indicates that the program has accomplished its goal to stabilize neighborhoods, decrease foreclosures and increase homeownership in these areas. The following ZIP Codes will be removed from the HHF DPA program:

<table>
<thead>
<tr>
<th>ZIP Code</th>
<th>Locality</th>
<th>County</th>
</tr>
</thead>
<tbody>
<tr>
<td>37172</td>
<td>Springfield</td>
<td>Robertson</td>
</tr>
<tr>
<td>37037</td>
<td>Christiana</td>
<td>Rutherford</td>
</tr>
<tr>
<td>37218</td>
<td>Nashville</td>
<td>Davidson</td>
</tr>
<tr>
<td>37208</td>
<td>Nashville</td>
<td>Davidson</td>
</tr>
<tr>
<td>37207</td>
<td>Nashville</td>
<td>Davidson</td>
</tr>
<tr>
<td>37877</td>
<td>Talbott</td>
<td>Jefferson</td>
</tr>
<tr>
<td>37073</td>
<td>Greenbrier</td>
<td>Robertson</td>
</tr>
<tr>
<td>37086</td>
<td>La Vergne</td>
<td>Rutherford/Davidson</td>
</tr>
<tr>
<td>38018</td>
<td>Cordova</td>
<td>Shelby</td>
</tr>
<tr>
<td>38133</td>
<td>Memphis</td>
<td>Shelby</td>
</tr>
</tbody>
</table>
Loan applications and purchase agreements dated prior to December 31, 2018, in the aforementioned ZIP Codes will remain eligible for HHF DPA so long as a loan closing occurs on or before February 28, 2019.

HHF DPA has spurred THDA loan production, but has also assisted in stimulating the housing market, as evidenced by these ten ZIP Codes no longer meeting US Treasury requirements.
Tab # 5

Items:

Tax Credit Committee Meeting Materials
Tennessee Housing Development Agency  
Tax Credit Committee  
November 13, 2018  
9:15 a.m. Central Time

AGENDA

1. Call to Order .................................................................................................................... Tully
2. Approval of Minutes from September 25, 2018 .............................................................. Tully
3. 2019 Multifamily Tax-Exempt Bond Authority Program Description  ......................... Duarte
4. Amendments to 2019-2020 Low Income Housing Credit Qualified Allocation Plan .. Duarte
5. Amendments to 2016-2018 Low Income Housing Credit Qualified Allocation Plan .. Duarte
6. Allocation Exchange Request ...................................................................................... Duarte
7. Waiver Request for Non-competitive Housing Credits .............................................. Duarte
8. Proposed Changes to the Qualified Contract Process ................................................ Duarte
9. 2018 Multifamily Tax-Exempt Bond Authority Program Update  ............................... Duarte
10. Adjourn ............................................................................................................................ Tully

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

Lynn Tully, Chair
Kim Grant Brown
Pieter van Vuuren
David Lillard
Larry Martin
Todd Skelton
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 25, 2018, 9:52 a.m. Central Time at The Kress Ballroom, Spring Hill Suites, Memphis, Tennessee.

The following Committee members were present: Lynn Tully (Chair), Treasurer David Lillard, Todd Skelton, Pieter van Vuuren and Kim Grant Brown. Other Board members in attendance were: Dorothy Cleaves, Ann Butterworth for Comptroller Justin Wilson, Regina Hubbard, John Snodderly and Secretary of State Tre Hargett.

Seeing a quorum present, Chair Tully called the meeting to order and called for consideration of the minutes from July 24, 2018. Upon motion from Ms. Brown, second by Mr. Skelton, the minutes were approved.

Chair Tully noted that the first agenda item is consideration of the draft 2019 – 2020 Low Income Housing Credit Qualified Allocation Plan (“draft 2019-2020 QAP”). She recognized Donna Duarte, Director of Multifamily Programs, who referenced her memo dated September 17, 2018, that describes the draft 2019-2020 QAP and noted that the draft 2019-2020 QAP was posted to THDA’s website along with developer comments and THDA staff responses. Ms. Duarte also referenced an additional memo dated September 17, 2018, that describes recommended changes to the Total Development Cost Limits (“TDC limits”) currently in the draft 2019-2020 QAP and describes how the TDC limits were calculated. Ms. Duarte indicated that Section 20 of the draft 2019-2020 QAP will be completed as an amendment when the Multifamily Tax-Exempt Bond Authority Program is presented for consideration in November. Chair Tully asked for discussion on the draft 2019-2020 QAP. After a brief discussion, upon motion by Ms. Brown, second by Mr. Skelton, the draft 2019-2020 QAP was recommended for approval by the Board.

Chair Tully noted the next agenda item is a proposal to waive Part VIII-A-2-d of the 2018 Multifamily Tax-Exempt Bond Authority Program Description (“2018 MTBA Program Description”) for four developments due to unavoidable delays with the U.S. Department of Housing and Urban Development (“HUD”). Chair Tully recognized Ms. Duarte who described the request to extend the deadlines for closing the issuance and sale of bonds under the 2018 MTBA Program Description for three RAD developments and one development which was part of the Global Ministries portfolio, defined by HUD as a severely distressed property. Ms. Duarte noted that all of these developments will be unable to meet their current bond closing deadlines due to delays by HUD in handling their respective financing requests. Upon motion by Mr. Skelton, second from Treasurer Lillard, an extension for closing the issuance and sale of bonds until December 19, 2018 was recommended.

Chair Tully recognized Ms. Duarte who updated 2018 MTBA Program activity. Ms. Duarte reported that, to date, THDA has committed $345,820,814 in bond authority with $179,186 remaining uncommitted.
Chair Tully recognized Ralph Perry, THDA’s Executive Director, who noted that the qualified contract request process available to owners of Housing Credit properties under certain circumstances will be suspended for several months as Multifamily Programs staff drafts changes to the process. Mr. Perrey noted that qualified contract requests currently in hand will be processed, but additional requests will not be accepted until revisions to the process are approved.

With no further business, Chair Tully adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Submitted this 13th day of November, 2018
The draft 2019 Multifamily Tax-Exempt Bond Authority Program Description (“draft 2019 MTBA Program Description”) is presented for your consideration. A redlined draft 2019 MTBA Program Description can be found on Tennessee Housing Development Agency’s (“THDA’s”) webpage at: https://thda.org/business-partners/multi-family-tax-exempt-bonds. Staff recommends approval of the draft 2019 MTBA Program Description as described in the Summary of Changes attached to this memo, with authorization of staff to make minor, housekeeping changes to the draft 2019 MTBA Program Description as may be needed for effective program implementation.

Discussions on changes to the draft 2019 MTBA Program Description were held with program participants at the November 5, 2018 Developer Forum/Public Hearing, during one on one phone calls, and in emails with developers on specific topics of interest. When applicable, developer feedback was incorporated into the draft 2019 MTBA Program Description.

If you have any questions or comments about this draft 2019 MTBA Program Description, please contact me.
Assuming THDA receipt of sufficient 2019 bond authority, $200 million in Multifamily Tax-Exempt Bond Authority (“MTBA”) will be available to local issuers for multifamily developments which will close financing by the date specified in the MTBA Firm Commitment Letter.

MTBA must be issued by a local board or other issuing entity with jurisdiction in the area of the proposed development, or by an entity from outside the area of the proposed development having the authority to issue bonds in the area of the proposed development with consent from the issuing entity in the area of the proposed development.

Some units in the multifamily development must be occupied low-income households: twenty percent (20%) of the units must be occupied by households with incomes no greater than fifty percent (50%) of area median income, or forty percent (40%) of the units must be occupied by households with incomes no greater than sixty percent (60%) of area median income.

A maximum of twenty five million dollars ($25,000,000) in MBTA per development may be committed.

The application submission period extends until the date on which all MTBA made available is fully committed. All bonds using 2019MBTA must be issued and sold no later than December 19, 2019.

MTBA will be allocated only to eligible applications on a first come, first served basis as identified by receipt in THOMAS.

The format of the MTBA Program Description has been modified to match the format of THDA’s 2019-2020 Qualified Allocation Plan (“QAP”).

MTBA may only be used in conjunction with noncompetitive housing credits (“Noncompetitive Housing Credits”).

Adaptive reuse/conversion will be evaluated as new construction.

Visitability Design Requirements for single family, duplex, triplex, and townhomes have been added.

An Evaluation Notice policy has been added which standardizes Multifamily Programs’ internal procedures and allows applicants three (3) opportunities to correct deficiencies before rejecting an MTBA application.

Major Significant Adverse Effect (“Major SAE”) language has been added to conform to the QAP.

During 2019, THDA will only approve one (1) Special Request Application up to a maximum amount of $100M in MTBA.
• In exchange for a commitment of MTBA and a subsequent allocation of Noncompetitive Housing Credits, applicants waive their right to participate in the Qualified Contract Request process.

• A commitment of MTBA is dependent upon a minimum score of 60 points based on the scoring criteria for Noncompetitive Housing Credits in Section 20 of the QAP.

• Total Development Cost Limits by development type and unit apply as specified in Chapter 20 of the QAP.

• No refund of the Incentive Fee will be made when an extension to the original deadline for issuance and sale of bonds is given.

• No refund of the MTBA Firm Commitment Fee will be made.

• The Commitment Fee for Firm Commitment Letters with a 120 day term has been increased by .5%.
MEMORANDUM

TO: THDA Board of Directors, Tax Credit Committee
FROM: Donna Duarte
Director of Multifamily Programs
SUBJECT: Amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan and Summary of Changes
DATE: October 26, 2017

Staff requests your consideration of amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan (“amended 2019-2020 QAP”). A redline version of the amended 2019-2020 QAP can be found on Tennessee Housing Development Agency’s (“THDA’s”) webpage at https://thda.org/business-partners/lihtc. We respectfully request your approval of the amended 2019-2020 QAP as described in this memorandum and Summary of Changes with the specific inclusion of housekeeping items which will allow Multifamily Programs staff to make minor changes in the document to implement the major changes of the amended 2019-2020 QAP as adopted.

Clarification changes included in the amended 2019-2020 QAP were based on discussions with program participants. Developers and other interested parties have offered significant improvements and requested clarification in several areas. Multifamily Programs staff addressed the questions, developer suggestions, improved the content in the amended 2019-2020 QAP.

If you have any questions or comments about this amended 2019-2020 QAP, please contact me.
Summary of Amendments to the
2019-2020 Low-Income Housing Credit Qualified Allocation Plan
October 31, 2018

Changes by Section

In reviewing the amendments to the QAP, staff made changes to parts of Sections but for formatting ease, replaced entire Sections within the QAP.

1. The Table of Contents contains updated page numbers and direct links to Sections in the QAP.
2. Section 2: Definitions for commonly used terms were added.
3. Section 6: Minor changes were made in Part B. Other Ineligibility to conform language between the QAP and the 2019 Multifamily Tax-Exempt Bond Authority Program Description.
4. Section 14: Changes were made to the scoring items and points to ensure compliance with Section 42(m)(2).
5. Section 16: Language was added which establishes a formal process, number of notices and associated deadlines when Multifamily Programs staff requests additional documentation and/or clarification information during the review period for Carryover Allocation Applications in C. Carryover Allocation Application Review Process.
6. Section 17: Language was added to clarify the construction review steps prior to the submission of the Final Application and establishes a formal process, number of notices and associated deadlines when Multifamily Programs staff requests additional documentation and/or clarification information during the review.
7. Section 18: Language was added which establishes a formal process, number of notices and associated deadlines when Multifamily Programs staff requests additional documentation and/or clarification information during the review period for Final Applications in C. Final Application Review Process.
8. Section 20: Language has been added for developments eligible for Noncompetitive Housing Credits. This language includes allocation requirements, development limits, total development cost limits, scoring, and the application eligibility and scoring review process.
9. Section 21: Miscellaneous Provisions was blank and has been removed.
10. Section 22: Adoption and Approval by the Governor has been relabeled Section 21.
11. Tables have been labeled in each Section, as necessary.
12. We anticipate further changes as necessary, commonly referred to as housekeeping items, throughout the document to conform to the major changes included in this QAP and as necessary to implement this QAP.
MEMORANDUM

TO: THDA Board of Directors, Tax Credit Committee

FROM: Donna Duarte
       Director of Multifamily Programs

SUBJECT: Request to Amend the 2016, 2017 and 2018 Qualified Allocation Plans for Enterprise Green Community Certifications

DATE: October 26, 2018

Recommendation

Staff recommends amending Part VII-B-2-d of the 2016, 2017 and 2018 Low Income Housing Tax Credit Qualified Allocation Plans (“QAP”) to address timing issues with receipt and delivery of the required Post-Build Enterprise Green Community Certification. THDA is aware of delays in the application process with Enterprise Green Communities resulting in delays for receipt of Post-Build Enterprise Green Community Certifications. These QAPs require submission of the Post-Build Enterprise Green Community Certification before the issuance of IRS Form 8609. The proposed change will allow submission of evidence of an application submission to Enterprise Green Communities for the Post-Build Enterprise Green Community Certification with a final application. This will allow THDA to issue IRS Forms 8609 to development owners without undue delay.

Proposed 2016, 2017, 2018 QAP Amendments

(Part VII-B-2-d)

d. 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. The Post-Build Enterprise Green Community Certification or evidence of application submission for the Post-Build Enterprise Green Community Certification to Enterprise Green must be submitted to at the time of Final Application. If the Post-Build
Enterprise Green Certification is not submitted with the Final Application, the Post-Build Enterprise Green Certification shall be submitted to THDA no later than six (6) months after submission of the Final Application to Enterprise Green.

Please let me know if you have any further questions about these amendments.
MEMORANDUM

TO: THDA Board of Directors, Tax Credit Committee
FROM: Donna Duarte
Director of Multifamily Programs
SUBJECT: Request for Allocation Exchange of 2017 Low-Income Housing Tax Credits
TN17-044 – Watson Glades Place
DATE: October 26, 2018

Michael Hedges, on behalf of Watson Glades Place 2017, LP, owner of Watson Glade Place TN17-044 and TN18-053, requests an exchange of 2017 competitive Low-Income Housing Credit (“Housing Credit”) for 2018 Housing Credit in an amount equal to the returned 2017 Housing Credit. The attached documentation details the factors related to the request.

Staff recommends approval of this request for the reasons stated in the attached documentation and subject to the requirements listed below.

Historical Background to Date

In 2017, Watson Glades Place 2017, LP submitted a LIHTC application proposing an 80 unit new construction development in Sevier County (“Watson Glade Place”). At the conclusion of the 2017 LIHTC round, Watson Glades Place 2017, LP accepted a partial allocation in the amount of $599,271 in 2017 Housing Credits (TN17-044). The ownership entity took steps to bring the development in line with the allocation; including pursuing additional funding resources to financially stabilize the proposed development. In 2018, the development was approved for an incremental allocation of 2018 Housing Credit in the amount of $243,850 (TN18-053). The development is now financially feasible to proceed as (TN18-053).

Staff acknowledges the difficulties of combining separate year allocations into one development; including Section 42 allocation deadline requirements and long-term compliance restrictions.
Staff recommends that the Tax Credit Committee and the Board of Directors approve the request subject to the following terms and conditions:

a. Exchange may be made only with the express written approval of THDA, which approval may be granted or denied, in THDA’s sole discretion.
b. No person or entity shall be entitled to rely on any approval for exchange for the purpose of obtaining subsequent approval for exchange.
c. Watson Glade Place shall be subject to the Low-Income Housing Tax Credit 2018 Qualified Allocation Plan (“2018 QAP”), except as specified in e through k below.
d. Other proposed developments involving any individual involved with Watson Glade Place, MAY be ineligible for Sponsor Characteristics points as described in Part VII-B-3 of successive QAPs starting in 2019, if applicable.
e. 2018 Housing Credits allocated to the Watson Glade Place development will not increase the amount of 2018 LIHTC available under Part III of the 2018 QAP.
f. 2018 Housing Credit allocated to Watson Glade Place will not count against the Set-Asides as described in Part III-B of the 2018 QAP or the General Pool as described in Part VIII-E-8 of the 2018 QAP.
g. 2018 Housing Credit allocated to Watson Glade Place will not count against the county caps as specified in Part IV-A of the 2018 QAP.
h. 2018 Housing Credit allocated to Watson Glade Place will not count against the developer or related party cap specified in Part IV-C of the 2018 QAP.
i. 2018 Housing Credit allocated to Watson Glade Place will not count against the aggregate QCT cap specified in Part IV-D of the 2018 QAP.
j. No substantial modification of Watson Glade Place, as determined by THDA in its sole discretion, will be permitted after the approval of this exchange.
k. The additional allocation of 2018 Housing Credit shall not exceed the amount of 2017 Housing Credit returned.
l. If approved, the 2018 Carryover Allocation Agreement will include timelines, including, without limitation, construction timelines provided by the developer and approved by THDA, in its sole discretion, that will be monitored for compliance. Failure to meet the approved timelines MAY have negative consequences for related applicants in subsequent years.
m. All elections for points under the 2017 QAP will apply and will be strictly enforced.
n. THDA, in its sole discretion, may request additional information and documentation during the construction and allocation period of this development as deemed necessary to monitor progress toward established deadlines as defined in the 2018 Carryover Allocation Agreement. Failure to provide requested information and documentation or to meet the established deadlines in the 2018 Carryover Allocation Agreement MAY have negative consequences for related applicants in subsequent years.

If you have any questions, please contact me.
October 24, 2018

Ms. Felita Hamilton, MPS
Allocation Manager
Tennessee Housing Development Agency
502 Deaderick Street-3rd Floor
Nashville, TN 37243-0900

Dear Felita:

The purpose of this letter is to confirm our recent meeting in Donna’s office concerning Watson Glades Place in Gatlinburg, formally TN17-044 and TN18-053. As you know, David Hayes and I, along with Citizens National Bank, have been trying to help Appalachian Home & Health of Knoxville, a qualified non-profit, develop affordable housing in response to the Gatlinburg fire.

In 2017 we submitted a request for approximately $1.08 million in tax credits, but the agency was running out of funds as it got to Watson Glades, and only $599,271 was available for the attached 2017 reservation. We couldn’t make anything work with an allocation of that size, (even given permission to reduce the number of units) but we were encouraged by many people, including Gatlinburg officials, Sevier County officials, and THDA staffers, not to give up because the need for affordable housing in the area remains critical. We tried and failed to win an award of Housing Trust Funds earlier this year, but we were further encouraged to seek an “Incremental” award in the 2018 allocation cycle. Given the limitations of our site, we were only able to request funds for 16 units in the Incremental application, but that resulted in the attached 2018 reservation in the amount $243,850.

Of course credit prices have fallen fairly dramatically and interest rates have risen since out first application, but we now have a firm commitment for equity from CREA and construction and perm CITC loans from Citizens National Bank. So we can make the combined 80-unit package work! As you know, we also submitted the necessary files and Carryover Application onto your THOMAS system prior to the 10/15 deadline. Our request to you is that you reallocate the 2017 reservation into 2018 credits so that the two reservations may be treated as a single, unified 80-unit property. I’ve attached a site plan showing what that will look like. Please don’t hesitate to call should you need further information.

Sincerely,

Michael L. Hedges, P.E.
Principal

MLH/ms
cc: David Hayes
MEMORANDUM

TO: THDA Board of Directors, Tax Credit Committee
FROM: Donna Duarte
       Director of Multifamily Programs
SUBJECT: Request for Wavier of Noncompetitive Low-Income Housing Credits
         TN18-231: Preserve at Highland Ridge
DATE: November 1, 2018

Developments applying for multifamily tax-exempt bond authority under the 2018 Multifamily Tax-Exempt Bond Authority Program Description may be eligible for an allocation of noncompetitive low-income housing credits. However, THDA’s 2018 Low-Income Housing Tax Credit Qualified Allocation Plan caps the amount of noncompetitive low-income housing credits allocated to an eligible development at $1.3 million. Noncompetitive low-income housing credits do not count against THDA’s annual allocation of competitive low-income housing credits. THDA routinely entertains and requests for approval waivers to the noncompetitive housing credit caps based on development specific circumstances.

Ryan Lunderby, of Nashville Leased Housing Associates I, is requesting a waiver to increase the amount of noncompetitive low-income housing credits for Preserve at Highland Ridge, TN18-231 to $2.5 million. Preserve at Highland Ridge is a new construction development providing 261 low-income units in Davidson County. The request for an increase in noncompetitive low-income housing credits is due to unanticipated site development costs which is further explained in their attached request.

Staff is requesting that the Tax Credit Committee and the Board of Directors authorize staff to allocate up to, but not more than $2.5 million per year of noncompetitive LIHC to the proposed development.

Please let me know if you have any questions about this noncompetitive low income housing credit request waiver.
October 26, 2018

Ms. Donna Duarte and Ms. Felita Hamilton
Tennessee Housing Development Agency
502 Deaderick Street, 3rd Floor
Nashville, TN 37243

RE: Waiver Request – 2018 Multifamily Tax-Exempt Bond Authority
    Nashville Leased Housing Associates I, Limited Partnership
    Preserve at Highland Ridge
    TDHA Project Number: 18-231

Ms. Duarte and Ms. Hamilton,

Please accept this letter as a formal request for a waiver to Part III.A.1 and Part XI of the 2018 Multifamily Tax-Exempt Bond Authority Program Description relating to the maximum amount of bonds and annual tax credits per development involving new construction.

Nashville Leased Housing Associates I, Limited Partnership is respectfully requesting an allocation in excess of $25,000,000 of Multifamily Tax-exempt Bond Authority. Our project will require an allocation amount of $31,000,000. Simultaneously, Nashville Leased Housing Associates I, Limited Partnership is requesting a waiver to allow for an annual tax credit allocation above $1,300,000, in a total amount of $2,494,331.

Our tax-exempt bond request exceeds the maximum bond cap primarily due to the high construction costs associated with a project as large as the Preserve at Highland Ridge.

There are two main issues that have driven up our construction costs on the project. First is the amount of undocumented and unsuitable fill material that was placed on the site during the adjacent property’s redevelopment several years ago. As we progressed through due diligence and project design, advanced soil testing results continued to find these conditions leading to many additional grading and export costs of unsuitable soils.

Additionally, the steep grading in multiple areas of the project site has posed multiple issues with regard to structural design. This steep grading has necessitated the addition of large retaining walls and larger, stronger building foundation footings to the final project design. These two issues affect nearly every area of this site and are the main, atypical
factors that have resulted in total hard construction costs of approximately $40,397,000 for the Preserve at Highland Ridge project.

Knowing that bonds are scarce in Tennessee we have made efforts to keep our bond request limited to an amount of bonds that will allow us to meet the 50% test, in order to receive an annual 4% tax credit allocation. We believe that the above bond allocation request represents the minimum amount of tax exempt bonds which will allow us to meet the 50% test, given our existing project costs.

