



**Tennessee Housing Development Agency -  
Board of Directors**

**Committee Meeting Materials  
January 2021**



# **Tennessee Housing Development Agency**

**Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243**

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## **THDA Board of Directors Committee Meetings Materials**

- 1. Lending Committee Meeting – January 19, 2021 at 1:00 p.m. CT**
  - a. July 20, 2020 and September 18, 2020 meeting minutes
  - b. Housing Cost Index Report
- 2. Grants Committee Meeting – January 19, 2021 at 1:10 p.m. CT**
  - a. November 13, 2020 meeting minutes
  - b. Extension of Temporary COVID Authority
  - c. 2022 Habitat for Humanity of Tennessee Set-Aside Program Description
  - d. 2021 HOME Program Description (Urban/Rural Round)
  - e. 2021 National Housing Trust Fund Program Description
- 3. Bond Finance Committee Meeting – January 21, 2021 at 8:00 a.m. CT**
  - a. September 18, 2020 meeting minutes
  - b. Issue 2021-1 Authorization
  - c. Issue 2021-1 Reimbursement Resolution
- 4. Tax Credit Committee Meeting – January 21, 2021 at 8:10 a.m. CT**
  - a. November 12, 2020 meeting minutes
  - b. Extension of Temporary COVID Authority
  - c. MTBA Special Request for Chippington Towers (Madison)
  - d. Discussion of Potential Changes to Need and Location Scoring for 2022 Qualified Allocation Plan (QAP)
- 5. Rental Assistance Committee Meeting – January 21, 2021 at 8:30 a.m. CT**
  - a. Update on Programs and Activities



# **Tennessee Housing Development Agency**

**Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243**

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

**THDA Board of Directors Lending Committee Meeting  
Tuesday, January 19, 2021 at 1:00 p.m. Central Time  
WebEx Meeting /Call - To join the call Dial  
1-650-479-3208; Code 177 455 7066**

## **AGENDA**

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- a. July 20, 2020 and September 18, 2020 meeting minutes
  - b. Housing Cost Index Report

### **COMMITTEE MEMBERS**

Chrissi Rhea, Chair  
Butch Eley  
Mike Hardwick  
Matt McGauley  
Erin Merrick  
Rick Neal

TENNESSEE HOUSING DEVELOPMENT AGENCY  
LENDING COMMITTEE MEETING MINUTES  
July 20, 2020

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 Monday, July 20, 2020, at 9:00 a.m., via Cisco WebEx Meeting.

The following Committee members were present: Chrissi Rhea (Chair), Regina Hubbard, John Krenson, Colleen Daniels for Commissioner of Finance and Administration Butch Eley, and Joseph Williams.

Recognizing a quorum present, Chair Rhea called the Committee meeting to order and recognized Lynn Miller, THDA Chief Legal Counsel, who read the following statement:

"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 Chair Rhea, second by Mr. Krenson, and a roll call vote with all Committee members identified as present voting yes, motion carried that necessity existed to conduct the Lending Committee in this manner.

Chair Rhea called for consideration of the minutes from the January 29, 2020, meeting. Upon motion by Ms. Daniels, second by Mr. Krenson, and a roll call vote with all Committee members identified as present voting yes, except for Mr. Williams who abstained, the referenced minutes were approved.

Chair Rhea next called for consideration of income limits for THDA single family loan programs and referenced a memo from Dr. Hulya Arik dated July 13, 2020. She explained that staff recommends adoption of the Proposed 2020 Income Limits based on 2020 data, effective as of August 1, 2020, as described in the referenced memo. She noted that the recommended income limits result in increased limits for 91 counties. Upon motion by Mr. Krenson, second by Ms. Daniels and a roll call vote with all Committee members identified as present voting yes, the staff recommended income limits were approved for recommendation to the Board.

Chair Rhea next requested ratification of the down payment assistance loan change referenced in a memo from Lindsay Hall, dated June 4, 2020. Mr. Perrey explained that the term of the down payment assistance second mortgage loan was changed from 30 years to 15 years, effective July 1, 2020, to allow more effective recycling of down payment assistance in a low interest rate environment. He noted that the referenced memo provides details. Upon motion by

Ms. Daniels, second by Mr. Krenson, and a roll call vote with all Committee members identified as present voting yes, the term of the down payment assistance second mortgage loan change from 30 years to 15 years was ratified for recommendation to the Board.

There being no questions and no further business, Chair Rhea adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved the 19<sup>th</sup> day of January, 2021.

Pending

TENNESSEE HOUSING DEVELOPMENT AGENCY  
LENDING COMMITTEE MEETING MINUTES  
September 18, 2020

Pursuant to the call of the Chairman, the Lending Committee (the “Committee”) of the Tennessee Housing Development Agency (“THDA”) Board of Directors (the “Board”) met in regular session on Friday, September 18, 2020, at 11:30 a.m., via Cisco WebEx Meeting. A number of staff members were physically present at the THDA offices located at 502 Deaderick Street, Andrew Jackson Building, 2nd and 3rd Floors, Nashville, TN 37243.

The following Committee members were present: Chrissi Rhea (Chair) and Colleen Daniels for Commissioner of Finance and Administration Butch Eley. Joseph Williams and Mike Hedges were absent. Board members Tennion Reed, Matt McGauley, Joann Massey, and Katie Armstrong for Comptroller Justin Wilson, were also present.

Chair Rhea called the Committee meeting to order and noted the absence of a quorum. She recognized Lynn Miller, THDA Chief Legal Counsel, who read the following statement:

“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.”

The consensus of the Committee members present was to conduct the meeting in this manner.

Chair Rhea deferred consideration of the July 20, 2020, Committee meeting.

Chair Rhea called for consideration of the Ginnie Mae Issuer application and referenced a memo from Ms. Miller and Lindsay Hall, Chief Operating Officer of Single Family Programs, dated September 4, 2020. Ms. Hall explained that staff recommends authorizing THDA to become a Ginnie Mae Issuer and authorizing staff to work through all details in connection with a secondary market execution as a Ginnie Mae Issuer, with specific authorizations described in the memo. Becoming a Ginnie Mae Issuer continues the process of reducing THDA reliance on mortgage revenue bonds (MRB) and volume cap while maintaining high levels of THDA mortgage loan production. This will allow THDA to sell government insured or guaranteed loans, currently purchased in the MRB loan program, through a secondary market (MBS) execution, to Ginnie Mae. The consensus of the Committee members present was to recommend authorization for THDA to become a Ginnie Mae Issuer and authorization for staff to handle work all details in connection with a secondary market execution as a Ginnie Mae Issuer, all as described in the referenced memo.

