

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
January 26, 2021

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Tuesday, January 26, 2021, at 1:03 p.m. CDT, via WebEx call with certain staff members being at the THDA Offices located at 502 Deaderick Street; Andrew Jackson Building, 3rd Floor; Nashville, Tennessee 37243.

The following Board members were present via WebEx: Mike Hedges (Chair), Doree Hicks (for Butch Eley, Commissioner of Finance & Administration), Mike Hardwick, Jonathan Rummel (for Secretary of State Tre Hargett who joined the meeting at 1:08 p.m. CT), Kevin Bradley (for Treasurer David Lillard), Matt McGauley, Austin McMullen, Erin Merrick, Rick Neal, Tennion Reed, Chrissi Rhea, John Snodderly, and Katie Armstrong (for Comptroller Jason Mumpower). The following Board member was absent: Joann Massey.

Chair Hedges recognized Bruce Balcom, Assistant Chief Legal Counsel, who read the following statement:

"Board members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Board today require timely action and the physical presence of a sufficient number of Board members to constitute a quorum is not possible within the timeframe in which action is required. This is also necessary to protect everyone's health and safety due to COVID. Therefore, it is necessary for some members to participate via telephone or electronically. Board members so participating were sent documents relevant to today's meeting."

Chair Hedges called the meeting to order. Upon a motion by Mr. McMullen and a second by Mr. Neal and a roll call vote, with all members identified as present voting "yes", (13 ayes) motion carried that a necessity exists to conduct the meeting in this manner.

Chair Hedges offered a time for anyone from the public to address the Board. No responses were received.

Chair Hedges called for consideration of the November 17, 2020, minutes that were previously circulated to all Board members. Upon motion by Secretary Hargett, second by Mr. McGauley, and a roll call vote with all Board members identified as present voting yes (12 ayes) (Mr. Hardwick was present, but we could not hear his vote), the minutes were approved.

Chair Hedges recognized Ralph M. Perrey, Executive Director, who gave the following Executive Director's report:

- As we start a new year, what I'd like to do is highlight a few of the main challenges and opportunities facing THDA in 2021.
- The biggest immediate challenge is administering the emergency Rental Relief funds we have been allocated. We go into this with a significant advantage. Governor Lee last year contracted with Horne LLP, an accounting firm that has coordinated large-scale disaster relief efforts since Hurricane Katrina. Horne managed the several billion dollars of CARES Act funding Tennessee received. The Governor has offered us the opportunity to work with Horne under that same contract. All of which will save us a great deal of time. We are aiming to launch the program by March 1, 2021.

The second set of challenges involves our single family mortgage business.

- Like everyone else in the industry, we saw a spike in loan delinquencies and forbearance requests when borrowers lost jobs due to COVID. Delinquencies have started to level off. Our forbearance rate has been climbing but remains below the rate for FHA loans overall. We have been proactive in working with our borrowers to offer forbearance, loan modifications and reinstatements. We expect that as we return to a more normal economy, those delinquency rates will return to more normal levels.
- In the short term, however, there is a great deal of concern that more borrowers will seek forbearance. This is not an immediate risk for THDA – last year Trent Ridley and CSG conducted a stress test on our portfolio and found that even if one-third of our borrowers went into forbearance, THDA could go for over a year before having to institute drastic actions. That's not true of the major servicers, the ones handling millions of mortgages. They still have to pay investors, even if the borrowers aren't paying them. So there is growing speculation in Washington that some sort of mortgage relief package may be forthcoming.
- If that happens, it is likely to resemble the foreclosure prevention programs that THDA operated under the Hardest Hit Fund. My assumption is we would be asked to administer the program. We have experience, we have a platform set up for that kind of program, we have relationships established with over 200 servicers, we could fairly quickly bring on temporary staff. If something comes of this, we will keep you informed.

The third set of challenges involves our multifamily business.

- The IRS has issued new rules around LIHC properties that elected to use income-averaging. These are not being received well. Several investors have said they will not buy credits in developments using income averaging. We have some flexibility to allow developers to change their election, so long as they have not filed it with the IRS. We will be open to working with developers who need some flexibility.
- Equity prices for tax credits are falling. This is thought to be short-term but could cause difficulties for some of the 2020 tax credit awardees, if they have not syndicated yet. There isn't anything we can do about the equity pricing. We will be open to developers who need to adjust their project scope. These developments are hard to put together, and we try to work with developers as much as we can to get things built.
- A third challenge is a consequence of a good thing – the very strong demand we see for multifamily development. The best year we have ever had for multifamily bonds was

\$323 million; we took in that much in applications within the first ten days of this year. That's why we bring you a recommendation to increase the amount of volume cap immediately available for multifamily to \$310 million. We expect to increase that further, assuming no competing claims on the state's private activity volume cap. But I want to emphasize that even if we max out our commitment to multifamily – someone will miss the cut, and that's true regardless of how you decide the Special Request before you today.

