

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE MEETING
November 16, 2021

Pursuant to the call of the Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, November 16, at 10:00 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building; Nashville, Tennessee.

The following Committee members were present: Rick Neal, Austin McMullen, and Kevin Bradley (for State Treasurer David Lillard). Present via WebEx was Secretary of State Tre Hargett (Chairman). Ms. Christine Rhea was absent.

Recognizing a quorum present, Chairman Hargett called the meeting to order, and asked for approval of the minutes for the meeting held on September 28, 2021. Upon motion by Secretary of State Hargett and second by Mr. McMullen, and following a roll call vote with all committee members identified as present voting “yes” (4 ayes), the motion carried to approve the minutes.

Chairman Hargett recognized Ms. Gay Oliver, Director of Internal Audit to present the Internal Audit Updates. Ms. Oliver referenced the Internal Audit External Quality Assessment report that was emailed to the Committee. She added that the Internal Audit division did receive an opinion of “Generally Conforms” with the Standards. Ms. Oliver explained that the review team concluded that the structures, policies, procedures, and processes of the Internal Audit division comply with the requirements of the Institute of Internal Auditors “IIA” Standards and Code of Ethics. In addition, she referenced the memo and documentation discussed at the September meeting which was not approved by the Committee. Ms. Oliver requested approval of the documents and one small edit to the Internal Audit Charter, which is that the professional standards section only include the IIA Standards as the authoritative auditing standards. Upon motion by Mr. Bradley and second by Mr. McMullen, and following a roll call vote with all committee members identified as present voting “yes” (4 ayes), the motion carried to approve the Internal Audit Updates.

Chairman Hargett recognized Ms. Oliver to present an update on the Enterprise Risk Management (ERM) analysis. Ms. Oliver pointed out that the Financial Integrity Act requires that a system of internal controls be established and maintained. She noted that the ERM Report documents whether THDA’s system of accounting and administrative controls comply with the statute. She explained that each THDA division director conducted a self-assessment of the division, listing the objectives, identifying any risks and assessing the risks in terms of likelihood and magnitude of impact on THDA, if the risks were to occur. She also noted that if a control activity was not in place or not efficient, the division director will develop a Management Action Plan to mitigate the risk and ensure controls operate effectively. She further explained that Internal Audit staff also conducted meetings with each THDA division director to discuss their risk assessments and to assess any potential risks associated with future projects. She indicated that the Director of Internal Audit and the Executive Director reviewed each division’s ERM. Ms. Oliver added that necessary documentation will be presented to the Commissioner of Finance and

Administration and the Comptroller by December 31. Ms. Oliver noted that the ERM does not require Committee or Board approval.

Chairman Hargett recognized Ms. Oliver, to discuss the disclosure analysis reports for THDA Board members and THDA staff. Ms. Oliver noted that THDA's enabling legislation, the THDA Conflict of Interest Policy, the Board Disclosure Policy and the Staff Disclosure Policy require Board members, their representatives and all THDA staff to disclose annually any direct or indirect involvement in activities that do or could involve THDA or THDA programs including the federally funded programs. She explained that (1) disclosure forms were received from all Board members, Board designees and all THDA staff; (2) the original Board disclosure forms are located at THDA offices and are available for public inspection upon request; and (3) staff disclosures were completed electronically and are available for public inspection upon request. Ms. Oliver explained that even if no conflict of interest exists, the Code of Conduct applies and Board members and THDA staff should refrain from any activity that would give the appearance of impropriety or a conflict of interest.

Chairman Hargett recognized Bruce Balcom, THDA Chief Legal Counsel, who noted the following:

“Certain Committee 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 Committee today require timely action and the physical presence of a sufficient number of Committee members to constitute a quorum is not possible within the timeframe in which action is required and also because of COVID-19. Therefore, it is necessary for some members to participate via telephone. Committee members participating by telephone were sent documents relevant to today's meeting.”