Chair Rhea next called for consideration of the sale of THDA down payment assistance (DPA) second mortgage loans, as described in a memo from Ms. Hall and Ms. Miller dated September 8, 2020. Ms. Hall explained that staff recommends the sale of THDA DPA second mortgage loans to banks and other financial institutions. By creating and selling pools of DPA seconds, THDA will recover some down payment funds sooner and be able to recycle the funds more quickly. THDA will also assist banks and other financial institutions in meeting Community Reinvestment Act (CRA) requirements. The consensus of the Committee members present was to recommend the sale of DPA second mortgage loans to banks and other financial institutions that have Community Reinvestment Act requirements in Tennessee, with the specific authorizations specified in the referenced memo.

There being no questions and no further business, Chair Rhea adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved the 19th day of January, 2021.



# Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor  
502 Deaderick Street, Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

TO: THDA Board of Directors  
FROM: Dr. Hulya Arik, Economist  
SUBJECT: Housing Cost Index for 2021  
DATE: January 5, 2021

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### Recommendation

Staff recommends adoption of the housing cost index for 2021 via the attached Board Resolution. Based on the calculations explained below, the housing cost index for 2021 is **28.20 percent**, slightly lower than last year's index of 28.67 percent. Lower average interest rates and increased median household income improved the housing affordability for Tennesseans even with increased median home purchase price.

### Background

Attached Housing Cost Index (HCI) for 2021 is prepared in accordance with the formula set out in THDA's enabling legislation. Under Tennessee Code Annotated Section 13-23-114, "The housing cost index shall serve to determine what percentage of the average Tennessee household's gross monthly income is required to pay for primary fixed housing costs under then existing market conditions...". If the housing cost index exceeds 25 percent, the legislature determined that "...a majority of Tennessee citizens are excluded from the normal housing market..." and there is a need for THDA financial assistance programs to aid in providing adequate housing for lower and moderate income persons and families.

This HCI is calculated by dividing the median gross household income by the sum of the following cost factors: (a) a monthly mortgage loan payment for an average Tennessee household based on a thirty-year mortgage loan, at the prevailing mortgage loan interest rate on a mortgage loan amount sufficient to purchase a median priced home, (b) an average mortgage insurance premium, and (c) average property tax and hazard insurance amounts.

In the calculation of the median priced home, the House Price Index (HPI) from the Federal Housing Finance Agency (FHFA), which offers state level data, is used. Freddie Mac's Primary Mortgage Market Survey is the source for average monthly interest rate and point. The methodology is the same as what was used last year.

/HA



<b>ESTIMATED TENNESSEE HOUSING COST INDEX, 2021</b>										
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
(1) Median Purchase Price	\$152,582	\$153,596	\$169,669	\$173,448	\$174,864	\$186,358	\$201,021	\$211,257	\$223,125	\$248,645
(2) Discount Points	0.88	1.13	1.21	0.61	0.61	0.54	0.50	0.50	0.52	0.73
(3) Market Rate	4.66%	3.95%	3.99%	4.41%	4.06%	3.92%	4.17%	4.63%	4.01%	3.20%
(4) Adj. Sales Price	\$153,925	\$155,332	\$171,722	\$174,503	\$175,938	\$187,359	\$202,026	\$212,313	\$224,278	\$250,462
(5) FHA Mort. Amount	\$150,023	\$151,394	\$167,369	\$171,342	\$172,752	\$183,965	\$198,367	\$208,468	\$220,216	\$245,926
(6) Property Tax Rate	3.08	3.17	3.21	3.23	3.23	3.20	3.19	3.10	3.03	2.98
(7) Property Tax/Month	\$98.02	\$101.31	\$113.50	\$116.81	\$117.58	\$124.30	\$133.39	\$136.26	\$140.64	\$154.18
(8) Homeowners Insurance	\$90.32	\$92.94	\$107.07	\$115.20	\$116.12	\$116.47	\$127.45	\$133.73	\$131.61	\$146.67
(9) P&I/Month	\$774.47	\$718.42	\$798.08	\$859.03	\$830.98	\$869.73	\$966.29	\$1,072.34	\$1,052.82	\$1,063.70
(10) Monthly PITI	\$962.82	\$912.67	\$1,018.65	\$1,091.03	\$1,064.68	\$1,110.50	\$1,227.13	\$1,342.33	\$1,325.08	\$1,364.55
(11) Gross Income	\$42,066	\$42,907	\$42,451	\$44,379	\$45,747	\$47,275	\$49,585	\$54,566	\$55,471	\$58,070
Housing Cost Index (% of Gross Income)	<b>27.47%</b>	<b>25.53%</b>	<b>28.79%</b>	<b>29.50%</b>	<b>27.93%</b>	<b>28.19%</b>	<b>29.70%</b>	<b>29.52%</b>	<b>28.67%</b>	<b>28.20%</b>

Sources and Methodology:

1. Median home purchase price is calculated from all home sales reported by county property assessors to Tennessee Office of the Comptroller adjusted using the Federal Housing Finance Agency (FHFA) quarterly House Price Index (HPI) for the third quarter of the year prior to index year. For 2021 HCI, 2019 median home prices are adjusted using the third quarter of 2020 HPI from FHFA.
2. Annual average of monthly discount points from Freddie Mac, Primary Mortgage Market Survey.
3. The average of monthly interest rates (2020 year to date including November) Freddie Mac, Conventional, Conforming 30-Year Fixed-Rate Mortgage Series. Previously, this data were from Federal Home Finance Board, but FHFA is no longer conducting this survey.
4. Median Purchase Price adjusted with discount points.
5. Average FHA mortgage amount for 2020. Assumes a 3.5 percent downpayment and includes an upfront mortgage insurance premium financed into the final mortgage (1.75 percent of the base loan amount).
6. Property tax rate data are from the Tennessee Office of the Comptroller, Division of Property Assessment.
7. Monthly property tax represents the weighted average statewide residential effective tax rates per \$100 of assessed value; 25 percent of assessed value.
8. Monthly homeowners' insurance payments, based on insurance rates of THDA borrowers.
9. Monthly principal and interest (P&I) payments, assuming 30-year fixed payments with the average interest rate.
10. Monthly fixed housing costs including principal, interest, property tax and insurance (PITI).
11. Median family gross income (MFI) and median household income (MHI) figures are used. The U.S. Census Bureau, American Community Survey (ACS) 1-year estimate of 2019 MHI is used in estimating MHI for the current year. The percentage change in HUD median family income (MFI) from 2019 to 2020 is applied to calculate the annual change in MHI.