That situation figures into one of our great opportunities – the work we are doing to earn Ginnie Mae Issuer status by this fall. Ginnie Mae would give us a secondary market outlet for our government-backed loans – FHA, VA, RD. Which means, we wouldn't have to issue bonds in order to finance those mortgages.

If we can finance through means other than selling bonds, our production is not limited by the amount of volume cap available to us. We do not add hundreds of millions of dollars to the agency's debt. And, if we do not need volume cap for single family, we can make much more of it available for multifamily. This is where we want to be when THDA turns 50 in 2023 – with strong and growing single family mortgage production, long-term earnings from the loans we hold in portfolio, income from the sale of loans into the secondary market, and servicing revenue from those loans. Three revenue streams, flexibility to operate through all kinds of market conditions, and very likely, increased operating revenue that we can put to work in support of other affordable housing activities.

And finally, we are taking the opportunity to thoughtfully look at our work environment, recognizing that we will probably never again need to have everyone in the office every day. How we manage our work, stay engaged with our staff and with our business and program partners, what the built environment in our offices should look like, and how much space we will actually need. The State of Tennessee is already look at the issues. We are already talking with them about what happens at the end of our lease at Parkway Tower, expecting that our loan servicing operation will move into the Andrew Jackson Building with the rest of the downtown staff.

Director Perrey deferred to Don Watt, Chief Programs Officer, to give more detail about how staff proposes to go forward on the COVID-19 emergency rental relief program. Mr. Watt went on to explain the State of Tennessee is eligible to receive \$457,000,000 in funds to provide emergency rent and utility assistance to households facing financial hardships as a result of the COVID-19 pandemic.

- THDA will administer this program across the state, with the exception of Davidson, Knox, Rutherford, and Shelby County, which are electing to administer the program locally.
 - In order to prevent a duplication of benefit, THDA's program will not carry over to these counties.
- THDA expects to administer around \$360,000,000 of the \$457,000,000 across its service area, with a September 30, 2021 obligation deadline for 65% of these funds and a December 31, 2021 expenditure deadline for 100% of these funds.
- To be eligible for assistance, households must have a household income of 80% AMI or less and have experienced a financial hardship due directly or indirectly from the COVID-19 pandemic on or after March 13, 2020.

- Under the federal legislation, the state must prioritize households that either
 - have a household income at or below 50% AMI or
 - where one individual has been unemployed for 90 days or more prior to the application for program assistance.
1. The program will provide the following types of assistance
 - Rental arrearages
 - Utility arrearages – electricity, gas, water and sewer, trash removal and energy costs (fuel oil)
 - Rental assistance for periods of up to 3 months before the household has to be recertified as eligible for assistance
 2. Generally, the total months of assistance to a household cannot exceed 12 months, however, there are provisions to extend for 3 months in order to ensure the housing stability of the household.
 3. THDA's Community Programs Division will directly administer these funds, accepting applications from tenants and landlords, and making direct payments to these vendors.
 - To accomplish these tasks, THDA will establish a call center and a team to accept, review and make determinations on applications received.
 - Our plan is to administer this program virtually, using an electronic application and review process.
 - As Ralph noted, we have been working with the Governor's office to secure the software vendor, call center and staffing support, which supported the state's efforts with the Coronavirus Relief funds administer this past summer and fall.
 - Our goal is to open this program for assistance as quickly as possible, with a target date of no later than March 1, 2021.
 - Therefore, we will be coming to you very shortly for consideration of the program requirements.

Chair Hedges recognized Bruce Balcom, Assistant Chief Legal Counsel to present the Bond Issue 2021-1 Authorization and the Reimbursement Resolution which would authorize the issuance and sale of 2021-1 including the form of supplemental resolution, which points the authorized officer to handle the details of the sale. He added there is also the reimbursement resolution, which allows THDA to reimburse itself for any money that it may have to advance against this bond issue before we are able to close and receive funds. The Board is requested to approve all documents and materials in the board meeting materials, including a memo from CSG Advisors dated December 17, 2020, noting the bond issuance was recommended for not more than \$200M dollars. Upon a Committee motion by Chair Hedges, and a roll call vote with all members identified as present voting "yes", motion carried to approve the Bond Issue and Reimbursement Resolution.