It is also worth noting that our annual tax credit allocation request exceeds the state allocation cap due to the high eligible basis of the project. The high construction costs described above compounded with the location of the project site within a federally-designated qualified census tract (“QCT”) has increased our total eligible basis including the QCT boost to an amount in excess of $75,000,000. Thus, our resulting annual tax credit allocation is far higher than the state annual tax credit allocation cap. We understand the need to be mindful of costs at all times, but it is important to note that the QCT designation of our site is a critical characteristic that makes the creation of these 261 affordable homes possible.

Lastly, we respectfully request an extension of the bond closing deadline for our current allocation of bonds from November 22nd (our currently deadline including the 30-day extension recently processed) to December 19, 2018. Since receiving our firm allocation of bonds, we have been working with THDA staff on a plan to receive the additional bonding authority necessary to meet the 50% test. To date, these additional bonds have not been available and has resulted in uncertainty with our financing team. The extension of the bond closing date to December 19th will allow us additional time to close with our financing team given the uncertainty of receiving the additional bonds to date and allow THDA more time to allocate the additional bonds necessary should they become available in 2018.

In summary, here are the requests to THDA outlined in this letter:

- Provide waiver for tax exempt bonding authority in an amount of $31,000,000
- Provide waiver of annual tax credits above $1,300,000
- Upon receipt of waiver approvals, provide 42(m)(1) letter supporting annual tax credits of $2,494,331
- Approve an extension of the bond closing deadline to December 19, 2018

If you have any questions or need any additional information please do not hesitate to call me at (763) 354-5634, or contact me by email at rlanderby@dominiuminc.com.
We appreciate the commitment that THDA staff has made to this project to date and your willingness to consider these waiver requests. We strongly believe that this project will be a great addition to the affordable housing needs of residents of Tennessee.

Thank you,

______________________
Ryan Lunderby
Vice President and Project Partner
Tab # 6

Items:
Audit & Budget Committee Meeting Materials
AGENDA

1. Call to Order .............................................................................................. Lillard
2. Approval of Minutes from September 25, 2018 ........................................ Lillard
3. Disclosure Analysis Report for Board Members ........................................ Oliver
4. Disclosure Analysis Report for THDA Staff ............................................. Oliver
5. Public Records Rules .................................................................................. Balcom
6. Enterprise Risk Management Update ....................................................... Oliver
7. Fiscal Year 2018 Internal Audit Summary ................................................ Oliver
8. Fiscal Year 2018 Financial Statement Summary ....................................... Ridley
9. Five Year Financial Plan ............................................................................ Beard
10. Annual Performance Evaluation of Director of Internal Audit ............... Lillard
11. Annual Performance Evaluation of Executive Director ......................... Lillard
12. Adjourn ................................................................................................... Lillard

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

Treasurer David Lillard, Chair
Kim Grant Brown
Dorothy Cleaves
Secretary Tre Hargett
Austin McMullen
Pieter van Vuuren
Pursuant to the call of the Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, September 25, 2018, at 9:00 a.m. in the Kress Ballroom, Spring Hill Suites, 85 West Court Avenue, Memphis, Tennessee.

The following Committee members were present: Treasurer David Lillard, (Chair), Kim Grant Brown, Dorothy Cleaves, Pieter van Vuuren, and Secretary of State Tre Hargett. Committee member Austin McMullen was absent. Other Board members present were Ann Butterworth for Comptroller Justin Wilson, Regina Hubbard, John Snodderly, Lynn Tully, and Todd Skelton.

Recognizing a quorum present, Chairman Lillard called the meeting to order and asked for approval of the minutes for the July 24, 2018 meeting. Upon motion by Secretary Hargett, second by Ms. Brown, the minutes were unanimously approved.

Chair Lillard recognized Ms. Gay Oliver, Director of Internal Audit, to present the Executive Director performance evaluation process. Ms. Oliver referenced the memo from Chair Lillard dated September 18, 2018, included in the Board packet that addresses the Executive Director 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 proposed process is similar to the process followed in the previous year. The consensus of the Committee was to proceed with the process as described in the referenced memo.

The next item for consideration was the Director of Internal Audit performance evaluation process. Chair Lillard referenced his memo dated September 18, 2018, included in the Board packet. He noted that it is similar to the process for the Executive Director performance review, except that this evaluation is wholly within the purview of the Committee, so 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.

Chairman Lillard recognized Mr. Bruce Balcom, Assistant Chief Legal Counsel to present proposed public record rules. Mr. Balcom noted that the Tennessee Public Records Act was changed in 2018 to require promulgation of rules to govern public records requests. Mr. Balcom noted that the proposed public records rules are similar to current THDA policy, there are changes regarding language and formatting; and changes to clarify that electronic devices may be used to make images of records, but they cannot be used to make recordings of the interior of secured spaces. Mr. Balcom added that no Board action will be required until the November meeting.

Chairman Lillard recognized Mr. Trent Ridley, Chief Financial Officer to present the Fiscal Year 2018 investment report. Mr. Ridley referenced his memo dated September 19, 2018, that incorporates the June 30, 2018 investment report and an executive summary of investment activities for the quarter ending June 30, 2018. He added that the report provides information about non-mortgage funds managed by the THDA finance team and overall portfolio performance. He noted that the investments for the quarter yielded a 2.31% effective rate of return (slightly up from 2.30% for the quarter ending June 30, 2017) on an average daily balance of $276.2 million.
Mr. Ridley indicated that for fiscal year 2018, the weighted average daily balance and effective rate of return were $263.3 million and 2.24% compared to $265.5 million and 2.27% for fiscal year 2017. He noted that the effective rate of return decreased slightly primarily due to the maturation of certain high-yielding Treasury Securities, that comprised approximately 26.98% of the investment portfolio at September 30, 2016, compared to 3.16% at June 30, 2018.

Chairman Lillard recognized John Ball, THDA Budget Analyst, to present the fiscal year 2020 proposed budget (the “Proposed Budget”). Mr. Ball presented the following information:

- During fiscal year 2018, THDA had approximately $2.8 billion in assets ($2.1 billion in mortgage loans) and liabilities of approximately $2.2 billion, the majority of which were bonds payable. The fund balance, as of June 30, 2018, was $514.0 million. First mortgage loan purchases for fiscal year 2018 totaled $453.2 million. Investment revenue for fiscal year 2018 was $7.0 million, down slightly from $7.3 million in fiscal year 2017. Operating income for fiscal year 2018 was $13.4 million, down slightly from $15.0 million in fiscal year 2017. These numbers exclude the impact of GASB 68 because necessary data from the State has not been received.
- The program asset to debt ratio (PADR) is used by rating agencies to gauge the strength of housing finance agencies. Currently, THDA’s overall PADR is 1.27, well above the PADR of 1.04 required by the rating agencies to maintain THDA’s current ratings.
- The Proposed Budget includes both the State portion and the bond portion and totals approximately $476.6 million in revenue, including approximately $25.6 million in salaries and administrative expenses. The total state portion shows expenditures of approximately $375.2 million.
- 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 2020. Adjustments during this process are normal and need to be authorized in the approval motion.

Upon motion by Secretary Hargett, second by Ms. Cleaves, 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, Chairman Lillard dismissed the meeting.

Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit

Approved the day of November 2018
MEMORANDUM:

TO: Audit and Budget Committee

FROM: Gathelyn Oliver, Director of Internal Audit
Lynn Miller, Chief Legal Counsel

DATE: November 5, 2018

SUBJECT: 2018 Potential Conflicts of Interest Disclosure
By THDA Board Members, Voting Representatives, and
Staff of Board Members who Deal Directly with THDA

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, 2018. 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 (HFF) 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.

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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. (Questions 2, 8) The following Board members disclosed incidental personal banking relationships with financial institutions or entities that may be THDA originating. The disclosures include personal savings, checking, investments, IRAs, mortgages, etc.

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<tr>
<th>Keith Boring</th>
<th>Kim Grant Brown</th>
<th>Ann Butterworth</th>
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<tr>
<td>Dorothy Cleaves</td>
<td>Tre Hargett</td>
<td>David Lillard</td>
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<td>Larry Martin</td>
<td>Austin McMullen</td>
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<td>Steve Osborne</td>
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<td>Sandi Thompson</td>
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<td>Lynn Tully</td>
<td>Pieter van Vuuren</td>
<td>Justin Wilson</td>
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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.

| Ann Butterworth | Todd Skelton | Lynn Tully |

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. (Question 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; supplying materials, building, or developing houses that may be sold to THDA borrowers; 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).

<table>
<thead>
<tr>
<th>Kevin Bradley</th>
<th>Dorothy Cleaves</th>
<th>Kim Grant Brown</th>
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<tr>
<td>Regina Hubbard</td>
<td>Larry Martin</td>
<td>Todd Skelton</td>
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<td>Pieter van Vuuren</td>
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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. Steve Osborn and Ms. Mary Mac Wilson (family member) disclosed stock

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ownership in financial institutions that may be originators of THDA mortgages. Stock ownership is one step further removed from the activities of the financial institution than direct employment; therefore, this is treated as a permitted incidental interest the same as employment by a financial institution.

INDIRECT INTERESTS

5. (Question 3) Ms. Dorothy Cleaves disclosed allowable indirect personal employment relationship with an entity involved with the Blight Elimination Program (BEP) and LIHTC and she also may attend Blight Authority meetings as a banking community guest with no voting rights. 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 DPA and a THDA loan 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 should also refrain from discussing the matter with THDA Board or staff members.

6. (Question 10) Mr. Austin McMullen disclosed allowable personal employment relationship with an entity that may represent clients involved in THDA programs including LIHTC. Mr. McMullen should refrain from voting or participation in discussion at committee and Board meetings on any topic that relates specifically to this disclosed indirect interest.

7. (Questions 2, 3b, 3i, 3l, 3m, 3o, 3p, 3q) Ms. Lynn Tully disclosed indirect interests due to her position with the City of Kingsport. Indirect interests in this category may include permanent financing provided by THDA, HRPR, LIHTC, ESG, NSP1, WAP, LIHEAP, BEP, or certain Housing Trust Fund (HTF) assistance, and require the Board member to refrain from voting and participation in discussion at committee and Board meetings on any topic that relates specifically to their disclosed indirect interest.

SUMMARY OF INTERESTS DISCLOSED

The following is a summary of interests disclosed by Board members in their 2018 Disclosure Forms:

1. Keith Boring – Personal banking relationship with financial institutions that may be THDA Originating Agents.

2. Kevin Bradley – Volunteers as a volunteer budget coach for future homeowners through Nashville Habitat for Humanity.

3. Kim Brown – Employed as a residential builder and Realtor in west Tennessee whose customers may obtain THDA loans. Personal banking relationships with financial institutions that may be THDA Originating Agents.

4. Ann Butterworth – Reports friendships with Board members, staff and persons and entities that do business with THDA. Personal banking relationship with financial institutions that may be THDA Originating Agents.
5. 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. May sit in on Blight Authority meetings with no voting rights. Personal and business relationships with entities that do business with THDA. Family member has a THDA loan.

6. 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.

7. Tre Hargett – Personal banking relationships and stock ownership in financial institutions that may be THDA Originating Agents.

8. Regina Hubbard – Employed as licensed Realtor and could have clients that obtain THDA loans.

9. David Lillard – Personal banking relationship with financial institutions that may be THDA Originating Agents.

10. Larry Martin – Retired from and sits on Advisory Council of a financial institution that does business with THDA. Personal banking relationship with financial institutions that may be THDA Originating Agents.

11. 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. Jason Mumpower – Personal banking relationship with financial institutions that may be THDA Originating Agents.

13. Steve Osborne – Personal banking relationship and stock ownership in financial institutions that may be THDA Originating Agents.

14. Todd Skelton – Reports person/professional relationships with Board members. Personal banking relationship with financial institutions that may be THDA Originating Agents. Family member is a Realtor.

15. Sandi Thompson – Personal banking relationship with financial institutions that may be THDA Originating Agents.

16. Lynn Tully – Employed by City of Kingsport who provides funding for entities involved with some or all of the following THDA programs: LIHTC, HRPR, NSP 1, HTF, HHF, WAP and LIHEAP. Personal or business relationships with many THDA staff. Personal banking relationship with a financial institution that may be a THDA Originating Agent.

17. Pieter van Vuuren – Employed by and personal banking relationship with a financial institution that may be a THDA Originating Agent.
18. Justin Wilson – Personal banking relationship with a financial institution that may be a THDA Originating Agent.


SUMMARY OF PROGRAM DISCLOSURES

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

Ms. Lynn Tully disclosed indirect or incidental interests related to LIHTC, ESG, NSP1, HTF, WAP, LIHEAP that do not require specific announcement of non-participation.

GLO/LM
MEMORANDUM:

TO: Audit and Budget Committee
FROM: Gathelyn Oliver, Director of Internal Audit
       Lynn Miller, Chief Legal Counsel
DATE: November 5, 2018
SUBJECT: 2018 Potential Conflicts of Interest Disclosure Report for Staff

INTRODUCTION

We reviewed the disclosures made by all THDA staff for the fiscal year beginning July 1, 2018. 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 2018 Disclosure Form:

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<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Aleisha Carr</td>
<td>Amy Newport</td>
<td>Angel Cooper</td>
<td>Anita Lilly</td>
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<tr>
<td>Ann Salyers</td>
<td>Annette Rader</td>
<td>Annette Sherrill</td>
<td>Arshida Moore</td>
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<td>Belinda Williams</td>
<td>Betesia Harris</td>
<td>Beverly Fears</td>
<td>Bill Lord</td>
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<td>Blake Worthington</td>
<td>Bob Farrar</td>
<td>Briana Gardner</td>
<td>Bryan West</td>
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<td>Caroline Rhodes</td>
<td>Carrie Randolph</td>
<td>Cathy McClung</td>
<td>Charmaine McNeilly</td>
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<td>Christina Ferrell</td>
<td>Christopher Martin</td>
<td>Christy Hollingsworth</td>
<td>Chuck O'Donnell</td>
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<tr>
<td>Chuck Pickering</td>
<td>Cindy Ripley</td>
<td>Clata Dykes</td>
<td>Courtney Smith</td>
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<td>Craig Stevens</td>
<td>Crystal Stafford</td>
<td>Cynthia Peraza</td>
<td>Dallisa Kilcrease</td>
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<td>Danna Wall</td>
<td>Dareyl Adams</td>
<td>David Castle</td>
<td>David Pair</td>
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<td>David Richardson</td>
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<td>Debra Perkins</td>
<td>Dejuanu Lyons</td>
<td>Denise Hutchinson</td>
<td>Denise McBride</td>
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<td>Donna Fly</td>
<td>Donna Neal</td>
<td>Doreen Graves</td>
<td>Dorothy Carter</td>
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<td>Ed Yandell</td>
<td>Ella Harris</td>
<td>Eric Crabtree</td>
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<td>Erica Holloway</td>
<td>Erin Hardy</td>
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<td>Fredina Martin</td>
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<td>Gary Goad</td>
<td>Harry Symlar</td>
<td>Hayden Harville</td>
<td>India Whatley</td>
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<td>Jana Woodward</td>
<td>Janice Williams</td>
<td>Janie Pekanyande</td>
<td>Jason Ronnow</td>
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<td>Jawon Lauderdale</td>
<td>Jayna Jones Johnson</td>
<td>Jeboria Scott</td>
<td>Jeremy Heidt</td>
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<tr>
<td>Jessica Davis</td>
<td>Jillian Ford</td>
<td>Joe Brown</td>
<td>Joell Bethel</td>
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<tr>
<td>John Ball</td>
<td>Joseph Speer</td>
<td>Julie Burnette</td>
<td>June Shute</td>
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<td>Karen Davis</td>
<td>Katie Ferguson</td>
<td>Katina Brewer</td>
<td>Kavin Williams</td>
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<td>Kendra Love</td>
<td>Kerry Maloney</td>
<td>Kevin Rogers</td>
<td>Kim Davenport</td>
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<tr>
<td>Kim Otts</td>
<td>Kinisha Floyd</td>
<td>Kristi Moore</td>
<td>Kristy Allen</td>
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<tr>
<td>Lara Tosh</td>
<td>LaMar Brooks</td>
<td>Lanika Jernigan</td>
<td>Laura Swanson</td>
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<td>Leann Blankman</td>
<td>Leena Sathe</td>
<td>Linda Foulks</td>
<td>Linda Jones</td>
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<td>Linda Lalone</td>
<td>Lisa Shockley</td>
<td>LiSandra Vaughns</td>
<td>Lori Cannon</td>
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<td>Lucy King</td>
<td>Lynn Miller</td>
<td>Lynne Walls</td>
<td>Margaret Donald</td>
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<td>Marquisha Griffin</td>
<td>Marva Hemphill</td>
<td>Mary Crutcher</td>
<td>Meg Palmer</td>
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<td>Melissa Clouatre</td>
<td>Melissa Staley</td>
<td>Melony Davis</td>
<td>Melva Boyd</td>
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<tr>
<td>Mia Billingsley</td>
<td>Michael Kokodinsky</td>
<td>Michael Warren</td>
<td>Michelle Lines</td>
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<tr>
<td>Monica Murrell</td>
<td>Monique Groom</td>
<td>Morgan Mansa</td>
<td>Nancy Herndon</td>
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<tr>
<td>Natasha McMaurine</td>
<td>Nickolas Lee</td>
<td>Nicole Lucas</td>
<td>Nikki Finley</td>
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<tr>
<td>Pamela Norris</td>
<td>Pamela Whitfield</td>
<td>Patricia Randolph</td>
<td>Patrick Adams</td>
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<tr>
<td>Patrick Harrell</td>
<td>Ralph Perrey</td>
<td>Ray Levron</td>
<td>Rebecca Scott</td>
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<td>Rebecca Zastrow</td>
<td>Rebekah Bicknell</td>
<td>Recanvus Moore</td>
<td>Reggie Woodward</td>
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<tr>
<td>Rhonda Ellis</td>
<td>Rhonda Groves</td>
<td>Rhonda Ronnow</td>
<td>Richardo Moore</td>
</tr>
<tr>
<td>Robert Kirtz</td>
<td>Robert Lucas</td>
<td>Rukia Peng</td>
<td>Russell Catron</td>
</tr>
<tr>
<td>Ruth Alvidres</td>
<td>Sandra Poarch</td>
<td>Sankar Chandran</td>
<td>Sarah Turner-Brooks</td>
</tr>
<tr>
<td>Scott Holden</td>
<td>Shameka Young</td>
<td>Shana Mills</td>
<td>Shannen Cross</td>
</tr>
<tr>
<td>Shannon Ward</td>
<td>Sharon Putnam</td>
<td>Shay Grier Maclin</td>
<td>Shekinah Whitney</td>
</tr>
<tr>
<td>Shelby Walls</td>
<td>Sheila Crunk</td>
<td>Sheila White</td>
<td>Shenita Haynes</td>
</tr>
<tr>
<td>Sheryle Palmer</td>
<td>Stan Pack</td>
<td>Stella Williams</td>
<td>Stephanie Bounds</td>
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<tr>
<td>Steve Fisher</td>
<td>Suzan Foulks</td>
<td>Tammy Walker</td>
<td>Teresa Luckey</td>
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<tr>
<td>Terry Benier</td>
<td>Terry Montgomery</td>
<td>Theresa Smith</td>
<td>Tim Robichaud</td>
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<tr>
<td>Timothy Good</td>
<td>Timothy James</td>
<td>T'Keyah Chandler</td>
<td>Toni Shaw</td>
</tr>
<tr>
<td>Tony White</td>
<td>Tounie Parrot</td>
<td>Tracy Falk</td>
<td>Tracy Stram</td>
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<tr>
<td>Trebia Johns</td>
<td>Trent Ridley</td>
<td>Tyler Murray</td>
<td>Valeri Allen</td>
</tr>
<tr>
<td>Vanessa Dowdy</td>
<td>Yani Lopez</td>
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</tr>
</tbody>
</table>
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 2018 Disclosure Form:

<table>
<thead>
<tr>
<th>Name</th>
<th>Name</th>
<th>Name</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Bryant</td>
<td>Annette Walker</td>
<td>Antoinette Porter</td>
<td>Beth Pugh</td>
</tr>
<tr>
<td>Bettye Teasley</td>
<td>Bruce Balcom</td>
<td>Carla Bourdeau</td>
<td>Carol Buyna</td>
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<tr>
<td>Casey Wilson</td>
<td>Cathy Salazar</td>
<td>Ceagus Clark</td>
<td>Charity Williams</td>
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<tr>
<td>Cynthia Buntin</td>
<td>Daniel Morgan</td>
<td>Danielle Nathaniel</td>
<td>Darrell Robertson</td>
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<tr>
<td>Deborah Reeves</td>
<td>Debby Beard</td>
<td>Debra Murray</td>
<td>Donessa Rhodes</td>
</tr>
<tr>
<td>Donna Duarte</td>
<td>Dwayne Hicks</td>
<td>Emily Winters</td>
<td>Evelyn Finch</td>
</tr>
<tr>
<td>Fabiola Caferri</td>
<td>Felita Hamilton</td>
<td>Gay Oliver</td>
<td>Gwen Coffey</td>
</tr>
<tr>
<td>Hanna Henscheid</td>
<td>Heather Johnson</td>
<td>Hillary Gonzalez-Craig</td>
<td>Hulya Arik</td>
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<tr>
<td>Hunter Tomsett</td>
<td>Jack Thomas</td>
<td>Joshua McKinney</td>
<td>Karla Baumgartner</td>
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<tr>
<td>Kathleen Norkus</td>
<td>Katie Moore</td>
<td>Kenyell Chalmers</td>
<td>Kilolo Dunmore</td>
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<tr>
<td>Langston Glass</td>
<td>Larisa Stout</td>
<td>Leontyne Washington</td>
<td>Lindsey Hall</td>
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<tr>
<td>Lisa Webb</td>
<td>Lorrie Shearon</td>
<td>Mark Ware</td>
<td>Mark Cantu</td>
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<tr>
<td>Marquel Mitchell</td>
<td>Megan Webb</td>
<td>Melissa Antonio</td>
<td>Mike Costa</td>
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<tr>
<td>Nekishia Potter</td>
<td>Rachel Agee</td>
<td>Regina Frasier</td>
<td>Rhonda Mosier</td>
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<tr>
<td>Robert Pack</td>
<td>Robin Hausken</td>
<td>Sarah Sisler</td>
<td>Sarita Hafford</td>
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<tr>
<td>Shannon Ferrell</td>
<td>Shari Messer</td>
<td>Sharlene Olvera-Gonzalez</td>
<td>Stephen Chinique</td>
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<tr>
<td>Tanya Jackson</td>
<td>Tasheka Verser</td>
<td>Terrence Brown</td>
<td>Terry Malone</td>
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<tr>
<td>Velma Jackson</td>
<td>Wayne Beard</td>
<td>Wendy Weaver</td>
<td>Wes Bunch</td>
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<tr>
<td>Wes Martin</td>
<td>Zelinda Randle Helsop</td>
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</table>

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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Name</th>
<th>Name</th>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>Annette Porter</td>
<td>Annette Rader</td>
<td>Danna Wall</td>
<td>Debra Murray</td>
</tr>
<tr>
<td>Jayna Johnson</td>
<td>Larisa Stout</td>
<td>Lindsay Hall</td>
<td>Mark Cantu</td>
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<tr>
<td>Michelle Lines</td>
<td>Patrick Harrell</td>
<td>Tracy Stram</td>
<td>Wayne Beard</td>
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</table>

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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Name</th>
<th>Name</th>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>Debra Murray</td>
<td>Melony Davis</td>
<td>Sarita Hafford</td>
<td>Trent Ridley</td>
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<tr>
<td>Toni Shaw</td>
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</table>
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) 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 & 13) The following individuals disclosed that they have THDA loans:

<p>| | | | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Angel Cooper</td>
<td>Casey Wilson</td>
<td>Danielle Nathaniel</td>
<td>Dwayne Hicks</td>
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<tr>
<td>Eric Crabtree</td>
<td>Eric Hardy</td>
<td>Lisa Webb</td>
<td>Meg Palmer</td>
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<tr>
<td>Teresa Luckey</td>
<td>Timothy James</td>
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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 3 & 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 disclosed she is a licensed real estate agent. She has been instructed and had 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. Her license is currently active through the end of October, 2018 and plans to retire the license at that time. 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.