RESOLUTION OF THE BOARD OF DIRECTORS  
ADOPTING THE HOUSING COST INDEX AND  
AUTHORIZING THE OPERATION OF FINANCIAL ASSISTANCE PROGRAMS  
JANUARY 26, 2021

WHEREAS, pursuant to Tennessee Code Annotated Section 13-23-114, a part of the Tennessee Housing Development Agency Act (the “Act”), the Tennessee Housing Development Agency (“THDA”) is directed to establish a housing cost index as defined in Section 13-23-103 of the Act; and

WHEREAS, THDA has established a housing cost index for 2021 pursuant to Section 13-23-103(7) of the Act based on calculations as of January 5, 2021, a copy of which is attached hereto and incorporated herein by this reference (the “Housing Cost Index”); and

WHEREAS, the Housing Cost Index shows that primary housing costs exceeded 25% of an average Tennessee household’s gross monthly income; and, the Board, as authorized by Section 13-23-114 of the Act, wishes to approve the continued operation of THDA’s financial assistance programs including, but not limited to, THDA loan programs.

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

1. The Housing Cost Index for 2021 which shows that primary housing costs equal approximately 28.20% of an average Tennessee household’s gross monthly income is hereby adopted.
2. The continued operation of THDA’s financial assistance programs including, but not limited to, THDA loan programs, is hereby authorized.
3. This resolution shall take effect immediately.

This resolution was adopted by the affirmative vote of no fewer than eight (8) members of the Board of Directors of THDA at its meeting on January 26, 2021.



# **Tennessee Housing Development Agency**

**Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243**

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

**THDA Board of Directors Grants Committee Meeting  
Tuesday, January 19, 2021 at 1:10 p.m. Central Time  
WebEx Meeting /Call - To join the call Dial  
1-650-479-3208; Code 177 455 7066**

## **AGENDA**

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- a. November 13, 2020 meeting minutes
- b. Extension of Temporary COVID Authority
- c. 2022 Habitat for Humanity of Tennessee Set-Aside Program Description
- d. 2021 HOME Program Description (Urban/Rural Round)
- e. 2021 National Housing Trust Fund Program Description

### **COMMITTEE MEMBERS**

Austin McMullen, Chair  
Tre Hargett  
Joann Massey  
Rick Neal  
Tennion Reed  
Justin Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY  
GRANTS COMMITTEE MEETING MINUTES  
November 13, 2020

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 Friday, November 13, 2020, at 11:00 a.m., via a WebEx call. The following Committee members were present via WebEx: Austin McMullen (Chair), Jonathan Rummel (for Secretary of State Tre Hargett), Rick Neal, Katie Armstrong (for Comptroller Justin Wilson), and Joanna Massey. Committee member Tennion Reed joined the Webex at 11:10 a.m. Certain staff members participated in the call from THDA offices located at 502 Deaderick Street; Andrew Jackson Building, 3rd Floor; Nashville, Tennessee 37243.

Recognizing a quorum present, Chair McMullen called the Committee meeting to order and recognized Mr. Bruce Balcom, THDA Assistant Chief Legal Counsel, who read the following statement:

“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. Rummel, second by Mr. Neal, and a roll call vote with all members identified as present voting “yes,” motion carried that necessity existed to conduct the Committee meeting in this manner.

Chair McMullen called for consideration of the September 15, 2020, Grants Committee meeting minutes. Upon motion by Mr. Neal, second by Ms. Armstrong, and a roll call vote with all members identified as present voting “yes,” the minutes were approved.

Chair McMullen called for consideration of the 2020 ESG CARES Act Part II Program Description and recognized Cynthia Peraza, Director of Community Programs. Ms. Peraza referenced her memorandum dated November 4, 2020, recommending approval of the 2020 Emergency Solutions Grants (ESG) CARES Act Part II Program Description, authorization of the Executive Director or a designee to award 2021 ESG CARES Act Part II funds to applicants in accordance with the referenced Program Description, and authorization for staff to make programmatic changes as deemed necessary and approved by the Executive Director or as required by the U.S. Department of Housing and Urban Development (HUD). Ms. Peraza described changes and clarifications from the original 2020 ESG Program Description, including the addition of language that specifies the source of funding and defines the purpose of the funds, removes the

minimum and maximum grant amount, removes set-aside allocations for cities, adds the option of advancing funds, and changes the application evaluation process by replacing the previous scoring method with a threshold review of criteria requiring compliance and participation with Continuum of Care organizations. Upon motion by Ms. Massey, second by Mr. Neal, and a roll call vote with all members identified as present voting “yes,” motion carried to recommend Board adoption of the 2020 ESG CARES Act Part II Program Description as described in the referenced memorandum and approval of the referenced authorizations.

Chair McMullen next called for consideration of the 2021 Emergency Solutions Grants Program Description, and again recognized Ms. Peraza. Ms. Peraza referenced her memorandum dated October 27, 2020, recommending approval of the 2021 Emergency Solutions Grants (ESG) Program Description, authorization of the Executive Director or a designee to award 2021 ESG funds in accordance with the Program Description, and authorization of staff to make necessary programmatic changes as deemed necessary and approved by the Executive Director or as required by the U.S. Department of Housing and Urban Development (HUD). Ms. Peraza noted that the approximately \$3 million THDA expects to receive is subject to federal appropriations. She reviewed certain changes, described more fully in the referenced memo, and noted that the requirement to have the main office location outside of Knoxville, Memphis, and Nashville-Davidson County was removed and an option for grantees to request funding advances was added. Upon a motion by Ms. Armstrong, second by Mr. Neal, and a roll call vote with all members identified as present voting “yes,” motion carried to recommend Board adoption of the 2021 Emergency Solutions Grants Program Description as described in the referenced memorandum and approval of the referenced authorizations.