Upon motion by Mr. McMullen and second by Chairman Hargett, and following a roll call vote with all committee members identified as present voting “yes” (4 ayes), the motion carried to approve continuing to conduct the meeting in this manner and ratifying all motions already passed.

Upon motion by Chairman Hargett and second by Mr. Mullen and following a roll call vote with all committee members identified as present voting “yes” (4 ayes), the motion carried to accept the Board and the Staff Disclosure Analysis.

Chairman Hargett called for consideration of the annual performance evaluation for the Director of Internal Audit, Gay Oliver. (*Ms. Oliver and Mr. Perrey left the room*) Chairman Hargett noted that Ms. Oliver's average overall evaluation was outstanding performance, and that she is to receive an increase in salary and an associated bonus, which will be the same as provided to THDA staff who received the same rating, effective January 1, 2022. Upon motion by Chairman Hargett and second by Mr. McMullen, and following a roll call vote with all members identified as present voting “yes” (4 ayes), the motion carried to approve Ms. Oliver's performance rating, any increase in salary, and associated bonus.

Chairman Hargett called for consideration of the annual performance evaluation for the Executive Director of THDA, Mr. Ralph Perrey. He noted that Mr. Perrey received an evaluation

rating of advanced. Upon motion by Chairman Hargett, second by Mr. McMullen, and following a roll call vote with all members identified as present voting “yes” (4 ayes), the motion carried to recommend an advanced performance rating for Mr. Perrey with a recurring salary adjustment and one-time bonus to be the same as provided to THDA staff who received the same rating, effective January 1, 2022.

With no other issues or reports to be presented, Chairman Hargett adjourned the meeting.
Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit

Approved this day of November 2021.

DRAFT

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
November 16, 2021

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Tuesday, November 16, 2021, at 10:19 A.M. at the William R. Snodgrass Tennessee Tower, Nashville Room, 312 Rosa Parks Blvd; Nashville, TN 37243.

The following Committee members were present in person: Rick Neal (Acting Chair); Kevin Bradley (for Treasurer Lillard); Katie Armstrong (for Comptroller Jason Mumpower); Chris Mustain (for Secretary of State Tre Hargett) and Doree Hicks (for Commissioner of Finance & Administration Butch Eley). Also, other Board Members present were: Erin Merrick; Mathew McGauley; John K. Snodderly; Austin McMullen; and Tennion Reed.

Recognizing a quorum present, Acting Chair Rick Neal called the meeting to order at 10:19 a.m. Central Time. For the first order of business, Rick Neal called for consideration and approval of the September 28, 2021, Bond Finance Committee Meeting Minutes.

Upon motion by Rick Neal, second by Mr. Bradley, and following a vote with all members identified as present voting "yes", the motion carried to approve the September 28, 2021, minutes.

Acting Chair Rick Neal indicated the next item for consideration was the Underwriter Team Selection Process. Mr. Bruce Balcom, THDA Chief Legal Counsel, presented the following document for the Committee's consideration:

- A memorandum regarding the Underwriter Team Selection Process from Mr. Balcom and Ms. Sandi Thompson, Director of the Division of State Government Finance, dated November 2, 2021, that described the process to select the Underwriter Team as was detailed in the cover letter and the RFQ.

Mr. Balcom pointed out that staff recommended a structure that was similar to one used in the previous time period as follows:

- A maximum of three (3) senior managers on the underwriting team with the bookrunning senior manager position being selected from one of the two senior managers that did not serve as the bookrunner on the previous bond transaction.
- A maximum of three (3) co-managers with one additional co-manager elevated from the selling group. This corrected an error from the September 28, 2021, Bond Finance Committee meeting that noted only utilizing two co-managers.
- A selling group of selected in-state regional firms with a public finance office and pricing desk located in Tennessee.

The memo also included staff recommendation for the creation of a committee to review the proposals received and make a recommendation to the Bond Finance Committee at its January 2022, meeting.