**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:

<table>
<thead>
<tr>
<th>Angel Cooper</th>
<th>Bill Lord</th>
<th>Bruce Balcom</th>
<th>Caroline Rhodes</th>
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<tbody>
<tr>
<td>Darrell Robertson</td>
<td>Denise Hutchinson</td>
<td>Donna Fly</td>
<td>Ella Harris</td>
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<tr>
<td>Eric Hall</td>
<td>Erin Lord</td>
<td>Jana Woodard</td>
<td>Jason Ronnow</td>
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<td>Kavin Williams</td>
<td>Linda Foulks</td>
<td>Nicole Lucas</td>
<td>Rebecca Zastrow</td>
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<tr>
<td>Reggie Woodard</td>
<td>Rhonda Ronnow</td>
<td>Robert Lucas</td>
<td>Robert Pack</td>
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<tr>
<td>Sheila White</td>
<td>Stan Pack</td>
<td>Suzan Foulks</td>
<td>Tanya Jackson</td>
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<tr>
<td>Toni Shaw</td>
<td>Trent Ridley</td>
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*http://www.THDA.org - (615) 815-2200 - Toll Free: 800-228-THDA*
2. (Question 14) The following individuals disclosed that relatives or close associates have THDA loans:

<table>
<thead>
<tr>
<th>Debbie Reeves</th>
<th>Joell Bethel</th>
<th>Nancy Herndon</th>
<th>Rebekah Bicknell</th>
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</thead>
<tbody>
<tr>
<td>Zelinka Randle Helsop</td>
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</table>

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:

<table>
<thead>
<tr>
<th>Christy Hollingsworth</th>
<th>Deanna Poole</th>
<th>Mary Crutcher</th>
<th>Lori Cannon</th>
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<tbody>
<tr>
<td>Shameka Young</td>
<td>Sharlene Olvera-Gonzalez</td>
<td>Velma Jackson</td>
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</table>

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:

<table>
<thead>
<tr>
<th>Carol Buyna</th>
<th>Chuck Pickering Jr.</th>
<th>Debby Beard</th>
<th>Dwayne Hicks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gathelyn Oliver</td>
<td>Katie Moore</td>
<td>Meg Palmer</td>
<td>Michael Warren</td>
</tr>
<tr>
<td>Mike Costa</td>
<td>Rebekah Bicknell</td>
<td>Terry Malone</td>
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</table>

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:

<table>
<thead>
<tr>
<th>Bettie Teasley</th>
<th>Deborah Sanders</th>
<th>Debra Murray</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donna Duarte</td>
<td>Gathelyn Oliver</td>
<td>Katie Moore</td>
</tr>
<tr>
<td>Larisa Stout</td>
<td>Lorraine Shearon</td>
<td>Rebekah Bicknell</td>
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<tr>
<td>Sharlene Olvera-Gonzalez</td>
<td>Terry Malone</td>
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</table>

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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. 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.

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

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

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/LM/
MEMORANDUM

DATE: November 5, 2018
TO: Audit & Budget Committee
    Board of Directors
FROM: Bruce Balcom, Assistant Chief Legal Counsel
SUBJECT: Proposed Public Records Rules

In the 2018 legislative session the General Assembly enacted changes to the Tennessee Public Records Act. Those changes require all state agencies to promulgate rules governing the handling of public records requests. The statute requires the rules go into effect January 1, 2019. Staff has prepared proposed rules for Board consideration.

In 2017, in response to a prior statutory change, the Board approved a policy governing the handling of public records requests. The attached proposed rules are based upon the substance of that policy. Additionally, the Comptroller’s office shared its proposed rules with staff. Those rules, which were developed in conjunction with the Treasurer and Secretary of State’s offices, were used as an additional resource. While substantially similar to the Board policy, there are some changes which fall into three specific areas.

1. Changes to language and formatting to better fit the more formal status of rulemaking rule. This included changing some language to be more specific and clear in order to avoid potential legal issues. These changes do not change the substance of how THDA has been handling public records requests.

2. Changes to more generic language to avoid potential future need to amend the rules. An example of this is the cost per copy. The Office of Open Records Counsel publishes a Schedule of Reasonable Charges, which could be subject to future change. By referring to that instead of listing the actual costs, we minimize the likelihood of needing to amend the rules.

3. In Section 0770-07-01-.06(3) clarifying language is inserted to assure that while personal electronic devices may be used to make images of records, the use of such devices is limited to the purpose of recording the records and cannot be used to take recordings of the interior of secured spaces or to attempt to engage staff in interviews.
Attached are (1) the proposed Chapter 0770-07-01 Public Records rules; (2) the minutes of the September 28, 2018, public hearing; and (3) THDA’s responses to the public comments received at the public hearing.

Staff recommends to the Board that it adopt these Rules by roll call vote as required by law. It is further requested that in adopting these rules, staff be authorized to make such changes as might be required by the Office of the Attorney General and/or the Secretary of State to comply with the rulemaking rules and the laws of the State of Tennessee.

BB/ds

Attachments
0770-07-01-.01 Purpose and Scope.

(1) Pursuant to Tenn. Code Ann. § 10-7-503(g), the following Public Records Rules for Tennessee Housing Development Agency (“THDA”) are hereby adopted to provide economical and efficient access to public records as provided under the Tennessee Public Records Act (“TPRA”).

(2) The TPRA provides that all state, county and municipal records shall, at all times during business hours, be open for personal inspection by any citizen of this state, and those in charge of the records shall not refuse such right of inspection to any citizen, unless otherwise provided by state law. Accordingly, the public records of THDA are presumed to be open for inspection unless otherwise provided by law.

(3) Personnel of THDA, through the THDA Public Records Request Coordinator identified in this Rule below, shall timely and efficiently provide access and assistance to persons requesting to view or receive copies of public records. No provisions of this Rule shall be used to hinder access to open public records. However, the integrity and organization of public records, as well as the efficient and safe operation of THDA, shall be protected as provided by current law. Concerns about this Policy should be addressed to the Public Records Request Coordinator for THDA or to the Tennessee Office of Open Records Counsel (“OORC”).

0770-07-01-.02 Definitions

(1) Public Records. All documents, papers, letters, maps, books, photographs, microfilms, electronic data processing files and output, films, sound recordings, or other material, regardless of physical form or characteristics, made or received pursuant to law or ordinance or in connection with the transaction of official business by any governmental agency.

(2) Public Records Request Coordinator or PRRC. The individual, or individuals, who has, or have, the responsibility to ensure public record requests are routed to the appropriate records custodian and are fulfilled in accordance with the TPRA.

(3) Records Custodian. The office, official or employee lawfully responsible for the direct custody and care of a public record. The records custodian is not necessarily the original preparer or receiver of the record.
(4) Requestor. A citizen of the State of Tennessee seeking access to a public record, whether for inspection or duplication.

0770-07-01-.03 Requesting Access to Public Records

(1) Public record requests, whether written or oral, shall be made to the PRRC, to ensure public record requests are routed to the appropriate records custodian and fulfilled in a timely manner.

(2) Public record requests must include the following information clearly and concisely expressed:
   (a) Name and Tennessee contact information (in order to provide any communication required under the TPRA);
   (b) Detailed description of the records being requested, including type, timeframe, subject matter or key words, and any other information identifying the records;
   (c) Statement whether the request is for inspection or receipt of copies or both; and
   (d) Delivery preference if requesting copies.

(3) Proof of Tennessee citizenship by presentation of a valid Tennessee driver license is required as a condition to inspect or receive copies of public records and must be presented with the request. To the extent that the requestor cannot provide government-issued photo identification, the PRRC may accept an alternative form of identification. The PRRC may waive the requirement of presentation of a driver license if the requestor has previously provided proof of Tennessee citizenship. Proof of citizenship for offenders currently housed in Tennessee state prisons will be confirmed through the Department of Corrections.

(4) Requests for inspection shall be made:
   (a) in person at the office of the PRRC;
   (b) by phone to the PRRC; or
   (c) in writing sent or delivered to the PRRC.

(5) Requests for copies, or requests for inspection and copies, shall be made in writing. A requestor shall use the THDA Public Records Request form which is available on the THDA website.

(6) Requests not made in the appropriate manner, or not directed to the PRRC as provided herein, will not be accepted. Requests made via any method other than those prescribed herein will not be accepted.

(7) The contact information for the PRRC is as follows:

   Bruce Balcom or Charity Miles Williams
   Andrew Jackson Building, 3rd Floor
   502 Deaderick Street
   Nashville, Tennessee 37243-0200
   615-815-2200
   615-916-5054 (Fax)
   publicrecordsrequest@thda.org

(8) Any changes to the contact information for the PRRC shall be posted on the THDA’s website. The name of the person(s) currently serving as PRRC shall be posted on the THDA’s website.
0770-07-01-.04 Responding to Public Records Requests

(1) The PRRC shall review public record requests and make an initial determination of the following:
   (a) Proof of Tennessee citizenship;
   (b) Sufficiency of description of the records to allow specific identification;
   (c) Whether the THDA is the custodian of the records; and
   (d) Whether the records qualify as public records under the TPRA or are subject to a legal protection against access.

(2) The PRRC shall acknowledge receipt of the request and take any appropriate actions.

(3) If not practicable to provide the requested records promptly, the PRRC shall, within seven (7) business days from the receipt of the request, respond to the requestor with a completed Public Records Request Response form or email with equivalent information.

(4) If a public record request is denied, the PRRC shall deny the request in writing, providing the basis for the denial.

(5) If the PRRC reasonably determines production of records should be segmented because the records request is for a large volume of records, or additional time is necessary to prepare the records for access, the PRRC shall notify the requestor that production of the records will be in segments and that a records production schedule will be provided as expeditiously as practicable. If appropriate, the PRRC will contact the requestor to see if the request can be clarified or narrowed.

(6) If requested records are published by THDA on its website, the PRRC may satisfy a public records request by referring the requestor to THDA’s website. If a requestor desires paper copies of the records instead, THDA will provide the copies in compliance with this Rule.

0770-07-01-.05 Redaction

(1) If a record contains confidential information, or information that is not open for public inspection, the PRRC or the records custodian shall prepare a redacted copy prior to providing access.

(2) Whenever a redacted record is provided, the PRRC shall provide the requestor with the basis for redaction, if requested by the requestor, without revealing confidential information.

0770-07-01-.06 Access to Records

(1) Inspection:
   (a) There shall be no charge for inspection of public records.
   (b) The location for inspection of open public records will be determined by the PRRC and shall occur during times in which THDA is otherwise open for business at the office location of the PRRC in Nashville.
   (c) Under reasonable circumstances, the PRRC may require an appointment for inspection or may require inspection of records at an alternate location.

(2) Copies:
   (a) Copies will be available for pickup at a location specified by the PRRC.
(b) Upon payment for postage, copies will be delivered to the Requestor’s home or business address by the United States Postal Service. Additional permitted means of delivery are UPS and FedEx, pre-paid label require

(c) Electronic records that can be sent in a single transmission will be sent by email.

(d) The PRRC may allow a requestor to make copies of inspected records with personal equipment at the inspection location, upon prior approval by the PRRC and payment in advance of any costs and fees incurred by THDA in preparing the records to be copied. A requestor will not be allowed to connect any personal equipment to any THDA end-point device or the network and will not be allowed to jeopardize the integrity or organization of the records.

(3) Limitations on use of recording devices:

(a) A requestor’s use of electronic recording equipment shall be limited to devices which take images of the records requested. Requestor shall not be permitted to capture video of the interior of buildings where copies or inspections are being made. After being informed by staff that attempts to capture such video or images, continued efforts to take video or images of staff or the interior of the buildings will result in termination of the inspection or copying session. If making an inspection only, the use of personal recording devices shall not be permitted unless any costs and fees have been paid in advance as provided in 0770-07-01-.06(2)(d).

0770-07-01-.07 Fees and Charges and Procedures for Billing and Payment

(1) The PRRC will provide requestors with an itemized estimate of the charges prior to producing copies of records. Requestors must pre-pay the estimate before the records will be produced.

(2) When fees for copies and labor do not exceed an amount established by THDA, the fees may be waived by the PRRC. Fees associated with aggregated record requests will not be waived.

(3) Fees and charges for copies are as follows:

(a) Per page for letter and legal sized copies, at the safe-harbor amounts set forth in the OORC’s Schedule of Reasonable Charges.

(b) Labor when time exceeds one (1) hour.

(c) If an outside vendor is used, the actual costs assessed by the vendor.

(d) For storage devices, such as flash drives, and other office items, the cost incurred by THDA.

(e) Any additional costs directly related to providing access to public records for the purpose of duplication by THDA or the requestor.

(4) Requestors must pay by personal or cashier’s check or money order payable to THDA and delivered as specified by the PRRC. If a requestor’s check does not clear, THDA will not comply with any public record requests by that requestor until payment, including any processing fees related to the check, is received in full pursuant to Tenn. Code Ann. § 10-7-503(a)(7)(A)(vii)(b).

0770-07-01-.08 Aggregation of Frequent and Multiple Requests

(1) THDA will aggregate record requests for records of THDA in accordance with the Reasonable Charges for Frequent and Multiple Requests Policy promulgated by the OORC when more than four (4) requests are received within a calendar month (either from a single individual or a group of individuals deemed working in concert).
(2) Routinely released and readily accessible records shall be excluded from aggregation. Such records include materials posted by THDA on its website, or documents kept by THDA for general distribution to the public upon request such as brochures or reports generated for public distribution.

0770-07-01-.09 Failure to Inspect or to Pay for Copies

(1) If a requestor makes two (2) or more requests to view a Public Record within a six-month period and, for each request, the requestor fails to view the Public Record within fifteen (15) business days of receiving notification that the record is available to view, or misses two (2) or more scheduled appointments to view, THDA will not comply with any public records request from the requestor for a period of six (6) months from the date of the second request to view the Public Record unless the THDA determines failure to view the Public Record was for good cause.

(2) If, after agreeing to pay an estimated cost prior to the production of copies, a requestor fails to pay the cost to produce the requested copies, THDA will not comply with any public record requests from the requestor until payment is received.

MINUTES OF PUBLIC HEARING
TENNESSEE HOUSING DEVELOPMENT AGENCY
PROPOSED PUBLIC RECORDS RULES
September 28, 2018

The public hearing for the Tennessee Housing Development Agency ("THDA") Proposed Public Records Rules ("Proposed Rules") was opened at 9:06 A.M., September 28, 2018. Attending the public hearing were:

Deborah Fisher, Executive Director, Tennessee Coalition for Open Government
Steven Knapp, Knapptimecreative, LLC
Jeremy Finley, WSMV
Bruce Balcom, THDA Assistant Chief Legal Counsel
Charity Miles Williams, THDA Assistant Legal Counsel

Mr. Balcom noted the Proposed Rules is required as a result of a statutory change by the Tennessee Legislature. Public comments will be received today, will be reviewed, THDA will accept written follow-up comments. All comments will be compiled, responses as appropriate will be provided and published. The comments and responses will be provided to THDA’s Board of Directors before they consider and vote on the Proposed Rules. If staff determines adjustments are needed as a result of the comments, those will be made in advance of the Board meeting. He opened the public hearing to the public for comments regarding the Proposed Rules.

Comments by Ms. Fisher.

Thank you for the opportunity to make comments on the Tennessee Housing Development Agency’s proposed rules on public records requests.

Tennessee Coalition for Open Government in a nonprofit organization founded in 2003 for the purpose of educating the public about the importance of open government and helping citizens understand the rights of access to public records, open meetings and courts.

We conduct a Help Line, primarily answering questions and helping journalists and citizens who are trying to get public records from government entities.

We believe access to public records provides essential oversight and accountability of government and that this is essential for citizens to effectively participate in a democracy.

The process for accessing public records can thwart the ability of citizens to get information about their government and hold it accountable. This is not new. America’s Declaration of Independence noted the English King’s tactics of keeping people from their public records as one of their grievances:

“He has called together legislative bodies at places unusual, uncomfortable, and distant from the depository of their public Records, for the sole purpose of fatiguing them into compliance with his measures."

It is in that spirit that TCOG finds it important to track the rules and process regarding access to public records to reduce and eliminate rules that create so many unreasonable hoops that access is essentially thwarted through the fatigue of the citizen.
This year, TCOG completed an audit of 306 local government entities in which we examined their public records policies. That audit, whose results were published in May, can be found on our website at http://tcog.info/public-records-policy-audit/. We found troubling trends regarding new strict requirements of identification before accessing public records as well as practices that make it too expensive for citizens to obtain records.

Our comments about the Tennessee Housing Development Agency’s rules are aimed at supporting prompt access to public records and eliminating obstacles that hinder and thwart access to records that are in the public interest.

State agencies have a special obligation in that many of their records are in Nashville yet they serve citizens throughout the state. Technology is available to solve the problem of distance of course and we want to make sure citizens benefit from that technology and not have to drive to Nashville or incur additional costs for the process of accessing public records simply because of where they live.

Identification requirement

The Tennessee Housing Development Agency’s policy says that proof of Tennessee citizenship is required as a condition to inspect or receive copies of public records.

This policy thwarts access to public records, and create a chilling effect on accessing public records. Public records are, well, public and should be easily accessible to the public. If you are a member of the public, there should be no restriction on accessing public records.

We think the Tennessee Housing Development Agency should eliminate its residency requirement for accessing public records. The law clearly does not require someone be a resident before a state agency provide access to or copies of public records. This should be obvious as the department provides records to non-residents and out-of-state businesses all of the time.

If the department wishes to limit access to public records of non-residents in some circumstances, we suggest it outline in its rules under what specific conditions it wishes to do so. And in those circumstances, take the necessary steps to verify residency through whatever means makes sense.

For example, perhaps the department, does not want to fulfill voluminous requests from out-of-state commercial requesters if it is not required to do so by law. This could be outlined in the rule, requiring residency (and verification of residency through a driver’s license if you like) for these circumstances.

But we are concerned that a blanket residency requirement — and the resulting rule to require a driver’s license or photo identification issued by the state — has become a routine way to delay access to public records — in direct conflict with the law that requires prompt access — and is a blunt tool that has become easy to abuse to thwart and discourage access of public records altogether.

In fact, in the past several months, our organization has received numerous complaints from citizens and journalists faced with seemingly new requirements of having to provide a copy of their driver’s license to local and state government entities before their request would be considered (sometimes they have to do this over and over with the same agency). This always delays access to public records — and of course, creates more bureaucracy and paperwork within the government entity itself.

In one example, a person made a request only to receive a denial letter seven business days later stating that his request was denied because he did not provide a driver’s license with the request. His request was clear that he worked for a local company. Still, in the face of this, the government agency filled out a denial form,
mailed it and then had to process the second request by the person who resubmitted with a copy of a redacted driver’s license. This whole process, which should have taken one day, took weeks.

In another case, a county commissioner from East Tennessee requested minutes from two public meetings of a state board that oversees standards for local jails. She was denied access for several weeks based on not providing a driver’s license, even though she had made public records requests of the board before and received public records before. (It was pretty obvious which jail she was interested in.)

Several emails back and forth between her and the state lawyer over proof of residency wasted time and effort. The state agency’s attorney had every reason to think the person was who she said she was and no reason to think she was not. Yet he would not budge on this rule. Why should an attorney with a state agency be wasting time on something so absurd as denying access to minutes of a public meeting to anyone? The zeal with which he pursued the county commissioner’s driver’s license was, frankly, disturbing.

There are other reasons for eliminating the department’s residency requirement for accessing public records.

For one, there are often people who live in a border state but work in Tennessee. A very good example that our organization hears about repeatedly are news reporters who may live over the border in Bristol, Virginia, or just outside Chattanooga in Georgia but they work in Tennessee at news organizations. They often get denied access to public records because their home address is in another state. But they clearly work for an organization in Tennessee and are performing an important function that provides a public good — disseminating information to the public. The same might be said of journalists who work for news organizations based in other states but whose information products are distributed in Tennessee.

Some people have just moved to Tennessee and have not yet updated their driver’s license information. College students who live in a dorm may maintain their permanent address with their parents, and their driver’s license, in another state. They are living here. Should they be denied access to public records?

Eliminating residency requirements — or only requiring residency in certain circumstances that you outline in your rule — would have many benefits for our government as well:

• For one, It would reduce work and save time for government employees — saving taxpayer money.
• It would reduce the chance that a requirement for proof of residency will be abused — or perceived to be abused — by a government official to delay fulfillment of a records request. See the state attorney example above.
• It would help residents who fear emailing or mailing a copy of their driver’s license for privacy reasons. This is particularly important for state agencies who are dealing with residents all over the state who may not be able to drive to Nashville.
• It would reduce the need of a government entity to handle and store confidential information — i.e., driver’s license numbers or other private citizen information on documents.
• It would help residents who struggle with technology to make a copy of their driver’s license. Some residents don’t have ready access to a copy machine or technology, or don’t fully understand how to take a digital picture, blocking out their driver’s license number, to email it. This is particularly important for state agencies who likely get public records requests from residents throughout the state, and cannot or do not wish to drive to Nashville to make their public records request.
• It would help residents who do not have a driver’s license or Tennessee identification document.
• It would improve compliance with the spirit and letter of the law
• And finally — it would promote a friendly and accessible culture in a government agency committed to transparency to citizens

If the agency persists in wanting to require residency before filling a public records request — which we strongly oppose because of all the reasons outlined above — we strongly urge that you allow verbal confirmation of residency by the requestor himself, or a checkbox or a form, or simply a statement by the requester if he or she mails or emails a request.

