Tennessee Housing Development Agency

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Best Practices for Threshold Documents

The following pages will contain Best Practices from THDA Staff regarding six (6) threshold documents, the Construction Module, and the Final Application Module that may be of assistance as applicants prepare submissions to THDA.

Best Practices for Submitting an Appraisal to THDA

A. An appraisal must be submitted with the final application if land or building costs are shown in THOMAS in either the basis column or in the total development cost column, since THDA uses both methods (basis and total development costs) to calculate the amount of tax credit the development is qualified to receive.

B. The document should be no older than six (6) months from application submission date and performed and prepared by an independent third party in accordance with the Appraisal Guidelines included on the THOMAS Documents Page.

C. The appropriate THDA appraisal template must be used and must be complete. All required information must be contained in the template – fields containing comments such as "see report" are not acceptable and will result in a cure finding.

D. Additional pages can be submitted if clarification is needed, but the THDA template is sufficient – no additional report is required.

E. All four required values must be shown for appraisals including existing buildings: As is with restricted rents, as is with hypothetical market rents, hypothetical as renovated with restricted rents, and hypothetical as renovated with market rents.

F. Sale and rent comparable properties should be as close to the subject property as possible. Comps from a hundred miles away will result in a cure finding if a reasonable explanation is not provided per the Appraisal Guidelines posted on the THOMAS Documents page.

G. All information must be complete, correct, and consistent within the appraisal and with the application as a whole.

Best Practices for Submitting a Zoning Letter to THDA

Here is a recap of the purpose of the zoning letter and the requirements for the zoning letter as stated in the QAP, along with some best practices for submitting a zoning letter that will not result in a cure finding. The purpose of the zoning letter is to provide evidence that the site is currently zoned for the proposed Development.

A. Zoning letters must be issued by and signed by the local zoning administrator (or chief elected official in localities without a zoning administrator).
    a. Zoning letters issued by or signed by engineering firms, or any other third party vendors or contractors are not acceptable and will result in a cure finding.

B. The zoning letter must clearly identify the subject property.
    a. Tax map and parcel numbers are a good way to identify properties for zoning letters. Be sure that the tax map and parcel numbers in the zoning letter match up with the tax map and parcel numbers in THOMAS - zoning letters must cover all parcels included in the development. If there is a discrepancy between the parcels in THOMAS and the parcels in the zoning letter, it will cause a cure finding.

C. The zoning letter must show the current zoning and any special use designations.
    a. If this information is not included in the zoning letter, it will result in a cure finding.

D. The zoning letter must description of the Project, including the number of units, the proposed use, and the construction type (i.e. townhome, midrise elevator, etc.).

E. “Multifamily” or “Apartment Complex” are not sufficient as the project description. The zoning letter should show that the proposed development is multifamily, but at a minimum it must also show the number of units and type of construction. If this information is incomplete, it will result in a cure finding.

F. The zoning letter must state that the current zoning will permit the proposed Housing Development.

    a. The zoning letter must provide assurance that the Zoning/PUD will be reviewed in a timely manner, including any available dates so as it is complete by time of award process or

    b. A letter from the chief elected official identifying the Project and stating that there are no zoning regulations in place.

G. At initial application, it is acceptable for this statement to contain a statement that the final approval will be determined after site plans are submitted and reviewed, but it should be clear that use, density, and construction type for the development are allowed.

H. Here are a couple of items that should not be submitted:
   a. Please do not submit a copy of zoning regulations, with or without highlighted sections. THDA staff is not qualified for and does not have the resources to review the zoning regulations for each locality for all applications and determine if the regulations allow the development as proposed. THDA requires the applicant to submit evidence that the zoning regulations allow the development as proposed, not the actual zoning regulations.
   b. Maps as a method of property identification in a zoning letter are usually insufficient and typically result in a cure finding. A positive way to link the zoning letter to the subject property of the application is required, and as mentioned above, tax map and parcel numbers work well.

Best Practices for Submitting a Market Study to THDA

A. If a revision of a few pages are requested at any notice or evaluation from a coordinator, then an addendum is strongly encouraged. If you submit a full market study with revisions the entire report will have to be read again.