Upon motion by Ms. Armstrong, second by Mr. Bradley, and a vote with all members identified as present voting “yes”, the motion carried to recommend the Underwriter Team Selection Process, as outlined in the memo, the approval of the cover letter and RFQ to be distributed, and the creation of the committee to review the proposals and make a recommendation to the Bond Finance Committee of the underwriting team.

Acting Chair Rick Neal noted the next item for business was the Fiscal Year 2022 – 2026 Five Year Financial Plan. Trent Ridley, THDA Chief Financial Officer, presented the following documents for the Committee’s consideration:

- A memorandum dated November 2, 2021, with a recommendation to approve the Five-Year Financial Plan and attached was the FY22-26 Five-Year Financial Plan.

Upon motion by Mr. Bradley, second by Ms. Armstrong, and a vote with all members identified as present voting “yes”, the motion carried to recommend the approval of the FY22-26 Financial Plan.

There being no further business, Acting Chair Rick Neal adjourned the meeting at 10:31 A.M.

Respectfully submitted,



Sandra Thompson,
Assistant Secretary

Approved this 25th day of January, 2022.

TENNESSEE HOUSING DEVELOPMENT AGENCY
GRANTS COMMITTEE MEETING MINUTES
November 16, 2021

Pursuant to the call of the Chairman, the Grants Committee (the "Committee") of the Tennessee Housing Development Agency (THDA) Board of Directors (the "Board") met in regular session on Tuesday, November 16, 2021, at 10:30 a.m. in the Nashville Room of William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following committee members were present in person Chris Mustain (for Tre Hargett Secretary of Treasury), Tennion Reed, Rick Neal, Katie Armstrong (for Comptroller Jason Mumpower) and Austin McMullen (Chair).

Recognizing a quorum present, Chair McMullen called the Grants Committee meeting to order and for consideration of the September 28, 2021, Grants Committee meeting minutes. Upon motion by Rick Neal, seconded by Chris Mustain, and a vote with all members voting "yes", the motion was adopted and the minutes were approved.

Chair McMullen recognized Cynthia Peraza, Director of Community Programs at THDA. Ms. Peraza was asked to summarize the programs being presented; the Request for COVID-19 Rent Relief Program Description, 2022 Emergency Solutions Grant Program Description and Memo, 2022 HOME Program Description and Memo, and the 2022 National Housing Trust Fund Program Description and Memo. Chair McMullen wanted each program to be reviewed and then to have one vote for all four programs.

Ms. Peraza referenced the Request for COVID-19 Rent Relief updated memo dated October 18, 2021. She explained, early in the year, THDA received \$383 million dollars from U.S. Dept. of Treasury to administer and develop Emergency Rental Assistance funds which are offered in 91 of our 95 Tennessee counties. The purpose of these funds is to provide housing stability during the pandemic to tenants who earn less than 80% AMI. It will also provide rental assistance, utility assistant and future rental assistance for up to 18 months to help prevent evictions. In July, THDA received a second set of funds totaling \$312 million. The main difference between these two programs is 1) the first round of funds is for households who faced a COVID related hardship. Whereas, the second round of funds is for households who faced a hardship during the pandemic, so not necessarily tied to the COVID hardship. 2) The first round provides assistance through September 30, 2022 while the second round of funds provides assistance through 2025. The staff recommends that THDA Board take the following action:

- Adopt the attached updated 2021 COVID-19 Rent Relief Program Description;
- Authorize staff to make minor program changes and housekeeping changes to the programs, as deemed necessary, or as directed by the U.S. Treasury; and

- Authorize all appropriate staff to do all things necessary and proper, including execution of all documents, to carry out the described changes.

In answering a question Ms. Peraza explained that from March to date, we have dispersed over 42 million dollars and assisted over 1900 families.