Under Requesting Access of Public Records

In No. 5, the proposed rule states that a requester shall use the THDA Public Records Request Form which is available on the TDHA website.

We oppose this rule as it would allow the agency to deny a records request that otherwise meets your requirements simply because someone did not fill out a form. For example, if the person includes everything that is required to make a request for copies of public records — their name, contact information, description of the records being requested and a statement of whether they want to inspect or get copies — the agency should not deny their request — or not accept their request, simply because that information is not on the form.

There are multiple reasons for this — but I hope they are obvious to you. If someone substantively gives you the information you need — it is a nonsense to require them to fill out a form, which they would have to print off of your website, fill in manually with a pen, scan it in to a thumb drive or into their computer (assuming they have this capability) and email it you. Or alternatively, print it out, fill it out in handwriting and mail it (causing further delays). If someone sent you an email with all the information — just not on the form — the agency is going to deny that request by not accepting it?

We certainly hope not, and we think this part of your rule that says you will not accept a records request if it is not on a form should be eliminated. Or that you will accept a request via other methods if the substantive equivalent of the information required on the form is provided.

Under Responding to Public Records, No. 3

The rules describe what should be done when it is not practicable to promptly provide access to records.

The rule says the PRRC shall, within seven business days from the receipt of the request, respond to the requestor with a completed Public Records Request Response form or email with equivalent information.

However the law says that if it is not practicable to provide the records promptly — and you are not denying the records based on state law — that the government entity:

“(iii) Furnish the requestor a completed records request response form developed by the office of open records counsel stating the time reasonably necessary to produce the record or information.” [T.C.A. 10-7-503 (a)(2)(B)(iii.)]

Your rule omits that the department will include a statement to the requestor of “the time reasonably necessary to produce the record or information.”

This needs to be added to the department’s rule to make sure that in practice, the department follows the law. It is important that requestors be given the time “reasonably necessary” to produce the record. Not including this in your response to a records request is a violation of state law.
Requestor’s use of personal equipment to make images of records, under “Access to Records”

The rule states that that a requestor will not be allowed to use electronic recording equipment to take images of the record unless they’ve paid in advance any fees incurred by THDA in preparing the records to be copied.

We want to remind the agency that the law allows charges only a requestor requests copies of public records. There is no provision for fees when a requestor simply views a records, and makes their own copy whether by copying down with pen and paper what is in the records or taking a picture of it with a cell phone or electronic device.

State law says:

“(a) In all cases where any person has the right to inspect any such public records, such person shall have the right to take extracts or make copies thereof, and to make photographs or photostats of the same while such records are in the possession, custody and control of the lawful custodian thereof or such custodian’s authorized deputy; provided, that the lawful custodian of such records shall have the right to adopt and enforce reasonable rules governing the making of such extracts, copies, photographs or photostats.” [T.C.A. 10-7-506 (a)]

We strongly oppose charging someone who is inspecting records any fees when they wish to make their own copies either by pen and paper or by taking a picture with their cell phone. We oppose it because this would be an unreasonable rule — but we also oppose because this would not be in compliance with state law.

We also do not think that allowing the PRRC DISCRETION (as you do in 2d) on whether to allow someone to use personal equipment at the inspection location, comports with the law.

The law allows an entity to make reasonable rules — but it is not a reasonable rule to say a PRRC may allow someone to use their personal equipment sometimes, and may not other times, without defining under what conditions that decision will be made. This would open the door for a PRRC to allow someone they like to take photos of public records and someone they don’t like to not take photos of public records.

We urge the agency to outline the conditions under which someone would not be allowed to take photos or images of public records to avoid arbitrary decisions, made on ad hoc basis, by an individual with no parameters.

A reasonable rule, for example, might be if the PRRC made a determination that the integrity of the records would be comprised if someone used their personal equipment. You do outline that a requestor will not be allowed to connect personal equipment to an end-point device or the network or allowed to jeopardize the integrity or organization of the records. But it is unclear in your rule whether this is the only reason.

Fees and Charges

This section should make crystal clear that no charges will assessed — labor or copy fees, or redactions fees or review fees or anything — if a person does not ask for the department to make copies. This would bring your rules into compliance with the law. Any charges that you try to assess for someone inspecting records are not allowed under the law, or copying down what they see in the records, would be unreasonable.
Under 3e — it appears that you suggest that you will charge fees even when someone has not requested copies of the records.

When a requestor wants to inspect records, he has no control over whether parts of those records must be redacted. He has no control in how those records are kept. An agency could decide to include confidential information on records that are requested by the public when in fact it would make more sense to not do this. It is not fair or reasonable that someone who is requesting to inspect records be charged for the government entity having to make copies to redact them before making them available for view.

Under this section, No. 2, your rules says that when fees for copies and labor do not exceed an amount established by THDA, the fees may be waived. However, no amount is listed under which fees would be waived. We have seen various amounts set by other state agencies. We suggest $100.

We also urge the agency to adopt a fee waiver that would allow the custodian to waive fees if it is determined that the records are in the public interest.

**Comments by Mr. Knapp:**

“My company, Knapptimecreative, is an entertainment, advertising and events, content creation company. We do documentaries, we do advertisements, we create content for events. One of our past documentaries, an anti-bullying documentary called “Hear Me Now”, distributed by Amazon, won two Telly Awards for public service and also for documentary, a national award. We create films and documentaries as well as our other projects. One of the ones that we are working on right this second is called “Non-Renewed”. Non-Renewed explores how THDA actually allows private developers to skirt some of the federal protections meant to prevent affordable housing clients from being unjustly evicted from their affordable housing. That’s what we are working on right now. Obviously it involves a lot of public records. It involves multiple agencies, multiple levels of government and this is something we are knee deep in right now. I am here today to oppose the rule change that pertains to the use of video in open records inspections. I oppose this rule change. It prohibits videos in these inspections as Deborah said. It’s arbitrary the way that they present it. It doesn’t seem to be able to give any conditions for when it will be allowed. Whether it is or not basically on anybody’s whim. I think that particular section will basically steamroll any journalistic and First Amendment activities which may reveal government malfeasance and corruption or anything else that happens in that moment of finding it inside of a public records inspection because that’s what happens when you make a documentary. You go and look for these things, you have these little revelations in the moment and that’s a very emotional moment that needs to go inside of a film. Film is an emotional medium that I need to show to people. One of the ways that THDA allows developers to skirt this law is by intentionally not having a comprehensive compliance manual like many other states operating the federal LIHTC program do. I found that out through public records requests and, in addition to that, we’re seeking communications. We’re seeking all of these other things that are going to reveal how THDA is sort of in cahoots with these developers and agencies to make sure that that status quo remains. Makes sure it’s business as usual as they call it. More concerning is I believe I am the only production company, the only person, the only producer, the only director, working on this particular matter, including the use of video in the open records inspection. If there are other people, I don’t know about them. If there is anybody else using my particular methods to do this, I don’t know about them. I can only assume that particular rule change is meant to suppress and obstruct my work and target the entire idea of documentary inside of a public records request. Especially as it relates to this project. This project is important because it affects about 75,000 Tennesseans. There’s about 75,000 Tennesseans living LIHTC properties. On a wider scale, you know, this is just a microcosm as most documentary films are. Take one particular set of circumstances then show other people. In America there’s approximately 5-7 million LIHTC residents. So, the things we are trying to accomplish here and inform people of their rights through this project have a wider audience, a much wider audience. For that reason it is very important that these little emotional story telling moments
that happen inside of public records inspections need to be documented. I’ll conclude basically by saying that in addition to some of these emotional story telling moments, they also reveal some of the attitudes of government inside of these inspections. One of the things that I have done inside of these inspections is ask relevant questions of people who have the answers to these questions. I have been met with silence. Even silence is revealing in a film. Documented open records inspections, they do reveal the attitudes of government and they are vital to the public trust. Especially the documentary medium and I will conclude by saying I oppose this rule change that arbitrarily mandates when video can and cannot be used inside a public records inspection. Thank you.”

**Comments by Mr. Finley:**

“I am the chief investigative reporter for News 4. We’re the NBC affiliate here in the Nashville. We’re a six member investigative unit. One of the largest in the state. I am here today to stand with solidarity with Steven and Deborah in everything they have said today but I’m here to also bring the insight of an investigative unit to this. One of the main reasons we are here today, not only to stand with everything that Deborah had to say today, but it’s because of what Steven has encountered in his experience with THDA, but also to specifically address the issue of which he has the greatest concerns which is the documentation of reviewing public records. Never in my entire career in Nashville, which I have worked in this state for 15 years, have I ever had a state agency, a government agency, or anyone else prohibit me from getting video of me reviewing public records. Steven’s purpose as a documentarian are a bit different then what mine are. His are to capture emotions and feelings which are necessary to the product which he delivers. The reason we record ourselves looking at public records is so we can help restore the public trust in the medium. We do this because we live in a world of proof. We need to prove to our viewers and our readers and our listeners that we have, in fact, looked at these records. Showing the records is one thing and it is a valuable tool to what we do but to show to people that we went through the effort to sit and review these records, to show them how we got the records, is ultimate proof. I’ve spoken a lot to civic groups lately where we talk about criticism of the media, criticism of the news media in particular. In this world we live in now of fake news where people have asked us, “well, how do we know?” “How do we know that you’re telling us the truth?” What I say over and over again is proof. What we bring to you is proof. What Steven is looking for, what we are all looking for is proof and the proof exists in the public records. These are records that should be available to the public. I will stand with what Deborah had to say about the efforts that we all have to go through now to even review these public records and I am constantly contacted by news agencies outside of Tennessee saying, “excuse me but they are saying I can’t get these records because I don’t have a Tennessee ID but I am a citizen of the United States. Can you explain this to me?” My response is no, I can’t but I will assist you if I can because I have a Tennessee ID. But, what strikes me as the biggest concern and which is the main reason why I am here today is what I believe to be an unnecessary proposed rule that will block the public’s efforts from us being able to say “we have reviewed these records and we’re going to show them to you and the reason why is because they are public and you should see them”. The media acts on behalf of the public. It is what we do. It is what we are here for. When the public feels like they can’t get something they come to us. Too often it is too difficult for the public to go forth and get these records on their own for all of the reasons that have been outlined today. So it is up to us to do this. Barring us from even being able to document us looking at records is a ridiculous, in my view, roadblock to the truth. The media has no choice but to take these public records and to deliver them to the public because it is what they request of us. It is what they need of us and to stop us from even documenting how we got the records and what it was like to review these records is another roadblock which I feel is unnecessary. I thank the Agency very much for opening this up and allowing us to make our statements today.

There being no other members of the public present to speak, Mr. Balcom closed the public hearing.
A public hearing was held on September 28, 2018 with three attendees from the public. Deborah Fisher, Executive Director, Tennessee Coalition for Open Government, Steven Knapp, owner, Knapptimecreative, LLC, and Jeremy Finley, Chief Investigative Reporter, WSMV-TV Nashville, Tennessee. A copy of the full comments by each commenter is attached. The following is a response by THDA to the major areas identified in the comments.

1. Comment regarding Rule 0770-07-01-.03:

   THDA’s requirement of proof of citizenship in Tennessee is overly restrictive of access to public records.

   Response: The Tennessee Public Records Act, TCA 10-7-501 et. seq., (“TPRA”) provides the right to access to records for citizens of Tennessee. Requiring proof of citizenship is not required, but it is within the authority of THDA to require such proof.

   Concern was expressed that some agencies require a particular type of proof or unduly delay access by using the citizenship requirement to slow the process. THDA’s practice has been, and will continue to be, accepting such proof as reasonably demonstrates citizenship. Additionally, THDA’s rule would not result in unduly delay as THDA does not deny a request for lack of proof of citizenship without first seeking such proof from a requestor. THDA also informs non-citizen requestors that they may use an agent who is a Tennessee resident to make a request on their behalf.

2. Comment regarding Rule 0770-07-01-.03:

   THDA should accept a request for duplication of records in any written format and not require a particular form.

   Response: The statute clearly provides three forms of writing, any one of which may be selected by THDA to the exclusion of the others if THDA chooses. For uniformity of response and efficiency in assuring all necessary information is consistently provided, THDA has determined it will use the form it has published on its website. If a requestor contacts THDA, the form will be provided via another method as needed to assure access to records.

3. Comment regarding Rule 0770-07-01-.04:

   The Rule does not provide that THDA will satisfy its obligation to provide a reasonable time within which a records request will be fulfilled where THDA is unable to immediately provide access.

   Response: THDA is under a legal obligation to provide that time frame. In its response letter THDA routinely includes all legally required items, including the date by which the records will be made available.

4. Comment regarding Rule 0770-07-01-.06:

   THDA includes charges for costs and fees associated with copies where the requestor is using a personal recording device.

   Response: Charging for copies, fees and costs is clearly permitted under the TPRA. The use of a personal recording device can reduce the costs to THDA by eliminating the per page cost of copying, and decreasing the time staff takes in satisfying the request. However, there are costs associated with providing access to records, and when copies are made the TPRA clearly permits recoupment of those costs.
A related issue identified in the comment expressed concern that taking personal notes might be considered making a copy. Under THDA’s policy taking notes, even writing down quotations out of a public record, would not be the use of a personal recording device.

5. Comment regarding Rule 0770-07-01-.06:

In section (2)(d) concern was expressed regarding the discretionary language concerning the PRRC’s permitting the use of personal recording devices. While THDA can see how this section could be read as permissive, so long as the requirements of prior notice and payment of any costs are satisfied, and the requestor is not seeking to connect to a THDA end-point device or network, and the record is not damaged thereby, the PRRC must permit the use of personal recording devices.

6. Comment regarding Rule 0770-07-01-.07:

A concern was expressed that this section needs to clearly limit charges to duplication of records.

Response: This section is clearly about charges for copies of records. Throughout the entire Rule it is made clear that charges may only be imposed where copies are being made.

7. Comment regarding Rule 0770-07-01-.07:

THDA’s provision for a fee waiver does not clearly establish the threshold amount for which fees will be waived.

Response: THDA agrees with this comment. THDA expects to publish it fee waiver limit on its website.

8. Comment regarding Rule 0770-07-01-.07:

THDA should include a provision to waive fees when it is in the public interest.

Response: THDA declines to provide this type of waiver.

9. Comment regarding the Rule in general:

THDA’s limitation on the use of video recording restricts the ability of requestors to capture the moment for some purpose such as emotional impact or to establish credibility in the requestor’s subsequent reporting.

Response: The purpose of the TPRA is to provide access to the public for review and/or copying of public records. There is no requirement that the actual review be memorialized in some way. A public record review is not an open invitation to commence interviews with staff or to record the interior of secured space.

10. Comment regarding the Rule in general:

Commenters expressed concerns about interference with requestors’ First Amendment rights.

Response: The purpose of the TPRA is not to create a public forum for expression. It is merely intended to provide a method by which citizens of the State of Tennessee can access the records of their government. The limitations provided for in the Rule assure that access while assuring efficiency in the process.
TO: Audit & Budget Committee  
FROM: Gathelyn Oliver, CPA, Director of Internal Audit  
DATE: November 5, 2018  
SUBJECT: Review of THDA Enterprise Risk Management Report for 2018

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, 2018. 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:

**Loan Servicing and Conventional Loans**
The Volunteer Mortgage Loan Servicing division is now servicing approximately 23,000 THDA loans. While the division has hired highly qualified staff, there has been some turnover and there are still a few vacancies. New hires require a training period in order to be proficient which increases the likelihood of errors. In addition, new processes, policies and procedures continue to be implemented and loan servicing and conventional loans have significant regulatory compliance requirements. More detail is included in the Single Family Loan Servicing 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 Systems and complex passwords that must be changed every 90 days. Annual penetration tests are performed to ensure security risks are addressed. With loan servicing now in-house, the volume of proprietary information housed on the THDA network continues to grow. 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.
November 30, 2018

The Honorable Larry Martin, 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 Martin 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.

www.THDA.org - (615) 815-2200 - Toll Free: 800-228-THDA
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
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 7/1/2017 through 6/30/2018, 26 review reports, 20 investigative reports on various issues, 10 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.

<table>
<thead>
<tr>
<th>Report Issued</th>
<th>Covering the Period</th>
<th>Findings</th>
<th>Exceptions</th>
<th>Observations</th>
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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 7/19/2017, reported no issues.

Returned KMTH 1098 Letters for Tax Year 2017
This review was performed to ensure that the Keep My Tennessee Home (KMTH) Program staff was adequately complying with guidelines outlined in the THDA KMTH Program Guide, the THDA KMTH Policy and Procedures Manual and the Commitment to Purchase Financial Instrument and HFH Participation Agreement, as amended. The report issued 4/2/2018, reported the disposition of 22 returned 1098 letters for tax year 2017 as follows:

- For three, the properties went through foreclosure. No forwarding address was given.
- For one, the borrower is no longer in the home due to death of borrower.
- For one, the property was sold without notifying THDA. THDA’s lien will not be released as current loan amount due will not be forgiven prior to the 5-year loan forgiveness period expiration.
For one, THDA’s lien was released 10/5/2017. No forwarding address was given.

Eleven were re-mailed as addressed. From the research conducted, borrowers appear to be living in the home.

Five were re-mailed to the forwarding addresses provided by the U.S. Postal Service. THDA’s lien for these loans will not be released as current loan amounts due will not be forgiven prior to the 5-year loan forgiveness period expiration.

**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 guidelines 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:

<table>
<thead>
<tr>
<th>Report Issued</th>
<th>Covering the Period</th>
<th>New Findings</th>
<th>Repeat Findings</th>
<th>Corrected Findings</th>
<th>Exceptions</th>
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**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. Two reports were issued.

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<tr>
<th>Report Issued</th>
<th>Covering the Period</th>
<th>Findings</th>
<th>Exceptions</th>
<th>Observations</th>
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Quality Review of Development District and Housing Trust Fund
This project involved a review of internal controls, expenditure of awards and delivery of services by one development district that has been awarded HTF by THDA.

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<tr>
<th>Report Issued</th>
<th>Covering the Period</th>
<th>Findings</th>
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Follow-up Review of Community Investment Tax Credit Program
This project involved an evaluation of the THDA Community Investment Tax Credit Guidance manual and assessment of monitoring process for the progress/completion reports due 1/31/2018.

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<thead>
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<th>Report Issued</th>
<th>Covering the Period</th>
<th>Findings</th>
<th>Exceptions</th>
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Section 8 HQS Inspection Quality Control Review – CGI Inspection Process
These reviews were conducted to ensure the CGI inspection process was compliant with the Department of Housing and Urban Development (HUD) Housing Quality Standards (HQS). Three reports were issued:

<table>
<thead>
<tr>
<th>Report Issued</th>
<th>Covering the Period</th>
<th>New Findings</th>
<th>Repeat Findings</th>
<th>Corrected Findings</th>
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Section 8 Contract Administration Quality Control Reviews
These projects involved a regular review of internal controls, and selected activities performed by Section 8 Contract Administrative staff. Four reports were issued:

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<thead>
<tr>
<th>Report Issued</th>
<th>Covering the Period</th>
<th>New Findings</th>
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<td>4/6/2018</td>
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Investigation of Alleged Fraud, Waste, Abuse, or Other Matters
Twenty 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 false unemployment benefit claim was investigated. The case is closed. The report was issued 7/18/2017.
- Allegations were made by one individual concerning a Cookeville, Tennessee Section 8 Rental Assistance Housing Choice Voucher participant. The allegations were: 1) participant allowing numerous unauthorized occupants including a felon in the unit; 2) unlawful activity such as sale of illegal drugs and prescription medication occurred at the unit and 3) the participant was not pay his/her rent. This case is considered closed. The report was issued 7/25/2017.
Allegations of speeding resulting in speeding tickets from the cities of Bradford, Tennessee and Memphis, Tennessee to two THDA staff while utilizing a State vehicle to travel for State business were investigated. These cases are closed. The reports were issued on 11/27/2017 and 12/20/2017.

Three allegations of lost company mobile phones were investigated. These cases are closed. The reports were issued 8/16/2017, 12/5/2017 and 2/5/2018.

One anonymous call was received for which the informant alleged a husband has been living with a woman receiving Section 8 Rental Assistance for years and hides his clothes in the closet during inspection. This case is closed. The report was issued 1/8/2018.

An allegation was made of misconduct by a HBEI instructor. The case is closed. The report was issued 6/29/2018.

An allegation was made via telephone by an informant against her brother-in-law in regards to grant monies received on behalf of her mother-in-law in Sullivan County. The case is closed. The report was issued 6/20/2018.

Three allegations were received from the Office of the Inspector General regarding issues related to tenants in regards to waste/abuse of funds for the Section 8 rental Assistance Housing Choice Voucher program in Murfreesboro, Tennessee; Fayetteville, Tennessee and Ashland City, Tennessee. These cases are closed. The reports were issued 11/16/2017, 2/13/2018 and 6/19/2018.

Seven 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 7/1/2017, 7/25/2017, 7/25/2017, 8/3/2017, 8/16/2017, 9/18/2017 and 11/30/2017.

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. Ten reports were issued:

<table>
<thead>
<tr>
<th>Review for</th>
<th>Date issued</th>
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<td>May 2017</td>
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<td>October 2017</td>
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<td>November 2017</td>
<td>4/9/2018</td>
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<td>5/16/2018</td>
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<tr>
<td>January 2018</td>
<td>6/8/2018</td>
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</table>

2017 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 1/18/2018.
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 12/13/2017, 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 11/1/2017, and presented to the Audit & Budget Committee of the Board on 11/14/2017. 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 11/1/2017, and presented to the Audit & Budget Committee of the Board on 11/14/2017. 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.

Respectfully,

Gathelyn Oliver
Director of Internal Audit
MEMORANDUM:

TO: THDA Bond Finance Committee
    THDA Board of Directors
FROM: Trent Ridley, Chief Financial Officer
SUBJECT: Financial Statement Summary Information
DATE: November 5, 2018

Attached is an “unaudited” draft copy of THDA’s financial statements for the fiscal year ended June 30, 2018, which was submitted to State Auditors. It is a draft because our financial audit for the fiscal year is not yet complete. Therefore, the unaudited version should not be distributed to external parties.