B. The coordinators would like to have a brief explanation on what we would consider out of the ordinary situations. Some of the issues we may question when reviewing a study are listed below:
   a. Comparable properties are out of the PMA (e.g. rural area).
   b. If the proposed development is a senior property please use senior properties and if none can be found, please state that in the study.
   c. If the analyst uses the entire county as the PMA in areas other than a rural county.

C. An unclear PMA, please have the analyst define the PMA that was utilized.

Best Practices for Submitting a Physical Needs Assessment to THDA

A. Some biggest issue with the Physical Needs Assessment (PNA's) submitted in the past year was not being able to understand what "rehab" work was actually being done aka the actual Scope of Work.

B. Please provide a Developer's Actual Scope of Work breaking down the PNA's hard costs (an itemized listing of the materials, quantities, unit costs, total costs, etc.)

C. Make sure that the Developer's Actual Scope of Work (i.e., Scope of Work) is consistent with the hard costs listed in THOMAS.

D. Make sure the Scope of Work reflect the minimum threshold requirements and items for which points are being claimed.

E. Lastly, take the time to review what is being submitted to THDA and does it meet the guidance.

Best Practices for Submitting a Level One Site Control to THDA

A. Provide a fully completed Level One documentation as listed in the 2024 QAP including ALL amendments, assignments and a legal description that is consistent with the Title Commitment.

B. Make sure the documentation is properly executed

C. If there is a difference in the legal descriptions, be sure to include the Ownership Entity's sworn affidavit confirming that the property described in the legal description is the same as what is being presented in the Title Commitment.

D. Be sure the Level One documentation reflects a purchase price and that this purchase price is consistent within THOMAS.

E. THDA will use the lesser of the purchase price or the appraised "As-Is" value per our Appraisal Guidance listed in the calculation of housing credits.

Best Practices for Submitting a Level Two Site Control to THDA

A. The applicant must demonstrate full property control for the proposed development which would include level 1 (warranty deed, quitclaim deed, trustee deed or court order evidencing title to the site vested in the currently existing ownership) and level 2(commitment for title insurance vested in the person or entity who executed the document required for site control as owner).

B. Please make sure your documents are not in DRAFT form and are within the 60 days prior to the Initial Application Deadline and that title to the site is vested in the person or entity who signed the document as owner.

C. Make sure the meets and bounds (legal description) from your sales contract matches exactly the meets and bounds on the commitment for title insurance. If these do not match exactly you may submit a sworn affidavit stating the property on level one is the same property as shown on level

Construction Module Best Practices

1. The construction module will open for 9% Competitive after THDA processes the Equity Closing documentation and for 4% MTBA after THDA processes the Firm Closing documentation. So applicants must upload documents through the upload features in THOMAS rather than sending an email or uploading in the Miscellaneous folder.
2. The system will send an email to the primary and alternate contacts once the module is open.
3. Please consult the THOMAS manual Construction section as this will be a separate module from the application.
4. The only editors for the Construction module are the Owner-Admin and a designated Construction editor. Individuals with Consultant editing rights in the application are not editors in the Construction module.
5. An individual may have a Consultant Editing and Construction Editing role in THOMAS.
6. It is important to keep up with quarterly construction reporting throughout the year.

Final Construction Requirements

1. Please ensure that the progress completion reflects **100%** before submitting the final application.
2. Ensure that the final Site Visit has been done and/or scheduled
3. The final construction steps for the Construction module are located in the THOMAS manual under the Construction section.
4. Ensure that the Final Construction Upload in THOMAS is done. This includes the following:
    a. Architect Certification (THDA template that is on the THOMAS Page)
    b. Certificate of Substantial Completion issued by the Architect
    c. Certificate of Occupancy for each Building
    d. Final Draw Package
5. Chris Marlin, cmarlin@thda.org is the construction analyst and is the primary construction contact.