Chair Hedges continued to the next item on the agenda, the Renewal of Temporary Authority to Modify Established Program Deadlines and Associated Requirements Due to COVID-19, as recommended jointly by the Grants Committee and the Tax Credit Committee as outlined in the memo from Don Watt, Chief Programs Officer, dated December 15, 2020. Upon an offer of a Committee motion by Chair Hedges, and with a roll call vote with all members identified as present voting "yes", motion carried to extend through the end of June 2021 the

authority given to the Executive Director to grant waivers and extensions to program partners impacted by COVID.

Chair Hedges then recognized Austin McMullen, Chair of the Grants Committee to present the next three items for one vote. Mr. McMullen presented the 2022 Habitat for Humanity of Tennessee Set-Aside Program Description as outlined in the memo from Cynthia Peraza, Director of Community Programs and Don Watt, Chief Program Officer dated December 17, 2020; the 2021 HOME (Urban/Rural) Program Description as outlined in the memo from memo from Cynthia Peraza, Director of Community Programs and Don Watt, Chief Program Officer dated December 17, 2020; and, the 2021 National Housing Trust Fund Program Description as outlined in the memo from memo from Cynthia Peraza, Director of Community Programs and Don Watt, Chief Program Officer dated December 15, 2020. Upon a Committee motion by Mr. McMullen and related discussion, and upon a roll call vote, with all members identified as present voting “yes”, motion carried to approve the three Program Descriptions as presented.

Next, Chair Hedges recognized Chrissi Rhea, Chair of the Lending Committee to present the annual Housing Cost Index Report. Ms. Rhea noted the annual index is a routine and annually required report that determines what percentage of an average family's income is needed to secure decent, safe and affordable housing. She explained that a measure above 25% is seen as demonstrating that continued need for THDA's work. This year the index is 28.2%. Ms. Rhea continued to explain that the Board is required to formally accept this report as outlined in the memo from Dr. Hulya Arik, Economist, dated January 5, 2021. Upon a motion by Ms. Rhea, and upon a roll call vote, with all members identified as present voting “yes”, motion carried to approve the annual Housing Cost Index Report and the associated resolution included in the committee meeting materials as presented.

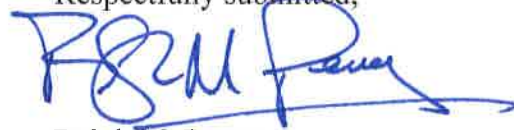
Chair Hedges then recognized John Snodderly, Chair of the Tax Credit Committee to report on the last two agenda items. Mr. Snodderly noted that the first agenda item was the 2021 Multifamily Tax-Exempt Bond Authority Amount Authorization. He referenced the memo from Edwin King, Director of Multifamily Programs and Don Watt, Chief Programs Officer dated January 21, 2021 detailing the recommendation from the Tax Credit Committee to amend the second paragraph of Section 1 of the Multifamily Tax-Exempt Bond Authority Program Description for 2021 to reflect the initial amount of 2021 volume cap for private activity bonds available for allocation through the 2021 Multifamily Tax Exempt Bond Authority Program is \$310 million, subject to THDA's receipt of a sufficient amount of 2021 volume cap for private activity bonds from the Tennessee Department of Economic and Community Development office. Upon a motion from Mr. Snodderly, and with a roll call vote, with all members identified as present voting “yes”, motion carried to authorize \$310,000,000 in bond authority.

Mr. Snodderly presented the last item on the agenda, the Multifamily Tax-Exempt Bond Authority Special Request Application for Chippington Towers. He referenced the memo from Edwin King, Director of Multifamily Programs and Don Watt, Chief Programs Officer dated January 4, 2021 detailing the recommendation from the Tax Credit Committee to recommend and request approval of the special request application as it satisfies the requirements of Section 6-B of the Multifamily Tax Exempt Bond Authority Program Description for 2021. After a detailed discussion, Mr. Snodderly offered a Committee motion, and with a roll call vote of eleven “aye”

votes (Hicks, Hardwick, Hargett, Bradley, McGauley, Merrick, Reed, Rhea, Snodderly, Armstrong, Hedges) and two abstentions (McMullen and Neal), motion carried to approve the special request.

With no further business to come before the Board, meeting was dismissed.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Ralph M. Perrey", with a long horizontal flourish extending to the right.

Ralph M. Perrey
Executive Director

Approved this 30th day of March, 2021