Joe Brown is the Controller for THDA and Ann Salyers is the Assistant Controller. Joe, Ann and their staff do a great job of producing the financial reports for the agency. The full financial statements will be found on our web site at thda.org after the audit opinion letter is received. Please note that this document is unaudited and therefore should not be disseminated.

Notable data includes:

- Total assets of $2.740 billion and total liabilities of $2.235 billion are increases of approximately $164.7 million (6.4%) and $164.8 million (8.0%), respectively, when compared to FY17. New mortgage purchases of $463.4 million is a 42.2% increase over FY17 purchases.

- Operating income of $14.0 million (Operating Income less Increase or Decrease in Fair Value of Investments) is a slight decrease over FY17 operating income of $15.0 million.

As always, Joe Brown, Controller, and the Accounting staff do an excellent job with our financial accounting and reporting. If you have any questions regarding the financial performance of the agency or if you would like more information, please do not hesitate to call me at (615) 815-2012 or contact me via e-mail at tridley@thda.org.

THDA is an equal opportunity, equal access, affirmative action employer.
Telecommunication Device for the Deaf: 615/532-2894
FINANCIAL STATEMENTS

UNAUDITED

June 30, 2018
## ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$216,786</td>
</tr>
<tr>
<td>Investments (Note 2)</td>
<td>83,879</td>
</tr>
<tr>
<td><strong>Receivables:</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts</td>
<td>839</td>
</tr>
<tr>
<td>Interest</td>
<td>11,155</td>
</tr>
<tr>
<td>First mortgage loans</td>
<td>59,768</td>
</tr>
<tr>
<td>Due from federal government</td>
<td>34,977</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$407,404</td>
</tr>
</tbody>
</table>

| **Noncurrent assets:**                           |              |
| Restricted assets:                               |              |
| Cash and cash equivalents (Note 2)               | 65,958       |
| Investments (Note 2)                            | 127,812      |
| Investment interest receivable                   | 790          |
| Investments (Note 2)                            | 48,595       |
| First mortgage loans receivable                  | 2,058,402    |
| Second mortgage loans receivable                 | 38,108       |
| Allowance for uncollectable second mortgages     | (14,031)     |
| Unearned service release premiums                | 1,106        |
| Advance to local government                      | 3,135        |
| Net pension asset (Note 5)                       | 35           |
| **Capital assets:**                              |              |
| Furniture and equipment                          | 5,108        |
| Less accumulated depreciation                    | (2,232)      |
| **Total noncurrent assets**                      | $2,332,786   |
| **Total assets**                                 | $2,740,190   |

## DEFERRED OUTFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred amount on refundings</td>
<td>441</td>
</tr>
<tr>
<td>Deferred outflows related to pensions (Note 5)</td>
<td>3,931</td>
</tr>
<tr>
<td>Deferred outflows related to OPEB (Note 9)</td>
<td>237</td>
</tr>
<tr>
<td><strong>Total deferred outflows of resources</strong></td>
<td>$4,609</td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>15,875</td>
</tr>
<tr>
<td>Accrued payroll and related liabilities</td>
<td>680</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>736</td>
</tr>
<tr>
<td>Due to primary government</td>
<td>91</td>
</tr>
<tr>
<td>Interest payable</td>
<td>32,181</td>
</tr>
<tr>
<td>Escrow deposits</td>
<td>2,719</td>
</tr>
<tr>
<td>Prepayments on mortgage loans</td>
<td>1,205</td>
</tr>
<tr>
<td>Due to federal government</td>
<td>29,517</td>
</tr>
<tr>
<td>Bonds payable (Note 3)</td>
<td>87,945</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$170,949</td>
</tr>
</tbody>
</table>

| Noncurrent liabilities:                          |              |
| Bonds payable (Note 3)                           | 2,040,767    |
| Compensated absences                             | 630          |
| Net pension liability (Note 5)                   | 7,659        |
| Net OPEB liability (Note 9)                      | 3,578        |
| Escrow deposits                                  | 10,596       |
| Arbitrage rebate payable                         | 365          |
| **Total noncurrent liabilities**                 | $2,063,595   |
| **Total liabilities**                            | $2,234,544   |

## DEFERRED INFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred inflows related to pensions (Note 5)</td>
<td>228</td>
</tr>
<tr>
<td>Deferred inflows related to OPEB (Note 9)</td>
<td>137</td>
</tr>
<tr>
<td><strong>Total deferred inflows of resources</strong></td>
<td>$365</td>
</tr>
</tbody>
</table>

## NET POSITION

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>2,876</td>
</tr>
<tr>
<td>Restricted for single family bond programs (Note 4 and Note 7)</td>
<td>423,248</td>
</tr>
<tr>
<td>Restricted for grant programs (Note 4)</td>
<td>12,080</td>
</tr>
<tr>
<td>Restricted for Homebuyers Revolving Loan Program (Note 4)</td>
<td>3,153</td>
</tr>
<tr>
<td>Restricted for net pension asset (Note 5)</td>
<td>35</td>
</tr>
<tr>
<td>Unrestricted (Note 7)</td>
<td>68,498</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$509,890</td>
</tr>
</tbody>
</table>

The Notes to the Financial Statements are an integral part of this statement.
**TENNESSEE HOUSING DEVELOPMENT AGENCY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018 (Unaudited)**  
**(Expressed in Thousands)**

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>$</th>
<th>OPERATING EXPENSES</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage interest income</td>
<td>$90,105</td>
<td>Salaries and benefits</td>
<td>$20,177</td>
</tr>
<tr>
<td>Investment income:</td>
<td></td>
<td>Contractual services</td>
<td>$6,214</td>
</tr>
<tr>
<td>Interest</td>
<td>$7,025</td>
<td>Materials and supplies</td>
<td>$1,436</td>
</tr>
<tr>
<td>Net (decrease) in the fair value of investments</td>
<td>$(4,287)</td>
<td>Rentals and insurance</td>
<td>$12</td>
</tr>
<tr>
<td>Federal grant administration fees</td>
<td>$15,279</td>
<td>Other administrative expenses</td>
<td>$836</td>
</tr>
<tr>
<td>Fees and other income</td>
<td>$5,203</td>
<td>Other program expenses</td>
<td>$5,572</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>$113,325</td>
<td>Interest expense</td>
<td>$58,239</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mortgage service fees</td>
<td>$6,833</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Issuance costs</td>
<td>$3,812</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Depreciation</td>
<td>$476</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total operating expenses</td>
<td>$103,607</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operating income</td>
<td>$9,718</td>
</tr>
<tr>
<td>NONOPERATING REVENUES (EXPENSES)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal grants revenue</td>
<td>$317,323</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other grants revenue</td>
<td>$3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal grants expenses</td>
<td>$(317,388)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local grants expenses</td>
<td>$(7,952)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total nonoperating revenues (expenses)</td>
<td>$(8,014)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change in net position</td>
<td>$1,704</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total net position, July 1</td>
<td>$509,966</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cumulative effect of a change in accounting principle (Note 12)</td>
<td>$(1,780)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total net position, July 1, as restated</td>
<td>$508,186</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total net position, June 30</td>
<td>$509,890</td>
</tr>
</tbody>
</table>

The Notes to the Financial Statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers</td>
<td>$373,400</td>
</tr>
<tr>
<td>Receipts from federal government</td>
<td>15,030</td>
</tr>
<tr>
<td>Receipts from other funds</td>
<td>2,740</td>
</tr>
<tr>
<td>Other miscellaneous receipts</td>
<td>5,203</td>
</tr>
<tr>
<td>Acquisition of mortgage loans</td>
<td>(463,417)</td>
</tr>
<tr>
<td>Payments to service mortgages</td>
<td>(7,939)</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(16,471)</td>
</tr>
<tr>
<td>Payments to federal government</td>
<td>(1,490)</td>
</tr>
<tr>
<td>Payments to other funds</td>
<td>(2,740)</td>
</tr>
<tr>
<td>Payments to or for employees</td>
<td>(20,844)</td>
</tr>
<tr>
<td><strong>Net cash (used) by operating activities</strong></td>
<td>(116,528)</td>
</tr>
<tr>
<td><strong>Cash flows from non-capital financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Operating grants received</td>
<td>314,000</td>
</tr>
<tr>
<td>Proceeds from sale of bonds</td>
<td>469,989</td>
</tr>
<tr>
<td>Operating grants paid</td>
<td>(319,857)</td>
</tr>
<tr>
<td>Call premium paid</td>
<td>(14)</td>
</tr>
<tr>
<td>Cost of issuance paid</td>
<td>(3,812)</td>
</tr>
<tr>
<td>Principal payments</td>
<td>(314,725)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(62,486)</td>
</tr>
<tr>
<td><strong>Net cash provided by non-capital financing activities</strong></td>
<td>83,095</td>
</tr>
<tr>
<td><strong>Cash flows from capital and related financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Purchases of capital assets</td>
<td>(1,542)</td>
</tr>
<tr>
<td><strong>Net cash (used) by capital and related financing activities</strong></td>
<td>(1,542)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investments</td>
<td>203,470</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(262,517)</td>
</tr>
<tr>
<td>Investment interest received</td>
<td>7,151</td>
</tr>
<tr>
<td>Increase in fair value of investments subject to fair value reporting</td>
<td>693</td>
</tr>
<tr>
<td>and classified as cash equivalents</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash (used) by investing activities</strong></td>
<td>(51,203)</td>
</tr>
<tr>
<td><strong>Net (decrease) in cash and cash equivalents</strong></td>
<td>(86,178)</td>
</tr>
<tr>
<td>Cash and cash equivalents, July 1</td>
<td>368,922</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, June 30</strong></td>
<td>$282,744</td>
</tr>
</tbody>
</table>
Reconciliation of operating income to net cash (used) by operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$9,718</td>
</tr>
<tr>
<td>Depreciation</td>
<td>476</td>
</tr>
<tr>
<td>Decrease in accounts receivable</td>
<td>154</td>
</tr>
<tr>
<td>Decrease in mortgage interest receivable</td>
<td>341</td>
</tr>
<tr>
<td>Increase in pension asset</td>
<td>(2)</td>
</tr>
<tr>
<td>Increase in deferred pension outflows</td>
<td>(67)</td>
</tr>
<tr>
<td>Decrease in deferred OPEB outflows</td>
<td>4</td>
</tr>
<tr>
<td>Increase in mortgage loans receivable</td>
<td>(188,470)</td>
</tr>
<tr>
<td>Increase in accounts payable</td>
<td>4,883</td>
</tr>
<tr>
<td>(Decrease) in unearned service release premiums</td>
<td>(1,106)</td>
</tr>
<tr>
<td>(Decrease) in accrued payroll / compensated absences</td>
<td>(4)</td>
</tr>
<tr>
<td>(Decrease) in due to primary government</td>
<td>(632)</td>
</tr>
<tr>
<td>(Decrease) in arbitrage rebate liability</td>
<td>(745)</td>
</tr>
<tr>
<td>Increase in pension liability</td>
<td>7</td>
</tr>
<tr>
<td>(Decrease) in deferred pension inflows</td>
<td>(286)</td>
</tr>
<tr>
<td>Increase in deferred OPEB inflows</td>
<td>137</td>
</tr>
<tr>
<td>Interest expense included as operating expense</td>
<td>58,239</td>
</tr>
<tr>
<td>Issuance cost included as operating expense</td>
<td>3,812</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(126,246)</td>
</tr>
</tbody>
</table>

Net cash (used) by operating activities $ (116,528)

Noncash investing, capital, and financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Decrease) in fair value of investments</td>
<td>$ (4,821)</td>
</tr>
<tr>
<td>Total noncash investing, capital, and financing activities</td>
<td>$ (4,821)</td>
</tr>
</tbody>
</table>

The Notes to the Financial Statements are an integral part of this statement.
Cross Reference

Audit and Budget Committee

Agenda Item No. 09

Five Year Financial Plan

material is located in the Bond Finance Committee package
Audit and Budget Committee

Agenda Item Nos.

10. Annual Performance Evaluation of Director of Internal Audit

11. Annual Performance Evaluation of Executive Director

⇨ these items will be distributed and discussed at the meeting only.
Tab # 7

Items:
Grants Committee Meeting Materials
Tennessee Housing Development Agency
Grants Committee
November 13, 2018
9:45 a.m. Central Time

AGENDA

1. Call to Order ......................................................................................................................... van Vuuren
2. Approval of Minutes for September 25, 2018 Meeting .................................................. van Vuuren
3. 2019 Emergency Solutions Grant Program Description ............................................. Watt
4. 2019 Emergency Repair Program Description Modification ..................................... Watt
5. 2019 HOME Program Description ................................................................................. Watt
6. 2018 National Housing Trust Fund Program Description ........................................... Watt
7. 2019 Spring Round Tennessee Housing Trust Fund Competitive Grants Program Description ............................................................................................................................ Watt
8. Grant Extension Request .................................................................................................. Watt
9. Non Profit Capacity Building Grant Program Proposal ................................................. Shearon
10. Grant Extensions Update ................................................................................................. Watt
11. Sumner County HOME Grant (Verbal update) ............................................................. Watt
12. 2019 Challenge Grant Award Summary ........................................................................ Watt
13. Adjourn ............................................................................................................................... van Vuuren

LOCATION

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

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

The Nashville Room

COMMITTEE MEMBERS
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 25, 2018, at 9:27 a.m. Central Time in the Kress Ballroom, SpringHill Suites Hotel at 85 West Court Avenue, Memphis, Tennessee.

The following Committee members were present: Chair Pieter van Vuuren, Secretary of State Tre Hargett, Lynn Tully, Ann Butterworth (for Comptroller Justin Wilson), and Kim Grant Brown. Other Board members present were John Snodderly, Regina Hubbard, Dorothy Cleaves, Todd Skelton, and Treasurer David Lillard. Austin McMullen was absent.

Chair van Vuuren called the meeting to order. He called for consideration of the minutes from the July 24, 2018 meeting. Upon motion by Ms. Butterworth, second by Secretary Hargett, the minutes were approved.

Chair van Vuuren next called on Don Watt, Director of Community Programs, to present proposed revisions to the 2019 Challenge Grant Program Description. Mr. Watt referenced his memorandum dated September 17, 2018, and the attached 2019 Challenge Grant Program Description containing proposed revisions. Mr. Watt indicated that the Challenge Grant is designed to provide seed funding to nonprofit organizations to support and implement housing activities that celebrate significant milestones, represent regional initiatives, or support something out of the ordinary for that organization to implement. He noted that at the March meeting, the THDA Board approved the 2019 Challenge Grant Program Description, under which three applications were received; however, none were selected for funding. He described the following proposed revisions to the Program Description to better implement the program:

1) Clarified that the required leverage must be generated through a private fundraising campaign and added stipulations that required leverage cannot come from public or quasi-public sources.
2) Broadened the definition of what is considered an “eligible housing activity” to include those activities that help to support the implementation of a housing activity. For instance, in both funding rounds to date, THDA has received applications that sought to include job training associated with implementing homeowner rehabilitation. The proposed revisions to the 2019 Challenge Grant Program Description would make that an eligible activity.
3) Increased the total available funding from $500,000 to $1,500,000 and increased the maximum award from $500,000 to $1,000,000.
4) Implemented an award cycle on first-come, first-serve basis, with final applications due no later than 10/31/18. Award announcements will be made throughout that cycle as applications are approved.
5) Lowered the leverage requirement from 500% to 300%. For example, if $1,000,000 is awarded, the leverage required would be $3,000,000.
6) Recommended authorizing the Executive Director to make funding awards and report the results to the Board.
Upon motion by Secretary Hargett, second by Ms. Tully, the Committee recommended approval of the revised 2019 Challenge Grant Program Description to the Board, with authority for the Executive Director to make final funding determinations.

Next, Chair van Vuuren again called upon Mr. Watt to present the proposed 2018 HOME CHDO Mini-Round 2 Program Description. Mr. Watt referenced his memo dated September 17, 2018 and the attached 2018 HOME CHDO Mini-Round 2 Program Description and Application Package. Mr. Watt noted that the Program Description continues THDA’s solicitation of applications to qualify for and meet the set-aside requirements of the HOME program. He explained that in the previous CHDO mini-round, six applications were received; however, THDA was only able to make three awards for an amount that did not meet the full CHDO set-aside requirement, so staff is recommending another funding round of approximately $1,400,000 for development and approximately $100,000 for operating assistance. He noted the following minor changes proposed for the Program Description:

1) Updated due dates and amounts available;
2) Indicated that any organization that received funding under the 2018 regular or mini-round is not eligible;
3) Eliminated references to use of 2017 HOME funds, as they will not be applicable with these resources.
4) Revised the Universal Design scoring criteria for applications. Previously, THDA required all of the criteria be met; now if individual criteria are met, points will be awarded.

Upon motion by Ms. Tully, second by Ms. Butterworth, the Committee recommended approval of the 2018 HOME CHDO Mini-Round 2 Program Description to the Board, with authority for the Executive Director to make final funding determinations.

Next Chair van Vuuren called upon Mr. Watt who referenced his memo dated September 17, 2018, that summarizes the 2017 National Housing Trust Fund (“NHTF”) Program awards and his memo dated September 17, 2018, that summarizes the 2018 HOME CHDO Mini-Round awards.

Next, Mr. Watt referenced a map distributed to all Committee members prior to the meeting that shows the locations receiving assistance under the Tennessee Habitat for Humanity set-aside under the Tennessee Housing Trust Fund, as previously requested by Ms. Tully.

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

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the ______ day of ____________, 2018.
MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: November 5, 2018
RE: 2019 Emergency Solutions Grants Program Description

Subject to final approval of the federal budget for 2019, THDA expects to receive approximately $3 million in Federal FY2019 Emergency Solutions Grants (ESG) resources. These resources, combined with monies remaining from prior year allocations, will be made available under this program description provided for your consideration.

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

- Clarified language outlining the requirement that victim services providers must use a comparable database to the Homeless Management Information System and that comparable database that can collect client level data over time and generate unduplicated aggregate reports based on the data.

- Added language to provide a limited opportunity of 5 business days for applicants to correct only the following threshold factors:
  
  o Failure to upload all required documents to the Participant Information Management System (PIMS).

  o Failure to submit a Certificate of Existence that was issued within the required time established by the application instructions.

  o 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.
To implement the 2019 ESG Program, THDA will observe the following schedule:

- Mid-January 2019 – Application Workshops
- March 14, 2019, 4:00 PM – Application Due Date
- By May 31, 2019 – Application Award Announcement
- July 1, 2019 – June 30, 2020 - Effective dates of all Award Agreements

Staff recommends approval of the 2019 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 2019 ESG funding awards at the meetings that immediately follow the date of the awards.
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 quickly regain stability 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 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 funds.
funding directly from HUD. The Tennessee entitlement communities that receive their own allocation of ESG funds are Chattanooga, Memphis, and Nashville-Davidson County.

Applications for the ESG program must be received by THDA on or before 4:00 PM CDT on Thursday, March 14, 2019. Contingent upon an announcement of a 2019 ESG allocation, THDA anticipates notifying successful applicants by May 31, 2019 and issuing 2019 ESG contracts by June 30, 2019 for the period July 1, 2019 through June 30, 2020. 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. 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; and
3. Limit returns to homelessness one year after exiting the program.
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 Clarkesville
- City of Cleveland
- City of Franklin
- City of Jackson
- City of Johnson City
- City of Kingsport
- City of Knoxville
- City of Morristown
- City of Murfreesboro
- City of Oak Ridge
- 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 2019 of approximately $3 million. THDA will make available under this program description any FY2019 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 2018 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.** THDA will allocate $150,000 each to the cities of Clarksville, Johnson City, Knoxville, and Murfreesboro. Each of these jurisdictions 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.

**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.

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”.

   **Eligible Program Services:** 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 Locations:** Street outreach programs must be conducted in areas where unsheltered persons are staying, such as parks, abandoned buildings, bus stations, campgrounds, and in other such settings.
**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 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](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 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 15th of the month following the close of the quarter. If the 15th 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 Value (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.

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

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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 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** UP TO 25 POINTS

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 use of rapid re-housing to move individuals and families from homelessness to permanent housing; and,

f. Degree to which the project shows success in finding permanent housing solutions for the population served.

2. **APPLICANT CAPACITY** UP TO 25 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 INFORMATION**  **UP TO 25 POINTS**
   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.

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:
   
   a. Submission of accurate monthly draws reports and timely response to requests for information or documentation;
   
   b. Current percentage of drawdown of THDA ESG funded grants.
   
   c. 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.

5. **COORDINATION WITH COC PRIORITIES**  **UP TO 5 POINTS**
   THDA will award up to 5 points for an application that actively participates in and coordinates with the local CoC.

6. **HOUSING FIRST MODEL**  **UP TO 5 POINTS**
   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.
MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: November 5, 2018
RE: Request for Modification of 2019 – 2020 Emergency Repair Program Description

Staff is requesting a modification to the 2019 – 2020 Emergency Repair Program Description that was effective for the July 1, 2018 – June 30, 2020 period in order to eliminate the match requirement.

THDA annually provides funds to eight development districts and one human resource agency (collectively, “Administering Agencies”) to administer the Emergency Repair Program (ERP) within their service area in order to assist homeowners who are elderly or have a disability to complete necessary emergency repairs on their units.

The program description approved by the Board at its May 2018 meeting reduced the match requirement from 50% to 25% in order to facilitate the delivery of assistance in areas of the state which have demonstrated difficulty in generating the higher match requirement and in order to improve access to households at the lowest income levels. Staff is now requesting approval to eliminate this requirement entirely since other similar THDA programs serving a higher income level do not require any match contribution by the homeowner. This step will bring consistency across THDA programs and will open access to more homeowners who are very low income or have a disability.

If approved, staff will implement this requirement retroactively so that households who may have been denied assistance due to a lack of match contribution may re-apply for assistance.
Emergency Repair Program
2019 – 2020 Program Description

Introduction

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

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

Allocation of Funds

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

Effective July 1, 2019, THDA will make available funds from the 2020 allocation for implementation during the remaining twelve months. THDA will plan to allocate resources equally between each Administering Agency. However, THDA will evaluate the performance of each Administering Agency at this time in its program administration during the preceding year based on the terms of the grant agreement, this program description and the ERP Manual. THDA, in its sole discretion, may opt to award a lower amount or reduce the funding allocation to a particular Administering Agency during the subsequent year. When such action is taken, the reduced amount may be redistributed to high performing Administering Agencies with need for the additional funds.

Each allocation will allow 10% for the administrative costs of the Administering Agency to implement ERP.
Program Requirements:

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

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

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

2. **Property Eligibility:**

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

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

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

4. **Subsidy Level:**

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

5. **Match:**

   No match is required for receipt of ERP funds.