Chair McMullen next called for consideration of the 2020 HOME CHDO Mini-Round Program Description and recognized Ms. Peraza. Ms. Peraza referenced her memorandum dated October 28, 2020, and stated THDA previously awarded more than \$13 million in 2020 HOME Program funding, however, insufficient applications were received from eligible Community Housing Development Organizations (“CHDO”) to meet the federal requirement that at least 15% of 2020 HOME funds must be awarded to CHDOs. She explained that to meet this federal requirement, unallocated 2019 HOME Program funds will be used to fund the proposed 2020 HOME CHDO Mini-Round. Upon a motion by Ms. Armstrong, second by Mr. Neal, and a roll call vote with all members identified as present voting “yes,” motion carried to recommend Board adoption of the 2020 HOME CHDO Mini-Round Program Description as described in the referenced memorandum and approval of the referenced authorizations.

Chair McMullen deferred consideration of the 2021 HOME Urban and Rural Program Description to the January 2021 meeting, and called for consideration of the \$200,000 2021 Building Trades Demonstration Grant to the Tennessee Builders Education Foundation. Chair McMullen recognized Ms. Peraza who referenced her memorandum dated October 30, 2020, that describes a growing state-wide issue of a decrease in the skilled construction labor force, and struggles grant recipients have in finding skilled trade workers for projects funded by THDA. She noted that funding for this grant originates from the Tennessee Housing Trust Fund. Ms. Peraza highlighted the success of the March 2019 Building Trades Demonstration Grant that THDA awarded to the Tennessee Builders Education Foundation (in partnership with The Homebuilders Institute) in offering vocational training in building trades in Shelby County schools. Ms. Peraza

stated staff saw value in offering this demonstration grant as a model for a future broader vocational training program. Chair McMullen opened the floor for questions and comments. Ms. Massey inquired about evaluating the success of the partnership. THDA Executive Director, Ralph Perrey, explained that THDA receives periodic reports. He noted that the program attracted more students in Shelby County schools than expected; however, the program ended prematurely due to COVID. He further explained that program participants who met with builders received job offers and this success is attracting additional funding to offer the program in three more Shelby County schools and schools in Fayette and Gibson Counties in the coming year. He noted that the THDA funds will allow them to bridge funding gaps until the other funding they have lined up becomes available. Supportive comments were made by several Committee members. Upon a motion by Mr. Rummel, second by Ms. Reed, and a roll call vote with all members identified as present voting “yes,” motion carried to recommend that the Board approve \$200,000 for a 2021 Building Trades Demonstration Grant to the Tennessee Builders Education Foundation.

Chair McMullen welcomed Ms. Massey and Ms. Reed to the Committee. With no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved the 19<sup>th</sup> day of January, 2021.



# Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

TO: THDA Board of Directors

FROM: Cynthia Peraza, Director of Community Programs  
Don Watt, Chief Program Officer

SUBJECT: 2022 Allocation to Habitat for Humanity of Tennessee

DATE: December 17, 2020

### **Recommendation:**

Staff is making the following recommendations as reflected in the attached Habitat for Humanity Tennessee Set-Aside Program Description ("Program Description"):

- Increase the program allocation to \$1,500,000 for a one-time increase to the annual \$500,000 set-aside;
- Allocate \$1,500,000 of 2022 Tennessee Housing Trust Fund ("THTF") funding to Habitat for Humanity of Tennessee;
- Update effective dates to reflect July 1, 2021 through June 30, 2022 for the new terms of the 2022 Habitat for Humanity of Tennessee Program Description; and,
- Increase the household Area Median Income from 60% to 80% and require a minimum of 50% of the program allocation to assist households at or below 60% AMI.
- Approve the attached Program Description.

### **Background:**

Since July 2014, THDA has set-aside \$500,000 annually for Habitat for Humanity of Tennessee from the THTF to use as a construction financing pool to develop new single-family units or acquire and rehabilitate existing units for sale to eligible homebuyers. Habitat for Humanity of Tennessee is able to use the THTF funding to work with smaller Habitat affiliates, especially those located in rural areas that typically build fewer houses annually than the larger urban affiliates. Through June 30, 2020, Habitat for Humanity of Tennessee has assisted local chapters with the successful development of 187 new homes, using \$3.2 million in THTF funding. To date, with its 2021 allocation, Habitat affiliates have plans to assist an additional 30 households and use their full program allocation of \$500,000.

THDA will provide a one-time increase to the 2022 Habitat for Humanity of Tennessee Set-Aside to provide a \$1 million contribution on behalf of the State for the required match obligation for the anonymous donation received by the Habitat for Humanity of Tennessee



## TENNESSEE HOUSING TRUST FUND

### 2021-2022 Habitat for Humanity of Tennessee Program Description

The Tennessee Housing Development Agency ("THDA") wishes to maintain its partnership with Habitat for Humanity of Tennessee ("Habitat") through an annual allocation from the Tennessee Housing Trust Fund ("THTF") of \$500,000 to continue the Habitat's statewide effort to provide affordable housing opportunities for homeownership. THDA will provide a one-time \$1 million increase to the 2022 Habitat for Humanity of Tennessee Program allocation on behalf of the State to match the anonymous donation received by Habitat, bringing the total allocation available for 2022 to \$1,500,000.

#### A. ELIGIBLE ACTIVITIES:

1. Homeownership Programs. Homeownership programs must address the housing needs of households at or below ~~60~~80% of area median income. A minimum of 50% of the program allocation must be used to assist households who earn 60% or below of the area median income.
  - a. Development of Units for Homeownership. THTF funds must be used as a construction financing pool to develop new single-family units or to acquire and rehabilitate existing units for sale to eligible homebuyers.
  - b. Permanent Financing. The proposed permanent financing must be at an interest rate that does not exceed the prevailing THDA Great Choice Loan interest rate by more than one percentage point. All loans must have a fixed interest rate fully amortizing over a 30-year loan term. There can be no pre-payment penalty for early payoffs. THDA Great Choice Loans may be used for permanent financing if the proposed homebuyer meets all THDA mortgage loan requirements.
  - c. Homebuyer Education. Homebuyers must complete Pre-Purchase Homebuyer Education training from a THDA qualified homebuyer education trainer prior to purchase.
  - d. Sales Price Limit. The sales price limit for homeownership programs must not exceed the most current applicable HOME Program Property Value Limits for the County in which the unit is located. The most current HOME Program Value Limits are available on the



THDA website at: <https://thda.org/business-partners/home>.

