

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOARD OF DIRECTORS  
January 29, 2020

Pursuant to the call of the Chair, the Tennessee Housing Development Agency Board of Directors (the “Board”) met in regular session on Wednesday, January 29, 2020, at 1:00 p.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

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

Chair Hedges welcomed Edwin King, new Director of Multifamily Development. Ralph M. Perrey, THDA Executive Director, recognized the following THDA staff members for their years of service:

|                        |                        |          |
|------------------------|------------------------|----------|
| Lindsay Hall           | Single Family Programs | 10 years |
| Erica Holloway         | S8 Rental Assistance   | 10 years |
| Hillary Gonzalez-Craig | S8 Rental Assistance   | 15 years |
| Joe Brown              | Accounting             | 30 years |

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

Chair Hedges called for consideration of the minutes from the November 19, 2019 meeting. Upon motion by Mr. McMullen, second by Ms. Cleaves, the minutes were approved.

Chair Hedges then called on Mr. Perrey to present the following Executive Director’s report:

- Great Choice Mortgage loan production through January 28 is \$46.3 million which is about \$4 million more than last January. Estimates are that 2020 will be better than 2018 which was the previous record year for loans purchased with bond proceeds. Expectations are that conventional loan production will add to the total for 2020.
- Issue 2020-1 is expected to price near the end of February with a closing in late March. Approximately \$17,000,000 has been committed against this bond issue to date.
- A report on Volume Cap is in the Board materials. Depending on carry-forward amounts and demand for multifamily and single family, 2020 volume cap could be used as early as 2021 for single family. Staff is taking several steps to preserve volume cap including the request to authorize a draw down facility and blending taxable bonds with future tax-exempt bond issuance. Conventional lending through Freddie Mac and pursuing Ginnie Mae approval may help to ease demand for loans purchased with bond proceeds and are mechanisms to finance loans without being entirely dependent on the availability of volume cap for single family lending.

- 2019 was the first full year of loan servicing through VLMS. Overall delinquency rates were down approximately 1.25% and among loans that were 30 days or less delinquent, the reduction was approximately 3.5% reduction. VMLS increased earnings by about \$16,000 per month and earned approximately \$22,000 in incentives from FHA for completed loan modifications. The lease for the space VLMS occupies in Parkway Towers will not be renewed, so there will be a move this summer.
- The THDA statutory debt limit increase was approved by the Senate, State and Local Government Committee with an 8-1 vote. House Committee action may come as early as next week or the week after.
- The THDA Senate budget hearing will occur in February and staff will make a presentation to the Consumer Affairs Committee.
- On March 3, there will be an event in Memphis called “Convergence Memphis” which is a MBA and THDA effort to increase homeownership in the African-American community. THDA Board Members, Dorothy Cleaves and Regina Hubbard, are involved as are THDA staff members.

Chair Hedges then recognized Lynn Miller, THDA Chief Legal Counsel, to present the authorization of a draw down facility. Ms. Miller referenced the following documents that were previously circulated:

- a memorandum from CSG Advisors Incorporated (“CSG”), financial advisor to THDA, dated January 13, 2020, recommending authorization of a Bond Cap Recycling “Draw Down” Program;
- the Plan of Financing for a revolving line of credit (a “LOC”) and/or the issuance of notes (the “Notes”) in an aggregate cumulative principal amount not to exceed \$300,000,000 for the purpose of refunding THDA bonds to preserve volume cap (“Plan of Financing”) as approved by the Bond Finance Committee; and
- the Resolution of the Board of Directors authorizing and delegating authority to the Bond Finance Committee to proceed with a LOC and/or the issuance of Notes (“Authorizing Resolution”).

Ms. Miller indicated that staff is looking at options to preserve volume cap for the single family program and a Bond Cap Recycling “Draw Down” Program is a tool that can help. She noted that the Plan of Financing and the Authorizing Resolution provide flexibility to issue Notes or to obtain a line of credit and delegates authority to the Committee to make all the final decisions about program execution. She reported that the Bond Finance Committee approved the Plan of Financing and recommended approval of the Authorizing Resolution. Upon motion by Mr. Rummel, second by Ms. Cleaves, the Authorizing Resolution was approved.