Final Application Best Practices

Initial Steps for the Final Application and 8609 Issuance Process

1. Ensure that the Accountant preparing the final cost certification in THOMAS system has registered under the role of the Accountant.
   a. The accountant must register for THOMAS credentials and request Accountant access for the specific development's final application. See Section 1 in the THOMAS User Manual on the THOMAS page.
   b. The accountant must approve the Total Development Costs page once all the costs are entered. Once the page is approved by the accountant, the page is locked so applicants should ensure that the costs entered are accurate.
   c. The accountant approval step also requires approval on the buildings and units screen which is the screen that basis for qualified buildings is entered. See Section 8 in the THOMAS User Manual.
   d. The accountant will still utilize the template for the accountant's letter that will be on the THOMAS documents page.
2. A complete submission includes the THOMAS submission with the necessary Final Documents and the proper Compliance Monitoring fee.

Editing of the Remaining Screens

The following screens may require some updates, see the following tips below:

1. General Information
    a. Ensure that the Phone that is listed is the correct number at the site as this is important for Compliance Monitors during the Compliance Period
    b. Make sure that the street address is correct for the site as this is important for Compliance Monitors during the Compliance Period
    c. Ensure that the amenities listed are correct
2. Contacts
    a. Ensure that the Management Company listed is correct.
3. Organizational Breakdown
    a. If the structure for either the ownership and/or developer entity has changed**:**
    b. Upload a new Organizational Chart for the entity
    c. If the individual(s) have not provided a Disclosure, then upload a disclosure for that individual(s).That disclosure can be found on the THOMAS documents page.
    d. That individual should be added in the Organizational grid in THOMAS.
    e. The application coordinators will issue findings if any individual is missing from the organizational grid.
    f. See the THOMAS manual for tips on the organizational breakdown screen
4. Identities of Interest
    a. Ensure that the all the related and nonrelated interests are properly identified.
    b. Application coordinators will check the developer and contractor relationship as this could impact the credit calculation.
5. Utility Allowances
    a. Ensure that the proper utility allowances are current and correct.
    b. The UA Schedules should be uploaded into the Utility Allowance folder
6. Buildings & Units
    a. Ensure that the address of the Building is correct as the 8609's will pull the address from this field for the applicable bins
    b. Ensure that the unit information is the correct.
    c. When entering basis information, for buildings with no residential units enter $0 for basis amounts and the appropriate date information. This will ensure that no 8609 is created for that building as that basis should be distributed elsewhere.
    d. Applicants should work closely with the accountant to ensure that the entries are correct.
    e. **The information in these screens will be the basis for the tenant event reporting in compliance, so it is strongly suggested that the unit detail is <u>correct and consistent</u>.**
7. Development Schedule
    a. There will be a question regarding the development fiscal year that will need to be answered.

8. Proposed **Funding** Sources
   a. Ensure that all sources are correct as that could impact the credit calculation.
9. Other Income
   a. Ensure that the other income sources are current.
10. Annual Operating Exp Budget
    a. Ensure that the operating expenses are current.
    b. In the event that a PILOT is now in place, answer the Expense questions and upload the PILOT in the documents section.
    c. If there is no PILOT, upload a copy of the current tax bill in the Current Tax Bill folder in the documents section.
11. Total Development Costs
    a.
12. Subsidies or Regulatory
    a. Ensure that any federal or local subsidies are current.
13. Notes
    a. Applicants are encouraged to make any notes necessary that are pertinent for the application coordinator and/or compliance monitor
14. MTBA Information
    a. Ensure that the percentage of tax-exempt financing to the aggregate basis of any buildings and land is current.
15. Validations
    a. As the system has been updated from time to time with new questions, there will probably be questions that will need to be answered to successfully pass the validations.
    b. The Validation page will have several informational messages to assist during the process.
    c. It may be a good idea to run the validations early on in the process to view the messages.

Documents

As customary with any MTBA/LIHC application, THDA will provide some templates for applicants to utilize for the Final Application. Please note THDA is currently reviewing the Final Application documents, and will post revised documents to the THOMAS page in as soon as possible. For most documents, applicants may utilize the following documents on the THOMAS documents page:

THDA Published Templates under Final Application for Both Programs

1. Final Ownership Statement and Application Certification: Required, upload in the Statement of App and Cert folder
2. Accountant Certification**:** Required, upload in the Accountant Certification folder
3. Eligibility Certification**:** Required, upload in the LIHTC Eligibility Cert folder
4. Syndication Letter**:** Required, upload in the Equity Closing folder.
5. Disclosures may be required for any individuals that have been added to the Ownership and/or Developer entity since Initial or Carryover application. The applicant should upload in the Disclosures in the Disclosure folder
6. Disclosure Exemption**:** if applicable, the applicant should upload in the Disclosure Exemption folder
7. Acquisition Certification**:** if the development is an Acquisition/Rehabilitation
8. Nonprofit Certification and Experience**:** if awarded under the Nonprofit set aside. These documents should be uploaded in the nonprofit folder.
9. Certification of Outstanding MTBA**:** for Noncompetitive developments. This document should be uploaded in the Certification of Outstanding MTBA Principle folder.
10. Architect Certification should be uploaded in the Final Construction Documents section.
    a. Beginning in 2021, THDA will publish four templates that will be specific to construction type in both the competitive and noncompetitive programs. Applicants will use the applicable template for submission.
11. Final MTBA Eligibility Certification for noncompetitive transactions

Other Documents

1. A copy of the recorded LURC should be uploaded in the LURC folder. **THDA may issue the Land Use Restrictive Covenant document prior to receiving your Final Application. The Land Use Restrictive Covenant must be executed and recorded in the county where the development is located.**
2. THDA Organizational Templates and Organizational Chart if the structure has been updated for the Ownership and/or Developer should be uploaded in the Ownership and/or Developer folders
3. Permanent Financing Documentation should be uploaded in the Evidence of Permanent Financing Documentation
4. Post Build Enterprise Green Certification for applicants under the 2019-2020 QAP that have taken points if obtained should be uploaded in the Enterprise Green Folder. If the applicant does not have the certification, upload a place holder and the application coordinator will follow up on the documentation at a later date of time.

5. Applicants that have taken points for Serving Resident Populations with Special Housing Needs should upload current Tenant Service Agreements and Comprehensive Service Plan in those applicable folders.
6. Applicants that have taken points for Serving Resident Populations with Children for after-school tutoring or homework help should upload current agreements in the Tent Service Agreements folder.
7. Applicants under the 2019-2020 QAP that selected Income Average should upload the statement from the permanent lender and equity providers in the Miscellaneous folder
8. Applications under the 2019-2020 QAP that selected Income Average should upload documentation from the Market Study provider that the current and adequate demand for the combination of unit sizes at percentage income limits in the Market Study folder.
9. Utility Allowance Documentation
10. Narratives-If there are any major changes with the development, the applicant should detail this in a narrative and upload this in the narrative folder if available or miscellaneous folder.

It is extremely important to upload documents in the properly named folder if the folder exists as the coordinators will always go to the specific folder to review the document. For instance, if the Statement of Application and Certification is uploaded in the Miscellaneous folder rather than the Statement of App and Cert folder then a finding may be issued.

Compliance Information

Owner Compliance Training

1. Please ensure that the necessary owner-compliance training has been completed. Chuck O'Donnell codonnell@thda.org is the contact for compliance.

Certified Property Management

1. Please ensure that the necessary certified property management process has been completed. Chuck O'Donnell codonnell@thda.org is the contact for compliance.

Compliance Reporting

1. Once the Final Application and Construction modules are complete, the allocation staff will mark the file complete and the next phase is Compliance Reporting.
2. Owners must reach out to the Compliance team regarding the reporting process in THOMAS that will occur after the 8609's are issued. Chuck O'Donnell codonnell@thda.org is the contact for compliance.

Monitoring Fees

1. As part of a complete application the monitoring fee must be wired to THDA. Applicants that fail to send fees will be considered **incomplete.** Applicants may send one wire to cover multiple final applications, however please identify the applicable TN ID Number(s) in the OBI field on the wire.
2. Instructions below:
   a. **THDA LIHTC/MULTI-FAMILY BOND PROGRAM WIRE INSTRUCTIONS**

Bank: US Bank
ABA: 064000059
BNF: THDA Clearing Account
BNF A/C: 151203673398
BNF ADDDRESS: 502 Deaderick Street, Andrew Jackson Bldg. 3rd Floor
Nashville, TN 37243
OBI: Tax Credit/Bond Application Fees + TN ID Number(s) Applicants may send one wire to cover multiple applications as applicants should enter the applicable TN ID Number(s) in the OBI field on the wire.