- e. Ownership. The homebuyer must obtain fee simple title to the property.
  - f. Occupancy. The homebuyer must occupy the housing as his/her principal residence.
- 2. Administration. Seven percent (7%) of the Habitat Tennessee Set-Aside is available for administration.
  - 3. HTF Manual. The requirements of the 2012 HTF Manual apply to the Habitat Tennessee Set-Aside.

B. PROHIBITED ACTIVITIES:

- 1. Pledge THTF funds as support for tax-exempt borrowing.
- 2. Provide off-site improvements or neighborhood infrastructure or public facility improvements.
- 3. No portion of the THTF funds or the required local match may be used for administrative expenses by local governments.
- 4. Assist private for-profit or private non-profit owners of rental property.
- 5. Homeowner rehabilitation projects.

C. MATCH:

There is a 50% match requirement for the THTF funds. The matching funds can be provided by grants from other agencies; federal sources such as the Community Development Block Grant (“CDBG”) program or USDA Rural Development; contributions by local church groups or local agencies; contributions by individuals; bank loans; or a funding pool established by a local lender for the applicant. THDA HOME grants and other THDA THTF program funds will not be an eligible source of the matching funds.

However, HOME grants from local participating jurisdictions would be an eligible source of match.

D. PROGRAM REQUIREMENTS:

- 1. Income Limits. THTF funds for homeownership projects may be used to benefit households

whose gross annual income does not exceed 60% of the area median income, adjusted for family size.

The THTF uses 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 on the THDA website at <https://thda.org/business-partners/home>. 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. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

2. Structure of Homeownership Assistance. The THTF funds for construction or acquisition and rehabilitation will be rolled into the permanent first mortgage loan for the buyer and secured by a Promissory Note and a recorded Deed of Trust.
3. Property Standards. Certain property standards must be met when THTF funds are used for a project. Any homeownership units constructed or rehabilitated with THTF funds must meet all applicable local codes, rehabilitation standards, 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-approved edition of the International Residential Code for One- and Two-Family Dwellings; and rehabilitation of existing units must meet the current, State-approved edition of the International Existing Building Code.

New construction projects must also meet the current edition of the International Energy Conservation Code.

#### E. PROCUREMENT:

It is important to keep the solicitation of bids for goods and services, materials, supplies and/or equipment open and competitive. Habitat must follow their procurement policies. At a minimum, there must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

#### F. MARKETING REQUIREMENTS:

One goal of the THTF is to raise the profile of affordable housing at the local, state and federal level, and to demonstrate that decent housing affects all facets of community development. Habitat must develop marketing and public relations plans to accentuate the achievements of the THTF. THDA's Communications Division will assist in the development of these plans. Habitat

will be required to submit data and beneficiary stories to THDA.

**G. FAIR HOUSING AND EQUAL OPPORTUNITY:**

Habitat must comply with both state and federal laws with regard to fair housing and equal opportunity (FHEO). FHEO requirements have been developed to protect individuals and groups against discrimination on the basis of race, color, creed, national origin, religion, age, disability, familial status or sex.

In particular, Habitat 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 THTF dollars.

THDA requires that Habitat establish procedures to inform the public and potential homebuyers of federal Fair Housing laws and Habitat's affirmative marketing program, outline procedures by which Habitat will solicit applications from potential homebuyers, and maintain records of efforts to affirmatively market homeownership units.



**TENNESSEE HOUSING TRUST FUND**  
**2022 Habitat for Humanity of Tennessee Program Description**

The Tennessee Housing Development Agency ("THDA") wishes to maintain its partnership with Habitat for Humanity of Tennessee ("Habitat") through an annual allocation from the Tennessee Housing Trust Fund ("THTF") of \$500,000 to continue the Habitat's statewide effort to provide affordable housing opportunities for homeownership. THDA will provide a one-time \$1 million increase to the 2022 Habitat for Humanity of Tennessee Program allocation on behalf of the State to match the anonymous donation received by Habitat, bringing the total allocation available for 2022 to \$1,500,000.

**A. ELIGIBLE ACTIVITIES:**

1. Homeownership Programs. Homeownership programs must address the housing needs of households at or below 80% of area median income. A minimum of 50% of the program allocation must be used to assist households who earn 60% or below of the area median income.
  - a. Development of Units for Homeownership. THTF funds must be used as a construction financing pool to develop new single-family units or to acquire and rehabilitate existing units for sale to eligible homebuyers.
  - b. Permanent Financing. The proposed permanent financing must be at an interest rate that does not exceed the prevailing THDA Great Choice Loan interest rate by more than one percentage point. All loans must have a fixed interest rate fully amortizing over a 30-year loan term. There can be no pre-payment penalty for early payoffs. THDA Great Choice Loans may be used for permanent financing if the proposed homebuyer meets all THDA mortgage loan requirements.
  - c. Homebuyer Education. Homebuyers must complete Pre-Purchase Homebuyer Education training from a THDA qualified homebuyer education trainer prior to purchase.
  - d. Sales Price Limit. The sales price limit for homeownership programs must not exceed the most current applicable HOME Program Property Value Limits for the County in which the unit is located. The most current HOME Program Value Limits are available on the

THDA website at: <https://thda.org/business-partners/home>.

- e. Ownership. The homebuyer must obtain fee simple title to the property.
  - f. Occupancy. The homebuyer must occupy the housing as his/her principal residence.
- 2. Administration. Seven percent (7%) of the Habitat Tennessee Set-Aside is available for administration.
  - 3. HTF Manual. The requirements of the 2012 HTF Manual apply to the Habitat Tennessee Set-Aside.

B. PROHIBITED ACTIVITIES:

- 1. Pledge THTF funds as support for tax-exempt borrowing.
- 2. Provide off-site improvements or neighborhood infrastructure or public facility improvements.
- 3. No portion of the THTF funds or the required local match may be used for administrative expenses by local governments.
- 4. Assist private for-profit or private non-profit owners of rental property.
- 5. Homeowner rehabilitation projects.

C. MATCH:

There is a 50% match requirement for the THTF funds. The matching funds can be provided by grants from other agencies; federal sources such as the Community Development Block Grant (“CDBG”) program or USDA Rural Development; contributions by local church groups or local agencies; contributions by individuals; bank loans; or a funding pool established by a local lender for the applicant. THDA HOME grants and other THDA THTF program funds will not be an eligible source of the matching funds.