Ms. Peraza referenced the 2022 Emergency Solutions Grants Program Description dated October 18, 2021. This Federally funded program is to help the State fund nonprofits and local governments and to help people who are homeless or at risk of homelessness. THDA expects to receive approximately 3 million dollars in ESG funding for fiscal year 2022. In combination with funds from prior years, THDA will make these funds available. The only change that was made to the program description is the implementation dates. Staff recommends the Board approve the following:

- Adoption of the attached proposed 2022 Emergency Solution Grants (ESG) Program Description as attached (“Program Description”);
- Authorization of the Executive Director or a designee to award 2022 ESG funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded 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; and
- Allow staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director or instructed by the U.S. Department of Housing.

Ms. Peraza referenced the 2022 HOME Urban Rural Program Description and memo dated October 18, 2021. THDA anticipates receiving 14 million dollars for the 2022 HOME program to implement eligible activities across Tennessee. All funds will be used to provide resources for homeownership, rehabilitation and second mortgages for down payment assistance, closing cost assistance to help low income to moderate income homeowners. The detailed changes are listed in the memorandum (attached). The staff recommends the Board approve the following:

- Adoption of the attached proposed 2022 HOME Urban Rural Program Description (“Program Description”).
- Authorize the Executive Director or a designee to award the 2022 HOME Urban Rural Program funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded 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; and Allow staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director.

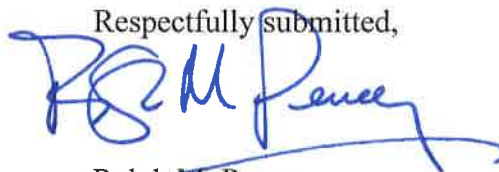
Ms. Peraza explained the 2022 National Housing Trust Fund Program Description and Memo dated October 18, 2021 which is administered by THDA to make funding available for the development of affordable rental housing for extremely low income households. THDA anticipates to receive approximately 8.7 million dollars in funds this year. Once the allocation is available, THDA sets aside 10% for administrative costs and has the remaining balance available for competitive purposes to help preserve and expand rental housing options for this targeted population. The program description is attached with the one highlighted update as the increase in the maximum award to cover the surging costs of building materials. HUD has not yet published the exact funding amount to be given to THDA to administer. But on July 1 of this year, Governor Lee did announce the counties to be considered as distressed, those are: Lake, Lauderdale, Perry, Clay, Grundy, Scott, Bledsoe, Hancock, and Cook. Staff recommends the Board approve the following:

- Adoption of the attached proposed 2022 National Housing Trust Fund (NHTF) Program Description (“Program Description”);
- Authorize the Executive Director or a designee to award 2022 NHTF resources to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded 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; and
- Allow staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director.

Since there were no questions or discussion, Chair McMullen entertained a motion regarding these four programs; 2021 COVID-19 Rent Relief Program, 2022 Emergency Solutions Grant Program, 2022 HOME Urban Rural Program and the 2022 National Housing Trust Fund Program. The approval of these program descriptions, the authorization to award funds, the authorization of minor programmatic changes as necessary and the authorization for staff to manage administrative tasks, allows there to be need a motion. Motion was made by Ms. Armstrong, second by Mr. Neal, and a vote with all members identified as present voting “yes” motion carried and the motion was adopted.

With no further business, the meeting was adjourned at 10:49 a.m.

Respectfully submitted,



Ralph M. Perrey
Executive Director

Approved the 25th day of January, 2022.

TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT COMMITTEE MEETING MINUTES
November 16, 2021

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, November 16, 2021, at approximately 10:49 a.m. Central Time in The Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, TN 37243.

The following Committee members were present: John Snodderly (Chair), Doree Hicks (for Commissioner of Finance & Administration Butch Eley), Chris Mustain (for Secretary of State Tre Hargett), Kevin Bradley (for State Treasurer David Lillard), Matt McGauley, and Erin Merrick.

Seeing a quorum present, Chair Snodderly called the Committee meeting to order and called for consideration of the previously circulated October 21, 2021 Committee meeting minutes. Upon a motion by Ms. Merrick, second by Mr. McGauley, the meeting minutes were approved by all members present voting "yes".