6. **Eligible Repairs:**

ERP is intended to make repairs to an essential system so that the homeowner can continue to reside in his/her home. ERP does not require that the entire structure be brought into compliance with codes, but the work being done must be in compliance with local adopted codes, where applicable. If no local codes have been adopted for the type of work being done, the work must be performed in compliance with any applicable state codes. If permits are issued by a local jurisdiction for work to be performed, then the permits must be obtained and the work must be inspected by the local jurisdiction.

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

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

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

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

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

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

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

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

7. Ineligible Activities:

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

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

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

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

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

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

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

10. Eligible Administrative Costs:

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

a. General management, oversight, and coordination of the program, including travel costs incurred and billed at the State approved rate.

b. Public information, including the provision of information and other resources to residents and citizen organizations participating in the planning, implementation and assessment of projects assisted with ERP funds.

c. Indirect costs based on a cost allocation plan approved by the cognizant agency.

Administrative funds are not subject to the match requirement.

**Program Administration Requirements:**

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

2. Conflict of Interest:

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

Administering agencies must avoid conflict of interest and the appearance of a conflict of interest in administering ERP. Activities which raise the appearance of a conflict of interest must be presented to and reviewed by THDA prior to any actions by the Administering Agency. The Administering Agency may be required to repay any ERP funds used in a way that violates this provision.

3. Compliance with Emergency Repair Program Manual

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

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

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: November 5, 2018
RE: 2019 HOME Program Description

THDA anticipates the receipt of approximately $14,400,000 in federal 2019 HOME funds to implement eligible activities across Tennessee. THDA may combine these 2019 resources with any returned or leftover funds from the 2018 or earlier funding rounds as determined at the time of award in May 2019. 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 homebuyers.

Staff is proposing the attached program description for the 2019 HOME Program (the “2019 HOME Program Description”), with the following substantive changes from the 2018 HOME Program Description:

1. Updated the Spend Down requirements for organizations funded under past Urban or Rural Matrices.

2. Added Commitment and Spend Down requirements for organizations funded under past CHDO Matrices in accordance with the updates for the 2018 HOME CHDO Mini-Round and CHDO Mini-Round 2 Program Descriptions approved, respectively, by the Board in May and September 2018. Also added definitions for meeting the Commitment and Spend Down requirements.

3. Removed the match requirement for CHDOs in accordance with the updates for the 2018 CHDO Mini-Round and CHDO Mini-Round 2 Program Descriptions approved, respectively, by the Board in May and September 2018.

4. Updated the HOME Per Unit Subsidy Limits in accordance with updated limits provided by the U.S. Department of Housing and Urban Development.
5. Eliminated reference to the Nonprofit/CHDO Checklist as this checklist will be eliminated as THDA moves to an electronic application process for the 2019 HOME Round. The requirements of the checklist have been added to the program description.

6. Updated the tie-breaking mechanism under the CHDO Matrix in accordance with the updates for the 2018 HOME CHDO Mini-Round and CHDO Mini-Round 2 Program Descriptions approved, respectively, by the Board in May and September 2018.

7. Updated the CHDO Scoring Matrix in accordance with the update for the 2018 HOME CHDO Mini-Round 2 Program Description approved by the Board in September 2018.

Staff recommends adoption of the proposed 2019 HOME Program Description and authorization of the Executive Director or a designee to award 2019 HOME funds to applicants for applications scored by staff based on the rating scale contained in the approved 2019 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 2019 HOME Program Description. Staff will provide information to the Committee and Board regarding 2019 HOME funding awards at the meetings that immediately follow the date of the awards.
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 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 on Thursday, March 7, 2019. THDA anticipates notifying successful applicants by May 31, 2019. HOME contracts for applicants funded under the Urban or Rural Matrices will begin July 1, 2019 and will end June 30, 2022. HOME Reservation of Funds for applicants funded under the CHDO Matrix will begin July 1, 2019 and will end June 30, 2022.

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

The HOME Program

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

The State of Tennessee, through THDA, will accept applications for the HOME program from 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.

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

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

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

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

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. 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).
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.

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 employees with housing development experience who will work on projects assisted with HOME funds. Paid staffing may be documented by providing copies of the most recent W-2 or W-4, as applicable, issued by the nonprofit entity for each staff member. For its first year of funding as a CHDO, a CHDO may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key CHDO staff. A CHDO that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of 24 CFR 92.300(a)(2). A CHDO does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated or cost allocated by another organization, or by hiring a consultant.

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, 2019 to be eligible for the 2019 HOME program:

<table>
<thead>
<tr>
<th>HOME GRANT YEAR</th>
<th>SPEND DOWN REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992 – 2014</td>
<td>100%</td>
</tr>
<tr>
<td>2015-2016 Urban or Rural Rounds</td>
<td>75%</td>
</tr>
<tr>
<td>2017 Urban or Rural Rounds</td>
<td>50%</td>
</tr>
<tr>
<td>2018 Urban or Rural Rounds</td>
<td>25%</td>
</tr>
</tbody>
</table>

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 2018 HOME program.

2. To be eligible, all applicants for the 2019 HOME application cycle must be in compliance with all other THDA programs in which they participate.

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

<table>
<thead>
<tr>
<th>HOME PROGRAM DESCRIPTION</th>
<th>COMMITMENT REQUIREMENT</th>
<th>SPEND DOWN REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 CHDOs</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2013 CHDOs</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2014 CHDOs</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2015-2016 CHDO Round and CHDO Mini-Rounds 1 &amp; 2</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>2017 CHDO and CHDO Mini-Rounds 1 and 2</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td>2018 CHDO Round or CHDO Mini-Rounds 1 or 2</td>
<td>25%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Deleted: CHDOs
Deleted: CHDO
Deleted: CHDO applicants
Deleted: Part I and Part II of Attachment One: Non-Profit Checklist/CHDO Designation with supporting documentation and signed by the applicant's counsel.
Deleted: All applicants
Deleted: with prior HOME grants from THDA
Deleted: 2018
Deleted: 2018
Deleted: 2011
Deleted: Regular
Deleted: and CHDO Round and CHDO Mini-Round 1 & 2
Deleted: 50
Deleted: Regular, CHDO and CHDO Mini-Rounds 1 and 2
Deleted: 25
Deleted: 8
Deleted: 2
Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25” + Indent at: 0.5”
Formatted: No bullets or numbering
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.

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.

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 2018, approximately $14,400,000. Additionally, THDA may make available any returned or leftover funds from the 2018 or earlier funding rounds as determined at the time of award in May 2019.

THDA will spend up to ten percent (10%) of its 2019 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.

THDA will also set-aside up to 5% of its 2019 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.

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:

**CHDO Set-aside.** Eighteen percent (18%) of the total 2019 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 2019 set-aside. The THDA HOME funding to successful CHDO applicants serving a Local PJ will be reduced by the amount of funding the CHDO receives from the Local PJs to keep within the $750,000 maximum grant.

To be funded, an application must receive a minimum threshold score of 60, an amount equal to 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 2019 CHDO funds must commit those funds to specific units no later than June
30, 2021. Any 2018 HOME funds awarded to an organization must be committed to specific units no later than June 30, 2020. HUD will recapture any 2018 CHDO funds not committed to specific CHDO activities by June 30, 2021 and will recapture any 2019 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. Sixty Seven percent (67%) of the 2019 HOME funds available 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, Hamblen, Haywood, Loudon, Macon, Maury, Montgomery, Putnam, Roane, Rutherford, Sumner, Unicoi, Williamson and Wilson. All other counties are considered Rural. The urban allocation is 45% of the remaining 67% of the funding, 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.

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 must be recorded prior to any other financing documents.

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. 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.

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 Existing Homes HOME Purchase Price and New Homes HOME Purchase Price](#).

**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 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 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. 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 administration and Maximum of 8% for developer’s fees. Once the CHDO proceeds are used a second time to develop more housing for homeownership, the HOME restrictions on the use of proceeds are eliminated. The 25% cap on the amount of CHDO proceeds that can be used for operating or administrative expenses has been eliminated. This policy applies retroactively to current, active CHDO grants.

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 and work write-ups are capped at $2,500. In addition to the costs for inspections and work write-ups, the costs for lead-based paint inspections, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. Costs associated with HUD-mandated THDA inspections are also a project soft cost, but do not count against the $2,500 cap. All project soft costs count toward the HUD maximum per unit subsidy limit.

D. **PROHIBITED ACTIVITIES**

1. Provide project reserve accounts, or operating subsidies;
2. Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;
3. Provide non-federal matching contributions required under any other Federal program;
4. Provide assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);
5. Carry out activities authorized under 24 CFR Part 968 (Public Housing Modernization);
6. Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages);
7. Provide assistance (other than assistance to a 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 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.

c. Reasonable rental value of the donated use of site preparation or construction equipment.

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.

h. Value of sweat equity may also be eligible if every assisted household under the HOME grant award is required to perform sweat equity. Sweat equity may not be valued at more than $10 per hour.

i. Other match sources as permitted under the HOME Final Rule.

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

G. LEVERAGE

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

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

H. HOME PROGRAM REQUIREMENTS

1. INCOME LIMITS

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

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

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

Current limits are in Attachment Three: 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.
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. In order to enforce the compliance period, THDA will require that grant recipients obtain a grant note and a recorded deed of trust executed by the homeowners.

Grants for homeowner rehabilitation projects that include reconstruction shall have a compliance period of fifteen years with a forgiveness feature of 6.67% annually. In order to enforce the compliance period, THDA will require that grant recipients obtain a grant note and a recorded deed of trust executed by the homeowners.

If the homeowner of a property that has been rehabilitated dies during the compliance period and the property is inherited by heirs, the property may be rented without repaying the unforgiven portion of the HOME subsidy to THDA. However, if the house is sold by the heirs during the affordability period, the remaining unforgiven portion must be repaid to THDA. This policy may be applied retroactively to prior HOME projects as needed.

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 homeowner since purchase, the grant recipient shall share the net proceeds according to the following formula:

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

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

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

\[a. \quad \text{Application of Forgiveness Feature.} \quad \text{Once the net proceeds are determined from the sale of the property, the grant recipient shall reduce the amount due based on the length of time the home buyer has occupied the home in relation to the affordability period. Soft second mortgages up to $14,999 have a five year affordability period and a forgiveness feature of 20% per year.}\]

\[b. \quad \text{Amount subject to recapture.} \quad \text{The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the home buyer to buy the housing unit. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between}\]
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:

<table>
<thead>
<tr>
<th>MINIMUM HOME DOLLARS</th>
<th>$1,000</th>
<th>PER UNIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAXIMUM HOME DOLLARS</td>
<td>$61,281</td>
<td>0-BEDROOM (EFFICIENCY) LIMIT</td>
</tr>
<tr>
<td></td>
<td>$70,250</td>
<td>1-BEDROOM LIMIT</td>
</tr>
<tr>
<td></td>
<td>$85,424</td>
<td>2-BEDROOM LIMIT</td>
</tr>
<tr>
<td></td>
<td>$110,512</td>
<td>3-BEDROOM LIMIT</td>
</tr>
<tr>
<td></td>
<td>$121,307</td>
<td>4-BEDROOM OR MORE LIMIT</td>
</tr>
</tbody>
</table>

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 

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

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 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.

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.
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 24 CFR Part 107
  (Equal Opportunity in Housing)
- Title VI of the Civil Rights Act of 1964 24 CFR Part 1
  (Nondiscrimination in Federal programs)
- Age Discrimination Act of 1975 24 CFR Part 146
- Section 504 of the Rehabilitation Act of 1973 24 CFR Part 8
- Section 109 of Title I of the Housing and Community Development Act of 1974 24 CFR Part 6
- Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.
- Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity 24 CFR Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982
- Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135
  - Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.
- Executive Order 11246, as amended 41 CFR 60
  (Equal Employment Opportunity Programs)
- 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)
  - Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA.
The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:


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 Environmental 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 or by contacting 1-800-424-LEAD (5323).

Q. LABOR STANDARDS

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

R. DEBARMENT AND SUSPENSION

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

S. FLOOD PLAINS

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

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

The HOME conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, a State recipient or subrecipient receiving HOME funds. No person listed above who 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.

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.
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.
1. PROGRAM DESIGN

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.

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. 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.

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

Deleted: 2017

Deleted: 2018
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.

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.

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 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.
<table>
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<th>CHDO MATRIX</th>
<th>Up to 120 Points</th>
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<td><strong>1. CAPABILITY</strong></td>
<td>Up to 60 points</td>
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The proposed project demonstrates exceptional project planning and readiness. Up to 30 points

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

The CHDO demonstrates sufficient capacity beyond threshold. Up to 30 points

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

3. **CHDO SERVICE AREA NOT IN A PJ**  
   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**  
   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**  
   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

   - 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**  
   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.

   - 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

   - 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
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.

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.

m. A bathroom on the main floor with grab bars in the shower and bathtub.

n. A bathroom on the main floor with a roll-in shower.

o. A bathroom on the main floor with a tub.

p. A bathroom on the main floor with an accessible toilet.

q. A bathroom on the main floor with an accessible vanity.

r. A bathroom on the main floor with an accessible mirror.

s. A bathroom on the main floor with an accessible sink.

The CHDO demonstrates sufficient capacity beyond threshold. Up to 10 points

9. LEVERAGE  

Up to 25 points

THDA shall award up to 25 points to applications that include at least three energy conservation measures beyond that required by THDA’s Design Standards for New Construction.

10. b. For new construction homeownership projects, THDA shall award up to 10 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.
THDA has received an allocation of $3,688,511 under the 2018 National Housing Trust Fund (NHTF) to make available for the development of affordable rental housing for extremely low-income households. These funds are the third allocation received under this new HUD program. Staff is proposing only very limited changes to the program description for this new program year.

In accordance with its allocation plan approved by HUD, THDA will set-aside 10% of these funds, or $368,851, for its administrative costs, with the remaining $3,319,660 made available competitively to preserve or expand rental housing options for this targeted income group. In accordance with NHTF requirements, all funded applicants must maintain these units in accordance with program requirements for a 30-year affordability period.

Eligible applicants include public housing authorities and nonprofit and for-profit entities with at least two years of experience in Tennessee in the development, ownership, and management of affordable rental housing. The 2018 Program Description clarifies that, if the Applicant is involved in a partnership associated with a low-income housing tax credit project, the Applicant must be the sole general partner or the sole managing member of the ownership entity or own 100% of the stock of a corporate ownership entity. The Applicant must materially participate (regular, continuous, and substantial on-site involvement) in the development and operation of the development throughout the compliance period. This clarification is consistent with language in the Qualified Allocation Plan for the Low Income Housing Tax Credit Program and in the Program Description for the 2019 Fall and 2019 Spring Rounds of the Tennessee Housing Trust Fund Competitive Grants Program.

All funds will continue to be made available as a grant ranging between $250,000 - $900,000.

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

THDA proposes to again evaluate applications based on the following criteria:

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

As with the 2017 Program Description, THDA again will score and rank all applications meeting program threshold requirements by Grand Division. THDA will first select for funding the highest scoring application from each Grand Division. THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than that needed for the next highest scoring application. Given the limited funding available statewide and in order to distribute NHTF funding across Tennessee, THDA will reserve the right to limit funding to only one award per county. THDA will also reserve the right to offer partial funding depending on availability of additional financing or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant. In the event of tie scores, THDA will prioritize the application with the highest combined total of the Need and Opportunity Score. If a tie remains, THDA will prioritize the application with the highest Opportunity Score.

THDA will open the application round on December 1, 2018 with applications due on March 14, 2019. THDA will hold an application workshop in December 2018. Funding awards are anticipated to be made on or about May 31, 2019. Contracts will be effective July 1, 2019 – June 30, 2022.

Staff recommends adoption of the proposed 2018 National Housing Trust Fund Program Description attached to this memo (the “Program Description”) and authorization of the Executive Director or a designee to award funds to applicants for applications scored by staff based on the rating scale and allocation procedure contained in the approved Program Description, subject to all requirements and provisions in the approved Program Description. Staff will provide information to the Committee and Board regarding awards made under the 2018 National Housing Trust Fund Program Description at the meeting that immediately follows the date of the awards.
The Tennessee Housing Development Agency (THDA) administers the federally funded National Housing Trust Fund (NHTF) which is designed for the production and preservation of affordable rental housing through the acquisition, new construction, or rehabilitation of affordable housing for households with extremely low incomes. The purpose of this Program Description is to explain the program requirements and application process.

NHTF grants are awarded through a competitive application process to Public Housing Authorities, non-profit and for-profit entities. Applications for the NHTF program must be received by THDA on or before 4:00 PM CDT on Thursday, March 14, 2019. THDA anticipates notifying successful applicants on or about May 31, 2019. NHTF grant agreements will begin on July 1, 2019 and will end on June 30, 2022.

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

DEFINITION OF TERMS

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

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

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

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

Extremely Low Income: Means an individual or household whose income does not exceed thirty percent (30%) of the area median income, adjusted for household size or households with incomes at or below the poverty line (whichever is greater).
**Family Housing:** Means housing designed for families which does not meet the definition of “Elderly Housing” or “Housing for Older Persons”.

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

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

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

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

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

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

- “Manufactured Home”: Means a structure, transportable in one (1) or more sections, which, in the traveling mode, is eight (8) body feet or more in width, or forty (40) body feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained in the structure; except that "manufactured home" includes any structure that meets all the requirements of this subdivision (2), except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the secretary;
- “Manufacturer”: Means any person engaged in manufacturing or assembling new manufactured homes.
• “Mobile Home”: Means a structure manufactured before June 15, 1976, that is not constructed in accordance with the National Manufactured Home Construction and Safety Standards Act of 1974, compiled in 42 U.S.C. § 5401 et seq. It is a structure that is transportable in one (1) or more sections that in the traveling mode is eight (8) body-feet or more in width and forty (40) body-feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet and that is built on a chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities and includes any plumbing, heating, air conditioning and electrical systems contained in the structure;

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

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

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

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

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

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

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

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

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

Total Development Cost: Means the all-in cost of developing the project including acquisition, predevelopment costs, hard and soft construction or rehab costs, financing costs, developer fees, and reserve account capitalization.
Uniform Physical Condition Standards (UPCS): Means the standardized inspection code created by HUD and Congress in 1998 as a way of establishing a dynamic inspection code that could satisfy the diverse housing stock monitored by the U.S. Department of Housing and Urban Development (HUD). The inspection code predominately provides a set of minimum standards for components found in real estate.

THE NATIONAL HOUSING TRUST FUND


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

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

1) ALLOCATION OF FUNDS

a. The total allocation for this round of NHTF funding under this program description will be $3,688,511. THDA will award ninety percent (90%) of the allocated amount in NHTF grants to successful applicants through a competitive application process. Each award will be a minimum of two hundred fifty thousand dollars ($250,000) and a maximum of nine hundred thousand dollars ($900,000).

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

2) ELIGIBLE RECIPIENTS

a. THDA will accept applications for the NHTF program from public housing authorities, and non-profit or for-profit entities that will be the owner of the proposed rental project. If the Applicant is involved in a partnership associated with a low income housing tax credit project, the Applicant must be the sole general partner or the sole managing member of the
ownership entity or own 100% of the stock of a corporate ownership entity. The Applicant must materially participate (regular, continuous, and substantial on-site involvement) in the development and operation of the development throughout the compliance period.

b. To be eligible the entity must meet the following criteria:
   i) Be organized and existing to do business in the State of Tennessee, or if organized in another state, must be qualified to do business in the State of Tennessee.
   
   ii) Demonstrate at least two years of related housing experience in Tennessee. For the purposes of this program, “related housing experience” means the development, ownership and management of affordable rental housing.

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

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

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

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

3) FORM OF ASSISTANCE

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

4) LEVEL OF SUBSIDY

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

   i) Minimum NHTF Funds: $1,000 per unit
ii) Maximum NHTF Funds Per Unit:

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<td>$61,281</td>
<td>0-Bedroom (Efficiency) Limit</td>
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<td>1-Bedroom Limit</td>
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<tr>
<td>$85,424</td>
<td>2-Bedroom Limit</td>
</tr>
<tr>
<td>$105,512</td>
<td>3-Bedroom Limit</td>
</tr>
<tr>
<td>$121,307</td>
<td>4-Bedroom Limit</td>
</tr>
</tbody>
</table>

5) DEVELOPER FEE

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

6) ELIGIBLE ACTIVITIES

a. NHTF funds must be used to produce or preserve affordable, permanent rental housing that addresses the needs of extremely low-income households. The housing may be stick built or Modular Housing, provided that the housing meets all the applicable state and local codes. Eligible housing activities include:

   i) New construction of rental housing units.

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

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

7) PROHIBITED ACTIVITIES

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

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

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

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

f. Using NHTF funds to refinance existing debt.

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

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

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

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

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

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

   i) Additional NHTF funds may be committed to a project up to one year after project completion, but the amount of NHTF funds in the project may not exceed the maximum per-unit subsidy amount as determined by HUD. HUD has prescribed the use of the Section 234 – Condominium Housing Limits from the Annual Indexing of Basic Statutory Mortgage: Limits for Multi-Family Housing Programs as described in the Interim Rule, Attachment One: Maximum Federal Subsidy Limit.

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

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

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

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

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

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

9) LEASE-UP AND INITIAL OCCUPANCY

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

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

10) LEVERAGE

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

b. In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the applicant and grants from other sources. The value of land acquired through non-NHTF resources may be counted as leverage when the appraised value is documented and proof of ownership at the time of application is demonstrated. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage when properly documented. Administrative funds, anticipated fund-raising revenues and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. All proposed leverage must be thoroughly supported by appropriate back-up documentation, including firm commitment letters, award letters, and warranty deeds.

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

11) MARKET

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

12) MIXED INCOME TENANCY

a. For the purpose of the NHTF Program, a “mixed income” project contains at least one residential unit that is set aside for an extremely low income household and one or more other residential units available to tenants in other higher income designations.

b. NHTF funds may only be used for NHTF qualifying residential units.