However, HOME grants from local participating jurisdictions would be an eligible source of match.

D. PROGRAM REQUIREMENTS:

- 1. Income Limits. THTF funds for homeownership projects may be used to benefit households

whose gross annual income does not exceed 60% of the area median income, adjusted for family size.

The THTF uses 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 on the THDA website at <https://thda.org/business-partners/home>. 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. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

2. Structure of Homeownership Assistance. The THTF funds for construction or acquisition and rehabilitation will be rolled into the permanent first mortgage loan for the buyer and secured by a Promissory Note and a recorded Deed of Trust.
3. Property Standards. Certain property standards must be met when THTF funds are used for a project. Any homeownership units constructed or rehabilitated with THTF funds must meet all applicable local codes, rehabilitation standards, 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-approved edition of the International Residential Code for One- and Two-Family Dwellings; and rehabilitation of existing units must meet the current, State-approved edition of the International Existing Building Code.

New construction projects must also meet the current edition of the International Energy Conservation Code.

#### E. PROCUREMENT:

It is important to keep the solicitation of bids for goods and services, materials, supplies and/or equipment open and competitive. Habitat must follow their procurement policies. At a minimum, there must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

#### F. MARKETING REQUIREMENTS:

One goal of the THTF is to raise the profile of affordable housing at the local, state and federal level, and to demonstrate that decent housing affects all facets of community development. Habitat must develop marketing and public relations plans to accentuate the achievements of the THTF. THDA's Communications Division will assist in the development of these plans. Habitat

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**G. FAIR HOUSING AND EQUAL OPPORTUNITY:**

Habitat must comply with both state and federal laws with regard to fair housing and equal opportunity (FHEO). FHEO requirements have been developed to protect individuals and groups against discrimination on the basis of race, color, creed, national origin, religion, age, disability, familial status or sex.

In particular, Habitat 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 THTF dollars.

THDA requires that Habitat establish procedures to inform the public and potential homebuyers of federal Fair Housing laws and Habitat's affirmative marketing program, outline procedures by which Habitat will solicit applications from potential homebuyers, and maintain records of efforts to affirmatively market homeownership units.



# Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

TO: THDA Board of Directors

FROM: Cynthia Peraza, Director of Community Programs  
Don Watt, Chief Program Officer

SUBJECT: 2021 HOME Urban and Rural Program Description

DATE: December 17, 2020

### **Recommendation:**

Staff recommends adoption of the attached proposed 2021 HOME Urban and Rural Program Description ("Program Description") and authorization of the Executive Director or a designee to award 2021 HOME 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.

Staff will provide information to the Committee and Board regarding 2021 HOME Urban and Rural Program funding awards at the meetings that immediately follow the date of the awards.

The attached Program Description contains the following substantial changes and clarifications from the 2020 HOME Program Description:

1. Removed any and all reference to Community Housing Development Organizations (CHDOs) to make this Program Description specific to Urban and Rural. These edits are not redlined in the program description.
2. Updated the Spend Down requirements for organizations funded under past Urban or Rural Matrices.
3. Clarified the approximate funding amounts that are anticipated to be available under the funding competition. Final amounts will be determined based on Congressional budget approval and amounts left over from prior funding rounds that are made available under this Program Description.



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. Adjusted the minimum threshold points from 95 to 60. This should allow applicants who score higher on the discretionary portion of the application to remain eligible and then be ranked according to their total score.
6. Reduced the maximum applications score from 190 to 100 Points. The reduction in points will allow THDA to focus more on the quality of the HOME application and program design instead of placing heavy weight in areas that are out of the Grantee's control. The 100 points are broken down as follows:
  - 50 points - Program Design
  - 10 points - Need
  - 10 points - Not Proportionally Served
  - 5 points - Disaster Areas
  - 5 points - Match
  - 5 points - Leverage
  - 5 points - Energy Conservation
  - 10 points - Tennessee Growth Policy
7. Update timetables and due dates as follows:
  - Application Workshops - Early February 2021
  - Application Due Date - March 18, 2021 by 4:00 PM
  - Application Award Announcement - April 9, 2021
  - Term of Award Agreements - July 1, 2021- June 30, 2024

**Background:**

THDA anticipates the receipt of approximately \$14 million in federal 2021 HOME funds to implement eligible activities across Tennessee. THDA may combine this 2021 resource with any returned or leftover funds from earlier funding rounds, as determined at the time of award.

All available funds will provide resources for homeowner rehabilitation and second mortgage assistance to low and moderate income home buyers.

To view full documentation please click on these links:

[https://thda.org/pdf/5a.-2021-HOME-Urban-Rural-Program-Description\\_CLEAN.pdf](https://thda.org/pdf/5a.-2021-HOME-Urban-Rural-Program-Description_CLEAN.pdf)

[https://thda.org/pdf/5a.-2021-HOME-Urban-Rural-Program-Description\\_REDLINE.pdf](https://thda.org/pdf/5a.-2021-HOME-Urban-Rural-Program-Description_REDLINE.pdf)



# Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

TO: THDA Board of Directors

FROM: Cynthia Peraza, Director of Community Programs  
Don Watt, Chief Program Officer

DATE: December 15, 2020

SUBJECT: 2021 National Housing Trust Fund Program Description

### **Recommendation:**

Staff recommends adoption of the attached proposed 2021 National Housing Trust Fund (NHTF) Program Description ("Program Description") and authorization of the Executive Director or a designee to award 2021 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.

Staff will provide information to the Committee and Board regarding awards made under the Program Description at the meeting that immediately follows the date of the awards.

The Program Description contains the following substantial changes and clarifications from the 2020 National Housing Trust Fund Program Description:

1. Updated the Spend Down requirements for organizations funded previously through the NHTF Program.
2. Clarified the approximate funding amounts that are anticipated to be available under the funding competition. Final amounts will be determined based on funds made available through the earnings of designated Government-Sponsored Enterprises (GSEs) and a formula funding allocation by HUD and any amounts left over from prior funding rounds that are made available under this Program Description.
3. Updated the maximum per-unit subsidy limits in accordance with updated limits provided by the U.S. Department of Housing and Urban Development.