Chair Snodderly recognized Ralph Perrey, Executive Director of THDA, to review the Request for Relief of TN 21-705 WCO Dickerson Flats with the committee. Mr. Perrey explained the award for the disaster round tax credits for Davidson County. He described that staff had questions relating to the financial feasibility of the proposal due to the low estimate of taxes that would be paid if approved by MDHA for a Payment in Lieu of Taxes (PILOT) agreement.

Mr. Perrey introduced Mick Nelson, CEO of Nelson Community Partners, and from Woodbine Development Corporation, to address the committee. Mr. Nelson explained how the company arrived at their tax estimates. Mr. Nelson stated that if the estimates are off by up to 50%, Woodbine Development has the resources to complete the project. In reference to the MDHA PILOT Program; currently no application has been submitted. Mr. Nelson also noted that the QAP does not require approval of the PILOT before allocation of credits.

Chairman Snodderly called on the Committee to consider a motion to recommend the request for relief of WCO Dickerson Flats. Ms. Merrick asked Mr. McGauley's perspective. Mr. McGauley shared that the Committee should be supporting qualified developers, to bring more units to the market place. Upon a motion by Mr. McGauley, and a second by Ms. Merrick, the motion was approved by all members identified as present voting "yes".

Chair Snodderly again recognized Mr. Perrey to review the 2022 Low Income Housing Credit Qualified Allocation Plan. He referred to the memo detailing changes, and pointed out the two objectives: 1). Develop a better needs score; and 2). Allow new qualified developments within qualified census tracts. Also, rewritten was the provision to enable consideration of a deal that included rehabilitation with additional construction of new units that currently cannot be considered under the prior QAP structure. THDA also added a provision to provide the Waverly Housing Authority with first priority in the PHA set aside as a result of the impact of the August

2021 flooding in Humphreys County in order to rebuild the urgently needed affordable rental units lost in the PHA's portfolio.

Mr. Perrey also explained that the Internal Revenue Service (IRS) requires a preference for developments inside a Qualified Census Tract with a community revitalization plan. The initial proposal was to provide a point as a differential amending the draft QAP to remove the point, and instead establish a criteria as the second tie breaker.

Chair Snodderly called on the Committee to consider Mr. Perrey's recommendation to move to strike the point associated with the QCT with a community revitalization plan, and establish a second preference based on this criteria as the tie breaker. Upon a motion by Mr. McGauley, and a second by Ms. Merrick, the motion was approved with all members identified as present voting "yes".

Chair Snodderly continued and asked the Committee for a motion to approve the amended 2022 Low Income Housing Credit Qualified Allocation Plan. Upon a motion by Ms. Merrick, and a second by Mr. McGauley, the motion was approved with all members identified as present voting "yes".

Chair Snodderly recognized Mr. Perrey to review the preliminary proposed changes to the 2022 Multifamily Tax Exempt Bond Authority Program description. Historically, THDA had a rolling application process, first come first serve. With the increased demand, and a record amount of MBTA, in excess of \$700 million dollars next year, a new criteria is laid out in the key points of the memo submitted. Staff believes this is a better way to administer the program and make use of bond resources. THDA will submit this for further public comment, with the intent of updating and having the program description ready for consideration by the Committee in January 2022.

Mr. Perrey stated that we will receive the exact amounts for the set aside bond authority, from the state, aimed at the first round and likely the second, by mid-January 2022. THDA intends to carry forward the approximately \$190 million in bond authority remaining and carry the amount forward in 2022 for multifamily purposes. We estimate that in excess of \$400 million will be available for the first round, allowing THDA to meet the strong demand. There were no questions for Mr. Perrey.

With no further business, the meeting was adjourned at 11:13 am by Chair Snodderly.

Respectfully submitted,



Ralph M. Perrey
Executive Director

Approved the 25th day of January, 2021