Chair Hedges called on Ms. Miller who referenced an amendment to the Issue 2020-1 Authorizing Resolution that was previously circulated and recommended by the Bond Finance Committee. Ms. Miller noted that the November 2019 authorization for Issue 2020-1 included authority for taxable as well as tax-exempt bonds. She explained that as one of the steps to conserve volume cap, CSG recommended that Issue 2020-1 include 20% to 30% taxable bonds, however, purchasers of taxable bonds expect shorter timeframes around pricing approval and allocation approval than THDA normally follows. She noted that a designated officer may be delegated authority to approve the purchase price of the bonds and other details of the bonds, so,

to resolve the timing issue, the proposed amendment to the Authorizing Resolution delegates authority to the Secretary of the Bond Finance Committee as the Authorized Officer, instead of the Bond Finance Committee, to approve the purchase price and other details of the bonds upon recommendations from staff, the financial advisor, and bond counsel. Upon motion by Ms. Cleaves, second by Mr. Snodderly, the amendment to the Issue 2020-1 Authorizing Resolution was approved.

Chair Hedges then recognized Ms. Miller for the annual Volume Cap update. Ms. Miller referenced her memo dated January 27, 2020, and explained that the information included in the memo shows a worst-case scenario where THDA single family loan production remains high and THDA does not employ measures to conserve volume cap. She noted that with strong demand for THDA loans, THDA is using volume cap faster than it has been received so, it is possible that in the next two to three years, THDA could have insufficient volume cap to issue tax-exempt bonds to meet the demand for THDA single family loans. Ms. Miller added that this information supports the need to take steps to conserve volume cap. No Board action was necessary.

Chair Hedges indicated the next item for consideration was the review of the State Form CT-0253, Report on Debt Obligation (the "Report") for Issue 2019-4. Ms. Miller advised that the Report was filed with the Office of the Comptroller and is being presented to the Committee and the Board to meet the reporting requirement pursuant to TCA Section 9-21-151(c)(2). No Board action was necessary.

Chair Hedges then recognized Mr. McMullen for the Grants Committee report. Mr. McMullen referenced a memo from Cynthia Peraza, THDA Director of Community Programs, dated January 15, 2020, describing modifications to the 2020 Creating Homes Initiative 2 (CHI-2) Program Description that was approved in September 2019. He noted that after approval of the Program Description, the Department of Mental Health and Substance Abuse Services (DMHSAS) requested modifications to the Program Description as described in more detail in the referenced memo. Mr. McMullen indicated that the Grants Committee recommends the following changes to the CHI-2 Program Description: 1) Expand the qualifying diagnosis from "Opioid Use Disorder" to "Opioid or opioid derivatives must be a drug of choice" throughout the Program Description; 2) Remove the language referenced on Page 1, Section A, of the Program Description referencing the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition; and 3) Extend the application deadline to 4:00 P.M. CST, Thursday, February 13, 2020, with application decisions to be announced by April 1, 2020, and contracts effective as of May 1, 2020. Upon motion by Ms. Armstrong, second by Mr. Rummel, motion carried to approve the referenced changes to the 2020 CHI-2 Program Description.

Mr. McMullen next referenced a memo from Don Watt, THDA Chief Program Officer, dated January 16, 2020 in which he reported that the Executive Director awarded \$1,945,959 of the \$3,241,878 available under the 2019 National Housing Trust Fund (NHTF) Program Description to Metropolitan Development and Housing Agency, Murfreesboro Housing Authority, and The Crossroads Campus to create 200 housing units, 24 of which will be set aside for extremely low-income Tennesseans. Mr. McMullen noted that the remaining amount would be rolled into the funding amount for the National Housing Trust Fund in 2020. No Board action was necessary.