4. Updated the list of those counties designated by Governor Lee as “distressed” on July 1, 2020.
5. Updated timetables and due dates as follows:
  - Application Workshops - Mid-End February 2021
  - Application Due Date - April 15, 2021 by 4:00 PM
  - Application Award Announcement - May 31, 2021
  - Term of Award Agreements - July 1, 2021- June 30, 2024

**Background:**

THDA administers the NHTF to make funding available for the development of affordable rental housing for extremely low income households. THDA anticipates the receipt of \$4,334,563 in funds through the NHTF. THDA is generally notified in April each year of its funding allocation.

In accordance with its allocation plan approved by HUD, THDA will set-aside 10% of these funds, or \$433,456, for its administrative costs, with the remaining \$3,901,107 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.

All funds will continue to be made available as a grant ranging between \$100,000 - \$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.

Eligible applicants include public housing authorities and nonprofit entities with at least two years of experience in Tennessee in the development, ownership, and management of affordable rental housing.

To view full documentation, please click on these links:

[https://thda.org/pdf/2021-National-Housing-Trust-Fund-Program-Description\\_CLEAN.pdf](https://thda.org/pdf/2021-National-Housing-Trust-Fund-Program-Description_CLEAN.pdf)

[https://thda.org/pdf/2021-National-Housing-Trust-Fund-Program-Description\\_REDLINE.pdf](https://thda.org/pdf/2021-National-Housing-Trust-Fund-Program-Description_REDLINE.pdf)



# **Tennessee Housing Development Agency**

**Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243**

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

**THDA Board of Directors Bond Finance Committee Meeting  
Thursday, January 21, 2021 at 8:00 a.m. Central Time  
WebEx Meeting /Call - To join the call Dial  
1-650-479-3208; Code 177 649 6031**

## **AGENDA**

- 
- a. September 18, 2020 meeting minutes
  - b. Issue 2021-1 Authorization
  - c. Issue 2021-1 Reimbursement Resolution

### **COMMITTEE MEMBERS**

Mike Hedges, Chair  
Butch Eley  
Tre Hargett  
David Lillard  
Justin Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOND FINANCE MEETING MINUTES  
September 18, 2020

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency (“THDA”) Board of Directors (the “Committee”) met in joint session with the Audit & Budget Committee of the THDA Board of Directors on Friday, September 18, 2020, at 10:00 a.m., via a Webex call. Several staff members were physically present at the THDA Offices located at 502 Deaderick Street; Andrew Jackson Building, 3<sup>rd</sup> Floor; Nashville, Tennessee 37243.

The following Committee members were present via Webex: Mike Hedges (Chair); Secretary of State Tre Hargett; Treasurer David Lillard; Comptroller Justin Wilson; and Colleen Daniels (for Commissioner of Finance & Administration Butch Eley).

Recognizing a quorum present, Chair Hedges called the Committee meeting to order. Executive Director Ralph Perrey noted that Tennessee Code Annotated Section 8-44-108, for telephonic meetings was read at the opening of the joint meeting and is incorporated into these minutes by this reference.

Upon motion by Chair Hedges, second by Ms. Daniels, and a roll call vote with Hedges, Hargett, Lillard, Wilson and Daniels voting “yes”, motion carried to conduct the Committee meeting as provided in Tennessee Code Annotated Section 8-44-108.

Chair Hedges called for consideration of the July 17, 2020 Committee meeting minutes. Upon motion by Comptroller Wilson, second by Treasurer Lillard, and a roll call with vote with Hedges, Hargett, Lillard, Wilson and Daniels voting “yes”, the minutes were approved.

Chair Hedges noted that Committee members heard the presentation of the proposed Budget for fiscal year 2021 – 2022 (the “Proposed Budget”) and called for a motion to recommend the Proposed Budget to the Board. Upon motion by Treasurer Lillard, second by Chair Hedges, and a roll call vote with Hedges, Hargett and Lillard voting “yes”, with Daniels and Wilson abstaining, motion carried to recommend the Proposed Budget to the Board.

Chair Hedges called for consideration of extending the service of the current underwriting team for THDA bond issues for an additional year. He referenced a memo dated September 8, 2020, from CSG, THDA financial advisor, that recommended the extension based on performance and the COVID pandemic. Upon motion by Treasurer Lillard, second by Comptroller Wilson, and a roll call vote with Hedges, Hargett, Lillard, Wilson and Daniels voting “yes”, motion carried.

With no other issues or reports to be presented, Chair Hedges adjourned the meeting.

Respectfully submitted,

Assistant Secretary  
Approved the 21st Day of January 2021



# Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor  
502 Deaderick Street, Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

TO: THDA Bond Finance Committee and THDA Board of Directors

FROM: Lynn Miller, Chief Legal Counsel  
Bruce Balcom, Assistant Chief Legal Counsel

SUBJECT: Authorization of General Residential Finance Program Bonds, Issue 2021-1 Tax-Exempt

DATE: December 17, 2020

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### DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

Attached please find the following documents in connection with the requested authorization of the THDA bond issue, Issue 2021-1:

1. Memo from CSG Advisors Incorporated (“CSG”) recommending authorization in the maximum principal amount of \$200,000,000 for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. This bond issue is expected to include a replacement refunding component. Staff expects this bond issue to be priced in mid-March, 2021, with closing by the end of April, 2021, depending on THDA loan production. The final size and structure will be determined by the Authorized Officer closer to pricing.
2. THDA Plan of Financing for Issue 2021-1 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 2021-1, that includes the form of Supplemental Resolution for Issue 2021-1 and that authorizes the referenced bond issue and delegates authority to the Authorized Officer 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 2021-1 in an amount not to exceed \$70,000,000. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

### COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2021-1 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the “Debt Management Policy”). In particular, Issue 2021-1 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, assuming the bill currently on the Governor’s desk is not vetoed.

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 – authorization of a potential refunding component is expected to result in present value savings and will further THDA program objectives of providing competitive, fixed interest rate mortgage loans that benefit low and moderate income families.

Parts XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2021-1 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

### SENIOR BOOKRUNNING MANAGER AND ROTATING CO-MANAGER

Although the Bond Finance Committee moved to a “soft” rotation for the senior bookrunning manager, CSG has recommended that Raymond James be the senior bookrunning manager for Issue 2021-1 based on past performance. THDA staff concurs in this recommendation.

In addition, the selling group member recommended to be appointed to serve as rotating co-manager for Issue 2021-1 is Robert W. Baird based on a recommendation from CSG and THDA staff.