13) MIXED USE PROJECTS

a. For purposes of the NHTF Program, a “mixed-use” project contains, in addition to at least one residential unit, other non-residential space which is available to the public. If laundry and/or community facilities are for use exclusively by the project tenants and their guests, then the project is not considered mixed-use. Neither a leasing office nor a maintenance area will trigger the mixed-use requirements. No NHTF funds can be used to fund the commercial or non-residential portion of a mixed-use project. Therefore, if a NHTF-assisted project contains such commercial or non-residential space, other sources of funding must be used to finance that space. In order to be eligible for NHTF funding, a mixed-use project must meet the following conditions:

i) Residential living space in the project must constitute at least fifty one percent (51%) of the total project space.

ii) Each building in the project must contain residential living space.

b. NHTF funds can only be used to fund the residential portion of the mixed-use project which meets the NHTF rent limits and income requirements. If the rental project will contain a model apartment that will be shown to potential renters, the model apartment will be considered a non-residential area subject to the mixed-use requirements, unless the model apartment will be rented in the event of high occupancy.
14) RENT LEVELS AND UTILITY ALLOWANCES

a. Every NHTF assisted unit is subject to rent limits designed to make sure that rents are affordable to extremely low income households. These maximum rents may be referred to as NHTF rents. Attachment Three: NHTF Program Rents.

b. Rents are limited for the length of the Period of Affordability. These rents are determined on an annual basis by HUD. The Recipient/Owner will be provided with these rents, which include all utilities.

c. The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published NHTF rents to determine the maximum allowable rents.

d. THDA must annually review and approve the rents for each NHTF-assisted rental project. In addition, THDA must determine individual utility allowances for each rental project either by using the HUD Utility Schedule Model or determining the utility allowance based on the specific utilities used at the project. Utility allowances are reviewed and updated annually. Use of utility allowances provided by public housing authorities is not permitted.

e. NHTF rents are not necessarily representative of market conditions and NHTF rents may increase or decrease from year to year. Regardless of changes in fair market rents and in median income over time, the NHTF rents for a project are not required to be lower than the NHTF rents for the project in effect at the time of Commitment as defined at 24 CFR §93.2

f. Each Recipient must be aware of the market conditions of the area in which the project is located. Rents shall not exceed the published NHTF rents, adjusted for utility arrangements and bedroom size.

g. If the NHTF-assisted unit receives project-based rental subsidy, and the tenant pays a contribution toward rent of not more than 30% of the tenant’s adjusted income, then the maximum rent for the NHTF-assisted unit (only and specifically for the unit in which the project based rental subsidy is designated) is the rent allowable under the project-based rental subsidy program, also known as the payment standard.

15) LONG TERM OCCUPANCY REQUIREMENTS

a. Tenants whose annual incomes increase to over 30% of median may remain in occupancy but must pay no less than thirty percent (30%) of their adjusted monthly income for rent and utilities.

16) INCOME LIMITS
a. NHTF funds must be used to benefit only Extremely Low-Income households.

b. The income limits apply to the incomes of the tenants, not to the owners of the property. 100% of the tenant households in NHTF-assisted units must be Extremely Low Income. Households must meet the NHTF Income Limit established by HUD and effective at the time of application for occupancy of a NHTF-assisted unit.

c. Income Determination: To ensure that the income targeting requirements are met, a Recipient must verify that each household occupying an NHTF-assisted unit is income-eligible by determining the household’s annual income. When determining eligibility, the Recipient must calculate annual income as defined at 24 CFR 5.6091. The method for determining and calculating annual income for tenants are also addressed in the full text of the interim rule.

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

e. Current limits are in Attachment Two: Income Limits for the NHTF Program.

   i) Median income for an area of the state shall be that median income value established by HUD.

   ii) Median incomes change when HUD makes revised estimates.

17) HOUSING SET-ASIDES FOR INDIVIDUALS WITH DISABILITIES

a. Applications that propose housing in which more than twenty percent (20%) of the assisted units will be set-aside for individuals with disabilities must meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:


b. The final rule requires that all home and community-based settings meet certain qualifications, including:
i) Is integrated and supports full access to the greater community.

ii) Is selected by the individual from among setting options.

iii) Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint.

iv) Optimizes autonomy and independence in making life choices.

v) Facilitates choice regarding services and who provides them.

c. For provider owned or controlled residential settings, the following additional requirements apply:

i) The individual has a lease or other legally enforceable agreement providing similar protections.

ii) The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit.

iii) The individual controls his/her own schedule, including access to food at any time.

iv) The individual can have visitors at any time.

v) The setting is physically accessible.

18) PROPERTY AND DESIGN STANDARDS

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

b. In the absence of a local code, new construction of single-family units for rental must meet the current, State-adopted edition of the International Residential Code for One- and Two-Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc. Rehabilitation of existing single-family units for rental must meet the current, State-adopted edition of the International Existing Building Code.
c. NHTF funded units must also conform to the THDA Minimum Design Standards for New Construction of Single Family and Multifamily Units or to the THDA Design Standards for Rehabilitation of Single Family and Multifamily Housing Units, as applicable. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.

d. Additional design standards include:


iii) Broadband Infrastructure. THDA requires that newly constructed rental units and those which are substantially rehabilitated must be wired for broadband internet access.

iv) Modular Housing must be certified by the state of Tennessee

e. Section 504

i) Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.

ii) For new construction of Multifamily Housing (five or more units), a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and at a minimum, an additional two percent (2%) of the units (but not less than one unit) must be accessible to individuals with sensory impairments. The total number of units in a NHTF-assisted project, regardless of whether all units are NHTF-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are NHTF-assisted, the accessible units may be either NHTF-assisted or non-NHTF-assisted.

iii) The Section 504 definition of substantial rehabilitation for Multifamily Housing includes construction in a project with fifteen (15) or more units for which the rehabilitation costs will be seventy five percent (75%) or more of the replacement cost.
In such projects, a minimum of five percent (5%) of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two (2%), at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the total number of units in a NHTF-assisted, regardless of whether they are all NHTF-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all of the units are NHTF-assisted, the accessible units may be either NHTF-assisted or non-NHTF-assisted.

iv) When rehabilitation less extensive than Substantial Rehabilitation is undertaken in projects of fifteen (15) or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with a disability, until a minimum of five percent (5%) of the units (but not less than one (1) unit) are accessible to people with mobility impairments. For this category of rehabilitation, the additional two percent (2%) of unit’s requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible.

f. Fair Housing Act of 1968, as amended. In buildings that are ready for first occupancy after March 13, 1991, and that have an elevator and four or more units, the public and common areas must be accessible to persons with disabilities; doors and hallways must be wide enough for wheelchairs; and all units must have the following:

i) An accessible route into and through the unit.

ii) Accessible light switches, electrical outlets, thermostats and other environmental controls.

iii) Reinforced bathroom walls to allow later installation of grab bars; and kitchens and bathrooms that can be used by people in wheelchairs.

iv) If a building with four or more units has no elevator and will be ready for first occupancy after March 13, 1991, these standards apply to ground floor units.

v) These requirements for new construction do not replace any more stringent standards in State or local law.

g. Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131–12189) implemented at 28 CFR parts 35 and 36, as applicable.

19) UNIVERSAL DESIGN AND VISITABILITY
a. THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the units constructed or rehabilitated with federal NHTF funds through the use of Universal Design and Visitability.

b. Universal Design

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

(1) Make the unit usable by the greatest number of people.
(2) Respond to the changing needs of the resident.
(3) Improve the marketability of the unit.

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

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

iii) More information on Universal Design may be found at The Center for Universal Design at North Carolina State University:

c. Visitability

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

(1) One zero-step entrance.
(2) Doors with thirty two (32) inches of clear passage space.
(3) One bathroom on the main floor that is accessible to a person using a wheelchair.
ii) More information on Visitability can be found at: http://www.visitability.org.

20) ENVIRONMENTAL REVIEW

a. In implementing the NHTF program, regulations establish specific property standards for units assisted with NHTF funds. These standards include Environmental Provisions for projects involving new construction and rehabilitation. The NHTF Environmental Provisions for new construction and rehabilitation under the Property Standards at 24 CFR § 93.301(f)(1) and (2) are similar to HUD’s Environmental Regulations at 24 CFR Parts 50 and 58. NHTF projects are subject to the same environmental concerns to which HUD-assisted projects are subject. The main difference is that the NHTF Environmental Provisions are outcome based, and exclude consultation procedures that would be applicable if NHTF project selection was a Federal action. Parts 50 and 58 are process based, and include consultation procedures for several laws and authorities where there may be environmental impacts.

b. THDA and the Recipient will be responsible for carrying out environmental reviews in accordance with HUD Notice CPD-16-14. Each Recipient will be responsible for gathering the information required for the environmental reviews. NHTF funds cannot be committed until the environmental review process has been completed. The Environmental Review covers the entire project, not just the portion funded by NHTF.

21) LEAD-BASED PAINT

a. Units assisted with NHTF funds are subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lead or by contacting the lead-based paint requirements apply to all units and common areas in the project.

22) FLOOD PLAINS

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

23) PROCUREMENT
a. It is important to keep the solicitation of bids for goods and services as well as professional services and construction contracts open and competitive.

i) At a minimum all Recipients must comply with 24 CFR 200.318.

ii) All Recipients must have adopted procurement policies and procedures that meet state and federal requirements.

iii) Recipients must seek to obtain three (3) to five (5) quotes or bids using formal advertising or requests for proposals for the procurement of professional or construction services.

iv) There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

24) CONFLICT OF INTEREST

a. In the procurement of property and services by THDA and Recipients, the conflict of interest provisions in 2 CFR 200.318 apply. In all cases not governed by 2 CFR 200.318, the provisions described in this Section 24 apply.

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

c. No owner of a project assisted with NHTF funds (or officer, employee, agent, elected or appointed official, board member, consultant, of the owner or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, board member, consultant, of the owner) whether private, for profit or non-profit may occupy a NHTF-assisted affordable housing unit in a project during the required period of affordability. Immediate family ties include (whether by blood, marriage or adoption) the
spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person. This provision does not apply to an employee or agent of the owner of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

d. Recipients shall avoid conflicts of interest associated with their NHTF funded project. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Recipients shall repay that portion of the NHTF grant related to the conflict of interest or may have all or some portion of the NHTF grant rescinded, all as determined by THDA in its sole discretion.

25) DEBARMENT AND SUSPENSION

a. On all NHTF funded projects, Recipients shall certify that no vendor, its principals or managers are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction or listed on the “Excluded Parties List System” found at www.SAM.gov.

26) PROFORMA

a. All Applicants shall complete Thirty (30) Year Affordability Proforma included in the application. The applicant must demonstrate a need for the NHTF funds. If the project development costs require additional financing, including other grant source funding, prior to making any NHTF draws documentation must be provided by Recipient that all other financing or grant funding has been identified and secured. If the project can support debt, other financing will be a threshold requirement.

27) PROJECT SOFT COSTS

a. In planning their programs, Applicants may include, as a project soft costs, the reasonable and customary costs for work write-up and inspections. In addition, the costs for inspections and work write-ups, the costs for lead-based paint inspections, environmental reviews, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. All project soft costs count toward the maximum per unit subsidy limit.

28) REPLACEMENT RESERVE ACCOUNTS

a. All projects shall maintain a replacement reserve account beginning at the time of completion for the term of the NHTF period of affordability.
b. The replacement reserve requirement for new construction properties and the substantial rehabilitation of Housing for the Elderly shall, initially, be two hundred fifty dollars ($250) per unit per year, inflated at three percent (3%) annually.

c. The replacement reserve requirement for the substantial rehabilitation of Housing for Older Persons shall, initially, be two hundred fifty dollars ($250) per unit, inflated at three percent (3%) annually.

d. The replacement reserve requirement for all properties designed for families as well as all rehabilitation developments shall, initially, be three hundred dollars ($300) per unit per year, inflated at three percent (3%) annually.

e. This account shall be used only for capital improvements and the replacement of long-lived capital assets, and not for routine maintenance and upkeep expenses.

f. The replacement reserve shall be, and shall remain, an asset of the project, and shall not be distributed to the Owner or any entity or person affiliated with the Owner at any time during or after the Period of Affordability.

g. Owners shall provide THDA with a record of all activity associated with the replacement reserve account during the prior fiscal year in conjunction with submission of the project’s annual compliance monitoring materials.

h. The replacement reserve account must be maintained in a separate account in a federally insured financial institution.

i. Reserve accounts must also be separate from the project’s ordinary operating account.

29) OPERATING RESERVE ACCOUNT

a. All projects shall establish and maintain, until the project has achieved a minimum of five (5) years of Stabilized Occupancy, an operating reserve equal to a minimum of six (6) months of projected operating expenses plus must-pay debt service payments and annual replacement reserve payments.

b. This requirement can be met with an up-front cash reserve; a guarantee from the owner with a surety bond to stand behind the guarantee; or partnership documents specifying satisfactory establishment of an operating reserve.

c. The operating reserve account must be maintained in a separate account in a federally insured financial institution.
d. If operating cost assistance is provided as part of a project’s NHTF award, the Owner must submit annual audited financial statements, specific to the project.

e. Based on an analysis of the financial statements, THDA will determine the amount of operating cost assistance that is eligible to be disbursed from the operating reserve account for the previous fiscal year.

f. The analysis will determine the deficit remaining after the annual rent revenue of the NHTF-assisted units is applied to the NHTF-assisted units’ share of eligible operating costs.

g. For purposes of this paragraph, eligible operating costs are limited to insurance, utilities, real property taxes, maintenance, and replacement reserve payments.

30) REPAYMENT

a. All NHTF awards will be structured as a grant to a Recipient with a Period of Affordability of 30 years. Repayment of NHTF funds may be required in the event that the final total development costs were such that NHTF assistance provided by THDA exceeds established program limits, or exceeded that which was necessary to make the project financially feasible.

b. Compliance with income requirements, rent restrictions, design standards and UPCS requirements is required for the entire Period of Affordability for each project. Failure to comply with any of these requirements may trigger repayment of the NHTF grant.

c. A NHTF assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and the Recipient must repay any NHTF funds invested in the project to THDA.

d. In the event of a foreclosure or transfer in lieu of foreclosure, the Recipient must repay the full NHTF investment in the project.

31) COMPLIANCE

a. NHTF assisted rental units are rent and income limited for the thirty (30) year Period of Affordability.

b. Recipients/Owners of rental property shall maintain occupancy of NHTF assisted units by Extremely Low Income Persons for the Period of Affordability.

c. During the Period of Affordability, the Recipient shall:
i) Certify annually the income of tenants.

ii) Adhere to the NHTF rent and income guidelines.

iii) Comply with all applicable adopted housing codes and the Uniform Physical Condition Standards (UPCS).

iv) Report to THDA in a form and with substance as required by THDA.

d. Prior to drawing down NHTF funds, Owners of projects with NHTF assisted units shall sign a grant note, deed of trust and restrictive covenant to enforce the NHTF Affordability Period.

e. Once NHTF funds are awarded to a Recipient, THDA will monitor compliance by reviewing certain records related to the NHTF-assisted project. THDA will monitor compliance by conducting desk and/or on-site reviews of the project.

f. THDA will conduct an on-site inspection at project completion in order to confirm that the project meets the Rehabilitation Standards listed in the NHTF Allocation Plan and THDA’s Minimum Design Standards for New Construction or THDA’s Minimum Design Standards for Rehabilitation, as applicable.

g. At a minimum THDA will conduct desk compliance reviews annually.

h. THDA will conduct on-site property inspections during the Period of Affordability in order to determine compliance with income and rent requirements, tenant selection, affirmative marketing requirements, and property and design standards and to verify any information submitted by the Recipient to THDA.

i) THDA will perform onsite inspection of all NHTF assisted projects no less than every three (3) years during the Period of Affordability.

ii) For NHTF assisted projects of four (4) NHTF assisted residential units or less, THDA will perform an on-site inspection of one hundred percent (100%) of the units no less than every three (3) years during the Period of Affordability.

iii) For NHTF assisted projects consisting of five (5) or more units, THDA will inspect a minimum of 20% of the NHTF assisted units no less than every three (3) years during the Period of Affordability.
iv) The on-site inspection may include a review of records for all or a sample of the income and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations.

v) The on-site review may also include a review of any local health, safety, or building code violation reports or notices and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety, and building codes, applicable THDA Design Standards, and UPCS standards as prescribed by HUD.

vi) Any reports made by state or local government units of violations, with documentation of correction, will be reviewed.

i. Each year during the Period of Affordability, the Recipient shall submit to THDA, within one hundred twenty (120) days after the end of the project’s fiscal year, each of the following:

i) Audited financial statements for the Owner.

ii) Audited financial statements for the project.

iii) Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.

iv) Proof of sufficient property and liability insurance coverage with THDA listed as mortgagee.

v) Documentation to show the current utility allowance is being used (i.e. a copy of the utility allowance table).

vi) For projects that received points at initial NHTF application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project’s population during the fiscal year must be provided by the provider(s) of such services.

vii) Compliance monitoring fees from previous years re-inspections if applicable.

viii) Such other information as may be requested in writing by THDA in its sole discretion.
32) MONITORING FEES

a. THDA charges a monitoring fee for all NHTF assisted units. NHTF Recipients shall pay the entire fee covering the 30-year Period of Affordability as indicated in the current NHTF Operating Manual - Schedule of Monitoring Fees; but no less than $600 per NHTF assisted unit.

i) The monitoring fee must be paid prior to the Recipient making the request for Developer Fees to be drawn from the NHTF grant.

b. Additional fees may be charged when follow-up is required due to non-compliance findings. Failure to pay these fees will be considered an administrative noncompliance issue.

i) The fee will be the current approved fee as published in the NHTF manual and the most current program description at the time the fee is incurred but no less than:

(1) Reinspection of a file or reinspection of a 1-4 unit property: Two Hundred Dollars ($200) per unit inspected
(2) Reinspection of a NHTF project with five (5) or more units:
   (a) Two hundred dollars ($200) per unit inspected;
   (b) Standard mileage rate in effect under the current State of Tennessee travel regulations at the time of the reinspection from Nashville to the property and back to Nashville;
   (c) Applicable state allowed per-diem for one staff person;
   (d) Lodging expenses as allowed under then current State of Tennessee travel regulations;
   (e) Any other expenses incurred by THDA relating to the project reinspection.

c. Fees for re inspections will be due to THDA prior to issuance of reinspection results or release of any additional NHTF-funded operating subsidy.

33) RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

a. Recipients shall replace all occupied and vacant habitable low income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with NHTF funds.

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

(1) A description of the proposed assisted project;

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

34) NHTF RELOCATION REQUIREMENTS

a. THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION of households. Prior to application, contact THDA if you are planning any project that may involve displacement or relocation.

   i) A Displaced person is any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with NHTF funds. Relocation requirements apply to all occupants of a project/site for which NHTF assistance is sought even if less than one hundred percent (100%) of the units are NHTF assisted.

   (1) Before Application displacement is triggered when a tenant moves permanently from the project before the owner submits an application for NHTF assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the NHTF project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for NHTF assistance.)
(2) After Application displacement is triggered when a tenant moves permanently from the project after submission of the application, or, if the applicant does not have site control, the date THDA or the Recipient approves the site because:

(a) The owner requires the tenant to move permanently; or

(b) The owner fails to provide timely required notices to the tenant; or

(c) The tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

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

b) A Displaced person is not:

(1) A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations.

(2) A person with no legal right to occupy the project under State or local law (e.g., squatter).

(3) A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project.

(4) A person, after being fully informed of their rights, waives them by signing a Waiver Form.

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

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

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

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

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

31) SITE AND NEIGHBORHOOD STANDARDS

a) Housing provided through the NHTF program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities.
b) New construction rental housing. In carrying out the site and neighborhood requirements for new construction, the Recipient shall provide documentation as THDA may require, in THDA’s sole discretion, to determine that proposed sites for new construction meet the requirements in 24 CFR 93.150 with cross reference to 983.6(b) which places limiting conditions on building in areas of “minority concentration” and “racially mixed” areas.

c) Rehabilitation of rental housing. Site and neighborhood standards do not generally apply to rehabilitation projects funded under NHTF unless project-based vouchers are used in an NHTF rehabilitation unit. In such case, the site and neighborhood standards for project-based vouchers will apply as determined by the issuing authority for the project-based vouchers.

32) EQUAL OPPORTUNITY AND FAIR HOUSING

a) No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by NHTF funds.

b) The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to NHTF projects:

i) Fair Housing Act (24 CFR Part 100)

ii) Executive Order 11063, as amended (24 CFR Part 107 - Equal Opportunity in Housing)

iii) Title VI of the Civil Rights Act of 1964 (24 CFR Part 1 - Nondiscrimination in Federal programs)

iv) Age Discrimination Act of 1975 (24 CFR Part 146)

v) Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8)

vi) Section 109 of Title I of the Housing and Community Development Act of 1974 (24 CFR Part 6)

vii) Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.

viii) Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity 24 CRF Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982

(1) Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.

x) Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)

xi) Executive Order 11625, as amended (Minority Business Enterprises)

xii) Executive Order 12432, as amended (Minority Business Enterprise Development)

xiii) Executive Order 12138, as amended (Women’s Business Enterprise)

xiv) Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that Recipients prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Recipients must also develop acceptable policies and procedures if their application is approved by THDA.

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


ii) Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)

iii) Executive Order 12898

iv) Executive Order 13166 (Limited English Proficiency)

v) Executive Order 13217 (Community-based living arrangements for persons with disabilities)
d) In addition to the above requirements, the Recipient must assure that its Equal Opportunity and Fair Housing policies in the NHTF Program are consistent with the State’s current Consolidated Plan.

33) AFFIRMATIVE MARKETING

a) Prior to beginning a NHTF project, Recipients must adopt affirmative marketing procedures and requirements for all NHTF rental projects with five or more units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. The Recipient must also identify and take steps to attract populations that are least likely to apply for the housing to be created. Requirements and procedures must include:

i) Methods for informing the public, owners and potential tenants about fair housing laws and the Recipient’s policies;

ii) A description of what the Recipient will do to affirmatively market housing assisted with NHTF funds;

iii) A description of what the Recipient will do to inform persons not likely to apply for housing without special outreach;

iv) Maintenance of records to document actions taken to affirmatively market NHTF-assisted units and to assess marketing effectiveness; and

v) Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

b) All projects that receive NHTF grants must advertise all vacant units on the www.TNhousingsearch.org website.

34) APPLICATION AND EVALUATION PROCEDURE

a) THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes:

i) Submission by an eligible applicant of a complete application, including any documentation required to be submitted through THDA’s Participant Information Management System (PIMS).
ii) Proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements of 24 CFR Parts 91 and 93, as amended.

iii) Submission of a 30-Year Proforma demonstrating a need for the NHTF funds.

iv) Proposals that will set-aside more than 20% of the units for individuals with disabilities must demonstrate that the project will meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:


v) Receipt of a score that equals at least 60% of the total points available.

b) Applications meeting the threshold requirements will be scored and ranked by Grand Division, as defined in Tennessee Code Annotated Title 4, Chapter 1, Part 2, in descending numerical order based on the scoring matrix provided in #2 of this section.

c) THDA will first select the highest scoring application from each Grand Division of Tennessee.

d) If additional funding is available, THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than the need for the next highest scoring application.

e) Given the limited funding available statewide and in order to distribute NHTF funding across Tennessee, THDA reserves the right to limit funding to only one award per county.

f) When the amount of funds available is less than the request for funding identified in the application, THDA reserves the right to offer partial funding pending the applicant’s ability to secure additional financing within a timeframe established by THDA or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant.