Mr. McMullen next referred to a memo from Mr. Watt dated January 16, 2020, regarding the 2020 National Housing Trust Fund (NHTF) Program Description and noted that approximately

\$4,335,570, including \$1,295,919 from 2019 and \$3,039,651 expected for 2020, will be available for development of affordable rental housing for extremely low-income households. He explained that the 2020 NHTF Program Description contains the following changes from 2019 that are recommended by the Committee: 1) reduce the minimum award from \$250,000 to \$100,000 to encourage the use of funds in smaller, rural developments; 2) add a spend-down requirement for entities with prior NHTF funding awards; and 3) provide 7 points for a project located in a rural county and an additional 3 points if the applicant is a rural public housing authority. Upon motion by Mr. Snodderly, second by Ms. Merrick, motion carried to approve the 2020 NHTF Program Description as described above.

Mr. McMullen next referenced a memo from Cynthia Peraza, Director of Community Programs dated January 15, 2020, requesting authorization to increase the Tennessee Renovation Loan Program (TRLP) funds by the approximately \$811,000 that remain after the 2017-2018 Appalachian Renovation Loan Program ended in July 2019. He noted that TRLP not only offers the same type of assistance as the Appalachian Renovation Loan Program, but also focuses on providing assistance to low-income homeowners who need help in repairing and preserving their homes. He also noted that the Grants Committee recommended this transfer. Upon motion by Ms. Cleaves, second by Ms. Daniels, motion carried to approve the transfer of approximately \$811,000 of Appalachian Renovation Loan Program funds to TRLP.

Mr. McMullen then presented a memo from Ms. Peraza, dated January 17, 2020, regarding the following changes to the Appraisal Gap Pilot Program (Gap Program) that are recommended by the Grants Committee: 1) Increase the allocation by \$500,000 in THDA funds bringing the total Gap Program allocation to \$1,000,000; 2) Expand Gap Program availability across the state; and 3) Extend Gap Program, as a pilot program, through December 31, 2020, or until the Gap Program funding is depleted, whichever occurs first. Mr. McMullen explained since authorized in September 2018, the Gap Program offers up to \$20,000, as a grant, to eligible, nonprofit housing agencies to help close the gap between the cost to build a home and the appraised value of such a home in Memphis, Chattanooga and Oak Ridge. Upon motion by Ms. Merrick, second by Ms. Rhea, motion carried to approve the Appraisal Gap Pilot Program changes described above.

Chair Hedges recognized Ms. Cleaves for the Lending Committee report. Ms. Cleaves noted that all Board members present previously heard the report from Dr. Hulya Arik, THDA Economist, on the Housing Cost Index for 2020, based on Dr. Arik's memo dated January 14, 2020. Upon motion by Ms. Cleaves, second by Ms. Daniels, motion carried to approve the 2020 Housing Cost Index and authorize continued operation of THDA financial assistance programs.

Chair Hedges recognized Mr. Snodderly for the Tax Credit Committee report. Mr. Snodderly presented the following amendments to the 2019-2020 Multifamily Low Income Housing Qualified Allocation Plan ("QAP") for distressed and at risk communities described in a memo from Ed Yandell, Senior Housing Credit Advisor, dated January 15, 2020, and recommended by the Tax Credit Committee:

1. To be eligible for this assistance a proposed development must satisfy each of three criteria:
  - a. New construction
  - b. No more than 64 units; and,

- c. Located wholly within one of the following counties: Benton, Bledsoe; Campbell, Carroll, Carter, Claiborne, Clay, Cocke, Decatur, Fentress, Grainger, Grundy, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Houston, Jackson, Johnson, Lake, Lauderdale, Lewis, McNairy, Meigs, Monroe, Morgan, Obion, Overton, Perry, Rhea, Scott, Unicoi, Union, Van Buren, Warren, Wayne or Weakley.
2. Eligible proposed developments would receive the following special considerations:
  - a. Per development annual LIHC limit of \$1.3 million; and
  - b. Basis boost of up to 130%, as determined by THDA; and,
  - c. New construction in a HUD-designated Qualified Census Tract (“QCT”) permissible; and
  - d. Applicable total development cost limits increased by 10%; and
  - e. Solely for the purposes of the Special At-Risk/Distressed Counties Assistance, none of the counties above will be considered “non-viable” with regard to the County Need Score.