1. When the applicant is not able to secure additional financing within THDA’s identified timeline, THDA, subsequently and at its sole discretion, may move to the next lower scoring application(s) in order to meet its commitment obligations under the NHTF program.
When THDA opts to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant, THDA may move to the next lower scoring project(s) in order to meet its commitment obligations under the NHTF program.

In the event of a tie score between applications, THDA will prioritize that application with the highest combined total of the Need and Opportunity Score. In the event that a tie still remains, the application with the highest Opportunity Score will be selected.

35) NHTF RENTAL HOUSING SCORING MATRIX   Up to 100 Points

a) PROJECT DESIGN - Up to 30 points

i) The proposed project demonstrates exceptional planning, readiness to proceed, and administrative capability. All necessary components to accomplish the project have been identified in the application. The applicant has site control of the proposed site to be developed.

ii) Firm financial commitments for non-NHTF resources have been secured, are current, and are demonstrated within the application.

iii) The extent to which the project has a binding commitment for Federal, State, or local project-based rental assistance so rents are affordable to extremely low income families and sufficient funds support the project’s operation. Projects that preserve existing housing with project-based rental assistance are preferred.

iv) The project’s proforma demonstrates sufficient cash flow to support the project’s operation without a contribution of NHTF funds by THDA to an operating reserve account for the project.

v) The extent to which the proposed project fills the need demonstrated by the neighborhood market conditions.

vi) The extent to which the design of the proposed project is appropriate and meets the needs of the targeted population to be served.

vii) The extent to which formal partnerships have been established and demonstrated within the application to provide voluntary and appropriate support services for the targeted population.

viii) The extent to which the proposed project provides easy access to community living, including retail, employment, transportation, medical, education, recreation, and government services.

ix) The extent to which the proposed project integrates the NHTF-assisted households with households of higher incomes within the project.

x) The extent to which universal design and visitability features will be included in the design of the projects.

xi) The extent to which energy efficiency features exceed the requirements of THDA’s Design Standards for New Construction or Rehabilitation, as applicable.
b) **APPLICANT’S CAPACITY AND EXPERIENCE - Up to 30 points**

   i) The applicant’s experience with owning, developing and managing rental units of similar size and scope serving the intended population proposed.
   
   ii) The capacity of the applicant and its development and management team to carry out the proposed project within the schedule proposed.
   
   iii) The past experience of the applicant and its development and management team to successfully develop or manage rental housing in compliance with all Federal, state or local program requirements.
   
   iv) The past experience of the applicant and its development and management team to undertake THDA rental development projects in a timely manner.
   
   v) The past history of the applicant in serving the community in which the proposed project is to be located.
   
   vi) The past history of the applicant and its development and management team to comply with THDA funding requirements and processes.
   
   vii) The applicant’s financial statements and audit indicate a healthy financial position and include diverse funding sources.

c) **NEED - Up to 15 points**

   THDA has determined rental housing need factors for households who are extremely low income. The county need factors are the percentage of extremely low income tenant households that are cost burdened; projected 10-year population growth rate; county’s projected 10-year population growth as a percent of the state’s overall growth; prior allocation amount per extremely low income household; prior allocation; rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the Low Income Housing Tax Credit Program under construction and in lease-up. Scores to be used in the evaluation of rental projects are shown in Attachment Four: 2017 NHTF Need Scores.

d) **AREAS OF OPPORTUNITY SCORE - Up to 15 Points**

   THDA has determined factors which indicate census tracts of high opportunity. These factors include areas of high median gross rent, high cost burden, proximity to employment, high workforce participation, low levels of abandoned housing, rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the Low Income Housing Tax Credit Program under construction and in lease-up.

   Scores to be used in the evaluation of areas of opportunity are shown in Attachment Five: 2017 NHTF Areas of Opportunity Scores.
e) **LEVERAGE - Up to 10 points**

THDA may award up to 10 points to applications that include the use of non-THDA resources towards the development costs of the project. Rental assistance and permanent financing resources will not be considered in this category. THDA will award points based on the percentage of non-THDA resources in the project against the total development cost for the project. In order to receive points, there must be written documentation in the application supporting the contribution of the non-THDA leveraged funds to the project.
MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: November 5, 2018
RE: 2019 Spring Round of the Tennessee Housing Trust Fund (THTF) Competitive Grants Program Description

THDA has available approximately $2 million for the construction and rehabilitation of affordable rental housing through the 2019 Spring Round of the THTF Competitive Grants Program. Staff is proposing the attached program description for the 2019 Spring Round (the “Program Description”). No changes are proposed from the 2019 Fall Round Program Description beyond updated spend down requirements for prior year grant recipients and application due dates.

To implement the 2019 Spring Round, THDA will observe the following schedule:

- Mid/Late January 2019 – Application Workshops
- March 21, 2019, 4:00 PM – Application Due Date
- By May 31, 2019 – Application Award Announcement
- July 1, 2019 - June 30, 2022 – Effective dates of all Award Agreements

Staff recommends adoption of the attached 2019 Spring Round Program Description and authorization of the Executive Director or a designee to award 2019 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 under the 2019 Spring Round of the THTF Competitive Grants Program at the meeting that immediately follows the date of the awards.
TENNESSEE HOUSING TRUST FUND
2019 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 2019 Spring Round of Competitive Grants under the Tennessee Housing Trust Fund (THTF). The amount available for the FY 2019 Spring Round is approximately $2.0 million. The purpose of this Program Description is to explain program requirements and the application process.

Applications for the FY 2019 Spring Round must be received by THDA on or before 4:00 PM CDT on Thursday, March 21, 2019. THDA anticipates notifying successful applicants by May 31, 2019. The Spring Round Competitive Grant contracts will begin July 1, 2019 and will end June 30, 2022. Applicants should be aware that there is no cure period. Submission of a complete application is a threshold criterion.

The application package follows this Program Description. The Program Description and application in WORD-format are available at www.thda.org. At the THDA website, click on BUSINESS PARTNERS, then GRANT ADMINISTRATORS for links to the THTF Competitive Grants page and the FY 2019 Spring Program Description and application. If you have questions please call (615) 815-2034.

A. ELIGIBLE APPLICANTS

THDA will accept applications for the FY 2019 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 2019 *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 March 14, 2019 to be eligible for the FY 2019 *Spring* Round Competitive Grant program:

<table>
<thead>
<tr>
<th>COMPETITIVE GRANT YEAR</th>
<th>SPEND DOWN REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Fall and earlier</td>
<td>100%</td>
</tr>
<tr>
<td>2017 <em>Spring</em></td>
<td>75%</td>
</tr>
<tr>
<td>2018 <em>Fall</em></td>
<td>50%</td>
</tr>
<tr>
<td>2018 <em>Spring</em></td>
<td>25%</td>
</tr>
<tr>
<td>2019 <em>Fall</em></td>
<td>Not Eligible</td>
</tr>
</tbody>
</table>

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:


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 4103 of the Violence Against Women Act of 1994 (42 U.S.C. 1403e-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.

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:

<table>
<thead>
<tr>
<th>Average Per Unit HTF Competitive Grants Investment</th>
<th>Compliance Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $15,000</td>
<td>5 Years</td>
</tr>
<tr>
<td>$15,000 – $40,000</td>
<td>10 Years</td>
</tr>
<tr>
<td>&gt; $40,000</td>
<td>15 Years</td>
</tr>
</tbody>
</table>

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.

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

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

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

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

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

Inspections. All rehabilitation or new construction work must be inspected by a qualified 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 *neither* food preparation nor sanitary facilities, or with one (food preparation or sanitary facilities) | The THTF rent may not exceed 75% of the HUD-published FMR limit for a 0-bedroom (efficiency) unit. |
| A unit with *both* food preparation and sanitary facilities | The THTF rent cannot exceed the HUD published High HOME rent limit for a 0-bedroom unit. |
| A unit that receives state or Federal project-based rental assistance and is occupied by a very low income tenant | The THTF rent can be the applicable State or Federal project-based rent, as long as it is occupied by a very low income tenant who does not pay more than 30% of the family’s monthly adjusted income for rent. |
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 or any subsequent affordable rental housing locator system sponsored by THDA and, as permitted by the locator system for the type of housing funded.

K. APPLICATION AND EVALUATION PROCEDURE

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

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

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

Proposals that address the housing needs of very low or extremely low income households, including youth transitioning from foster care, homeless veterans, and ex-offenders, especially elderly offenders who are eligible for release by the Tennessee Board of Probation and Parole but who remain in custody due to no other residential options and who meet other requirements specified in the Program Description, will receive additional points in the scoring matrix. Proposals with an identified, firm commitment for the matching funds are preferred and those proposals with a firm commitment for match resources which exceeds the 50% requirement will be highly preferred.
THDA will evaluate each application to determine if the proposal meets program criteria, including, without limitation, submission of a complete application; proposal of an eligible activity serving eligible populations; proposal of a project that is ready to get underway except for the gap in financing to be provided by the Competitive Grant; and proposal of a project that in the opinion of THDA, in its sole discretion, is physically, financially and administratively feasible.

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

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

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

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

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

A Review Committee will score and rank all applications meeting the threshold criteria, as determined by the Review Committee in its sole discretion. Applications will be ranked in descending numerical order based on the categories in the THTF Competitive Grant Matrix.
In the event of a tie score, THDA first will select the application with the highest total Innovation score and then, if a tie still remains, the highest total Need score. If a tie still remains, THDA will prioritize funding for the application with the greatest number of HTF funded units as the final determinant.

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

The Review Committee will present its recommendations to the Executive Director for determination of awards.
## THTF COMPETITIVE GRANT MATRIX

### Up to 100 Points

#### 1. CAPABILITY

<table>
<thead>
<tr>
<th>Up to 35 points</th>
<th>The program design is complete, and all necessary components are identified in the application.</th>
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<tbody>
<tr>
<td></td>
<td>The proposal demonstrates adherence to program guidelines, is well designed for the targeted population, and demonstrates an effective use of THDA resources.</td>
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<tr>
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<td>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.</td>
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<td></td>
<td>The project is physically, administratively, and financially feasible with sufficient revenue for the on-going operation of the housing during the compliance period.</td>
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<tr>
<td></td>
<td>The feasibility worksheet is complete, correct, and demonstrates a need for a Competitive Grant.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
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<tr>
<td></td>
<td>If new construction, the housing will include design features that meet Universal Design standards, Visitability standards, and Energy code standards.</td>
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<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
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<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>The applicant demonstrates the likelihood and feasibility to secure matching funds. Firm commitment letters are included in the application.</td>
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</table>
• The Applicant demonstrates sufficient capacity to successfully carry out the proposed project.
  • 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:
    o drawing down funds;
    o completing a project in a timely manner;
    o operating a program within THDA guidelines; and,
    o 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

   → The Applicant will set aside 25% of the units for individuals at 30% of AMI or less
     Up to 4 points
     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

   → 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
     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

→ The project meets a larger need in the community or region beyond providing housing for the targeted population, such as (but not limited to):

   (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:

   (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

A Competitive Grant has not been awarded since July 1, 2014, for a project located in the county in which the proposed housing will be located

Up to 4 points

2 points

Up to 5 Points

5 points

3. INNOVATION

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.
MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: November 5, 2018
RE: Request for Approval of Grant Extension: 2017 Fall Round of the Tennessee Housing Trust Fund Competitive Grants Program – Men of Valor – HTF-17F-03.

Recommendation
Staff recommends approval of the extension request for HTF-17F-03 to December 31, 2020 as further described below.

Background
Men of Valor was awarded a Grant for $500,000 under the 2017 Fall Round of the Tennessee Housing Trust Fund Competitive Grants Program. This grant will fund construction of a new 8-unit apartment building as part of Phase 3 at Valor Ridge, the organization’s new campus in Antioch that will serve ex-offenders as they transition to a community-based setting. The original term of the grant is January 1, 2017 through December 31, 2019.

Men of Valor recently finished work on Phases 1 & 2 of Valor Ridge, which included site work and the construction of four transitional residences housing up to 60 men participating in their program. The organization experienced unexpected delays with the site work that put the organization’s schedule significantly behind with the planned completion of Phases 1 & 2. The setbacks resulted from a previously unknown spring that appeared following a major rainstorm in the middle of the site’s primary and only access road, delaying both finishing and paving. After working extensively with engineers, soil scientists and the City, the spring was properly contained, the problem resolved, and roadwork completed. However, the process took over 8 months to resolve, construct, and receive full approval from the City. This delay has impacted the start of Phase 3, which is now scheduled for spring 2019.

As a result, the organization is requesting consideration of a one-year extension on the current grant term to ensure sufficient time to complete Phase 3 construction.
THDA depends on the work of non-profit organizations to administer many of our programs, from our various grant programs, to our homeownership counseling and our New Start mortgage program. Without the work of these organizations, THDA would not be able to adequately serve the range of Tennesseans who need our assistance. However, our staff sees on a regular basis the need for these non-profits to build their organizational capacity. This need manifests itself in things such as the repeated need to have “mini-round” competitions for CHDO funding, the very significant and repeated “hand holding” that our staff engages in with organizations trying to administer our funds, the slow expenditure rate of said funds, and various other ways.

As a result, THDA staff has been reviewing our options for helping to increase the capacity of these organizations. Specifically, we have reviewed a program that the Virginia housing finance agency (VHDA) has put in place for this purpose, and we have had conversations with their staff to obtain a better understanding of their program. VHDA’s program includes two phases – Phase 1 includes grants to non-profits to complete a strategic plan or succession plan with a consultant, with certain stipulations as to what these plans will include. Phase 2 includes grants to non-profits to complete training in various focus areas that would be provided by a list of consultants which VHDA has approved and trained.

We feel the non-profit organizations with whom we work would benefit from both of these types of activities. However, as a beginning, we feel it would be wise to start with just a Phase 1 type of program, allowing us to gauge the interest of the non-profit community as well as allowing us more time to develop the more-involved Phase 2 training elements. We anticipate needing a budget of approximately $200,000 for this initial phase of the program (which would allow us to make grants to about 10 organizations). We are asking for the board’s feedback on this idea and plan to bring back a specific proposal and program description for the board’s approval in January.
MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: November 5, 2018

RE: Update on Grant Programs Extension Requests

The following is an update on the status of the contract extensions approved by the THDA Board that remained open in November 2017 or were issued after November 2017:

HOME Program:

- In May 2016, Sumner County was provided a fourth extension of their 2011 HOME grant deadline in order to allow for the completion of construction of the final unit. The revised grant deadline was September 30, 2016. No further extension has been requested.

  Status: Following the fourth extension, the homeowner filed a lawsuit against the County. The Board has been updated regularly on the status of the lawsuit. On October 23, 2017, the Judge denied the homeowner’s motion for summary judgment, granted the County’s motion for summary judgment, and imposed a lien on her property for $77,850 for the 15-year compliance period. Following an appeal by the homeowner, the Court of Appeals of Tennessee issued a ruling where it determined that the Defendant was obligated to sign the deed and note of trust in compliance with the terms of the HOME Program. Since the Defendant did not sign a deed and note of trust, the County was entitled to a lien upon Defendant’s home, and the trial court’s grant of summary judgment was proper. The mandate was issued on August 8, 2018, signifying the end of the Appeal. THDA is currently working to close out the grant formally in HUD’s system.

- In May 2017, the Board approved a 12-month extension to 43 grantees funded under the 2012 and 2013 HOME rounds. Staff made this request on behalf of the grantees in order for THDA to meet its July 2017 commitment obligation under the HOME Program and due to the delay in
implementation of certain grants as THDA worked to resolve the issues associated with the inspection of units in jurisdictions that opted out of the State’s building code requirements.

Status: Since providing the extension, 34 grantees have completed all project work and are closing out grant implementation. Three grantees - City of Coalmont, City of Gruetli-Laager, and Grundy County - opted not to continue the program. One grantee, Promise Community Development (formerly known as North Memphis CDC), has not completed development activities on its final unit. Staff is working with the organization to determine appropriate next steps.

- In January 2018, the Board approved a blanket 12-month extension to 27 grantees funded under the 2014 HOME round. This extension extended all 2014 grants to June 30, 2019. Staff made this request on behalf of the grantees due to the delay in implementation of 2012, 2013, and 2014 grants as THDA worked to resolve the issues associated with the inspection of units in jurisdictions that opted out of the State’s building code requirements.

Status: Since providing the extension, four grantees have completed all project work and are closing out grant implementation. The remaining grantees continue to move forward with their grant programs.

- In July 2018, the City of Columbia received an extension to December 31, 2018, of the 2012 HOME grant in order to put under contract two remaining units and complete construction of all units.

Status: Units have been placed under contract and construction will start November 1.

- In July 2018, the City of Cowan received an extension to December 31, 2018, of the 2013 HOME grant in order to put under contract three remaining units and complete construction of all units.

Status: Two projects are under construction and procurement of a contractor for the final unit is underway.

- In July 2018, Coffee County received an extension to December 31, 2018, of the 2012 HOME grant in order to put one remaining unit under contract and complete construction of the unit.

Status: Construction is underway on one unit.

- In July 2018, the City of Lawrenceburg received an extension of the 2013 HOME grant to December 31, 2018, in order to put under contract three remaining units and complete construction of all units by December 31, 2018.

Status: Construction is underway on two units. The homeowner of the third unit opted not move forward with the assistance.
MEMORANDUM

TO: Grants Committee and Board of Directors

FROM: Don Watt, Director of Community Programs

DATE: November 5, 2018

RE: Awards Authorized under the 2019 Challenge Grant Program Description as Revised on September 25, 2018

THDA Executive Director Ralph Perrey authorized two awards under the 2019 Challenge Grant Program as approved by the Board on September 25, 2018. THDA made available $1,500,000 to support the private fundraising efforts of nonprofit organizations to implement housing and related activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal daily activities of an applicant. THDA considered applications on a first-come, first-served basis.

THDA awarded $1,000,000 to Habitat for Humanity of Greater Nashville to construct 20 single family units as part of the Jimmy and Rosalyn Carter Work Camp scheduled for October 2019, 26 townhomes in 2020, and 12 single-family homes in 2021. The Jimmy and Rosalyn Carter Work Camp provides a unique opportunity for Tennessee to raise awareness regarding housing affordability issues in Nashville. Additionally, the townhome project will introduce a higher-density build concept locally due to limited land availability coupled with associated rising costs in Davidson County.

Additionally, THDA awarded $500,000 to Appalachia Service Project, Inc. (ASP) to construct a facility in Johnson City that will:

- Provide dormitory space and a commercial kitchen to accommodate 200 volunteers working on home rehabilitation and rebuild projects year-round.
- Offer separate living space for families displaced during home re-builds
- Provide a multi-use space for construction training
The new facility will enable ASP to increase the number of units built annually in their service region from 9 to 25 and the number of repair projects to increase from 18 to 50. The dormitory space will allow ASP to increase the number of volunteers at any given time from 84 to 200 and to expand the number of months that volunteers can be hosted from 3 to 12. ASP also will gain operational efficiency as current training occurs in Jonesville, VA rather than within their seven-county service area. The living space for displaced families will allow ASP to expand their service delivery to include families who do not have alternative housing options during the home rebuild process. Finally, the training space will allow ASP to develop partnerships to implement workforce development/apprenticeship programs in the construction field.
Tab # 8

Items:
Rental Assistance Committee Meeting Materials
Tennessee Housing Development Agency
Rental Assistance Committee

November 13, 2018
10:00 a.m. Central Time

AGENDA

1. Call to Order................................................................. Snodderly
2. Approval of Minutes for July 24, 2018.......................... Snodderly
3. Program Update: PowerPoint Presentation ......................Ridley/Scott
4. Adjourn.................................................................... Snodderly

LOCATION

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

The Nashville Room

COMMITTEE MEMBERS

John Snodderly, Chair
Daisy Fields
Regina Hubbard
Todd Skelton
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 24, 2018, at approximately 10:08 a.m. in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

Committee members present: John Snodderly (Chair), Todd Skelton, and Regina Hubbard. Committee members absent: Daisy Fields. Other Board members present: Board Chair Kim Grant Brown, Lynn Tully, Samantha Wilson, and Ann Butterworth.

Chair Snodderly called the meeting to order. Seeing a quorum present, he called for consideration of the minutes from May 22, 2018. Upon a motion by Ms. Hubbard, second by Mr. Skelton, the minutes were approved.

Chair Snodderly recognized Trent Ridley, Chief Financial Officer, and Jeboria Scott, Section 8 Rental Assistance Director, to discuss the revised Housing Choice Voucher (HCV) Administrative Plan (Admin Plan). Ms. Scott reported that staff completed a first phase comprehensive review of the HCV Admin Plan. Updates will continue to comply with HUD CFR updates and practical practices of THDA’s procedures as THDA moves forward with the second phase review. Ms. Scott reviewed the first phase revisions made and noted there were a number of changes as shown in the draft made available to the Committee and Board with the following major changes:

- Redefining a full-time live-in aide versus a part-time live-in aide that impacts the payment amount and bedroom size.
- Revising Repayment Agreements to allow families to remain in the HCV program if the debt is repaid to less than $3,000 and repayments continue while remaining on the HCV program.
- Refining how absences from a unit, particularly for participants who are temporarily incarcerated for non-felony offenses, are handled.

Mr. Ridley and Ms. Scott indicated that staff recommended approval of the revised Admin Plan, with staff authorized to make non-substantive changes as may be required. Mr. Ridley and Ms. Scott also noted that the Admin Plan is promulgated as rules, so it will be forwarded to the Attorney General and the Secretary of State’s Office for additional review. Upon motion by Ms. Hubbard, second by Mr. Skelton, the Admin Plan was recommended to the Board for approval.

Chair Snodderly recognized Ms. Scott to provide an update on Mainstream 811 Non-Elderly Disabled (NED) vouchers. Ms. Scott reported that the Mainstream NED program provides rental assistance vouchers for eligible households who have a household member who is non-elderly and disabled. An application was submitted to HUD for a minimum allocation of 250 vouchers and a maximum allocation of 500 vouchers; however, a response is not anticipated until August or September 2018.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey  
Executive Director  

Approved the 13th day of November, 2018.
Pending
S8 HCV Program Update

Board of Directors Meeting
November 2018
Organization

- HUD – Stabilized Program
- Cross-Regional Work
- Personnel
- Admin Plan Status
Utilization – Annual
# Financial Status

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FY19 Opportunities / Challenges

- Applicant Portals / IT STUFF
- Establishing QA
- Cross-Regional Work
- Customer Response Team
- 811 Nonelderly Disabled