Upon motion by Mr. Snodderly, second by Ms. Cleaves, motion carried to approve the described changes, together with authorization for staff to make conforming changes as necessary.

Chair Snodderly presented the following amendments to the QAP regarding the new construction regional pool as described by Mr. Yandell in a memo dated January 27, 2020, and as recommended by the Tax Credit Committee:

1. Two developments may be selected from each of the West, Cumberland, East and Upper East New Construction Regional Pools; and
2. Three developments may be selected from the Middle New Construction Regional Pool; and
3. Within each of the West, Cumberland, East and Upper East New Construction Regional Pools, there would be no more than one allocation to a proposed development eligible for the special At-Risk/Distressed Counties Assistance and no more than one allocation to a proposed development not eligible for the Special At-Risk/Distressed Counties Assistance; and
4. Within the Middle New Construction Regional Pool, there would be no more than one allocation to a proposed development eligible for the special At-Risk/Distressed Counties Assistance and no more than two allocations to developments not eligible for the Special At-Risk/Distressed Counties Assistance; and
5. Allocations from the New Construction Regional Pools will be made in ranking order, taking into account all limits and tie-breakers, without preference for proposed developments eligible for the special At-Risk/distressed Counties Assistance or proposed developments not eligible for the Special At-Risk/Distressed Counties Assistance.

Upon motion by Mr. Snodderly, second by Ms. Merrick, motion carried to approve the described amendments, together with authorization for staff to make conforming changes as necessary.

Mr. Snodderly then presented amendments to the 2017 and 2018 Qualified Allocation Plans and the 2018 Multifamily Tax-Exempt Bond Authority Program Description to increase the per development limit for non-competitive low income housing credits from \$1.1 million to \$3.0 million as described a memo from Edwin King, Director of Multifamily Development, dated January 15, 2020 and as recommended by the Tax Credit Committee. Mr. Snodderly noted that

the per development limit for non-competitive low income housing credit developments was increased to \$3 million per year under the 2019-2020 Qualified Allocation Plan and under the 2019 Multifamily Tax-Exempt Bond Authority Program Description and that allocations of non-competitive low income housing credits may be increased when a development is placed in service. Upon motion by Mr. Snodderly, second by Ms. Armstrong, motion carried to approve the described amendment, with authority for staff to change relevant parts of the referenced Qualified Allocation Plans and Program Description and to make conforming changes as necessary.

Mr. Snodderly then referenced clarifications needed to HVAC and window requirements under the 2016, 2017 and 2018 Qualified Allocation Plans that were amended in November 2019 to address energy efficiency requirements as described in memo from Mr. King, Director of Multifamily Development dated January 21, 2020. He noted the following clarifications recommended by the Tax Credit Committee:

1. Apply the 2015 Enterprise Green Community specifications for HVAC systems and windows for developments that meet all the following conditions:
  - a. The development originally received an allocation of housing credit under the 2016, 2017 or 2018 Low-Income Housing Tax Credit Qualified Allocation Plan; and
  - b. IRS Form(s) 8609 for the most recent allocation of housing credit have not been issued; and
  - c. The development elected to substitute “ENERGY STAR” requirements for the “Enterprise Green Community Certification” requirements; and
  - d. The development architect provides written certification in a form and with substance acceptable to THDA, in its sole discretion, that the HVAC system(s) and windows are compliant with the 2015 Enterprise Green Community specifications.
2. Authorize the Executive Director to resolve unforeseen issues rising from the November 7, 2019 amendment or the clarification to that amendment described above.

Upon motion by Mr. Snodderly, second by Ms. Merrick, motion carried to approve the recommendations described above.

Mr. Perrey reminded all Board members of the upcoming Tennessee Housing Conference in March in Nashville.

With no further business, the meeting was adjourned.

Respectfully submitted,

*/s/ Ralph M. Perrey*

Ralph M. Perrey  
Executive Director

Approved this 24<sup>th</sup> day of March, 2020.