### SELLING GROUP

Duncan-Williams, Inc.  
FTN Financial  
Wiley Brothers Aintree Capital, LLC.

LEM/jp

For full supporting documents, please see the attached link:  
<https://thda.org/pdf/CSG-Link.pdf>

A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUTHORIZING REIMBURSEMENT OF THDA  
FROM PROCEEDS OF ISSUE 2021-1  
January 26, 2021

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 2021-1, 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 \$70,000,000 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 \$70,000,000 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.





# Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

**THDA Board of Directors Tax Credit Committee Meeting**  
**Thursday, January 21, 2021 at 8:00 a.m. Central Time**  
**WebEx Meeting /Call - To join the call Dial**  
**1-650-479-3208; Code 177 649 6031**

## AGENDA

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- a. November 12, 2020 meeting minutes
- b. Extension of Temporary COVID Authority
- c. MTBA Special Request for Chippington Towers (Madison)
- d. Discussion of Potential Changes to Need and Location Scoring for 2022 QAP

### **COMMITTEE MEMBERS**

John Snodderly, Chair  
Butch Eley  
Tre Hargett  
Mike Hedges  
David Lillard  
Joann Massey  
Matt McGauley  
Erin Merrick

TENNESSEE HOUSING DEVELOPMENT AGENCY  
TAX CREDIT COMMITTEE MEETING MINUTES  
November 12, 2020

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 Thursday, November 12, 2020, at 1:03 p.m. CST 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 Committee members were present via WebEx: John Snodderly (Chair), Doree Hicks (for Commissioner of Finance & Administration Butch Eley), Jonathan Rummel (for Secretary of State Tre Hargett), Mike Hedges, State Treasurer David Lillard, Joann Massey, Matt McGauley, and Erin Merrick. Other Board members present were: Austin McMullen, Rick Neal, and Katie Armstrong (for Comptroller Justin Wilson). Chair Snodderly 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. Board members participating by telephone were sent documents relevant to today’s meeting.”

Chair Snodderly called the meeting to order. With a roll call vote and all Committee members identified as present voting “yes”, motion carried that a necessity existed to conduct the meeting in this manner.

Chair Snodderly called for consideration of the previously circulated July 22 and July 28, 2020 Committee meeting minutes. Upon motion by Ms. Massey, second by Treasurer Lillard, and a roll call vote with Rummel, Hedges, Lillard, Massey, Merrick, and Snodderly voting “yes”, and Hicks and McGauley abstaining, motion carried to approve the July 22 and July 28, 2020 Committee meeting minutes.

Chair Snodderly then recognized Edwin King, Director of Multifamily Programs, to present the first item on the agenda, the Multifamily Tax-Exempt Bond Authority Draft Program Description for 2021 (the “Draft 2021 PD”). Mr. King referred to the “Summary of Changes Incorporated into the Multifamily Tax-Exempt Bond Authority Draft Program Description for 2021” dated October 30, 2020, and included in the Committee materials, for details and described the following major changes:

1. Clarifying how special requests are to be handled; and
2. Increasing the initial amount of 2021 volume cap to be available for Multifamily Tax-Exempt Bond Authority allocations in 2021 to 67% of the initial amount of 2021 volume cap THDA receives.

Upon motion by Ms. Merrick, second by Mr. Hedges, and a roll call vote with all Committee members identified as present voting “yes”, the Draft 2021 PD, as described in the Summary of Changes Incorporated into the Multifamily Tax-Exempt Bond Authority Draft Program Description for 2021, was recommended for approval by the Board.

Chair Snodderly again recognized Mr. King to present the request for exchange of Low-Income Housing Credit (“LIHC”) for Forest Creek Townhomes (TN17-901) in Memphis (“Forest Creek”). Mr. King referenced his memo with the subject “TN17-901 Forest Creek Townhomes, Memphis, Shelby County” dated October 30, 2020, included in the Committee materials, and described the situation. A lengthy discussion ensued with comments and questions from Board members and with the opportunity for Barry Cohen, the developer for Forest Creek, to respond.

Chair Snodderly recognized Mr. McGauley whose comments balanced his personal view that the project has not been well managed with consideration of the impact of the project on the state and on Memphis residents. He noted that the project appears to be on the verge of being sustainable and complete to benefit Memphis residents. Upon a motion by Mr. McGauley, second by Mr. Rummel, and a roll call vote with Hicks, Rummel, Lillard, McGauley, and Snodderly voting “yes”; Hedges and Merrick voting “no”; and Massey abstaining, motion passed to recommend to the Board that the requested exchange be granted subject to the following:

1. At least 95% of all units shall be ready for occupancy no later than June 30, 2021; and
2. At least 350 units shall be occupied by income qualified tenants no later than June 30, 2021; and
3. Forest Creek Townhomes, LLC, waives the right to enter into the Qualified Contract Process as described in Section (h)(6)(f) of Section 42 of the Internal Revenue Code of 1986, as amended; and
4. Forest Creek Townhomes, LLC, waives any opportunity or right to further modification or extension with regard to these conditions and deadlines; and
5. A Major Significant Adverse Event is immediately assessed against Forest Creek Townhomes, LLC and all associated individuals and entities as specified in Section 6 of the Low-Income Housing Credit 2021 Qualified Allocation Plan (the “2021 QAP”), resulting in a five year disqualification from participation in the THDA LIHC program for all such described individuals and entities; and
6. Upon the occurrence of any failure to fully satisfy all applicable conditions, as determined by THDA, in its sole discretion, the full amount of the 2021 LIHC will be deemed returned to THDA and no longer available to Forest Creek Townhomes, LLC.

With no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved the 21<sup>st</sup> day of January, 2021



# Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

TO: THDA Board of Directors

FROM: Don Watt  
Chief Programs Officer

SUBJECT: Renewal of Temporary Authority to Modify Established Program Deadlines and Associated Requirements Due to COVID-19 – Multifamily Programs Division

DATE: December 15, 2020

As you know, the response to the novel coronavirus and COVID-19 has caused sweeping and unprecedented changes all over the world. As always, THDA has worked diligently to administer programs in a prudent and common sense way. Unfortunately, the “ripple effects” of the pandemic has substantially affected ongoing activity in almost every program, both state and federal, administered by THDA. In anticipation that at least some of the issues would be unforeseen, require a quick response, and occur between its regularly scheduled meetings, the THDA Board of Directors provided authority to the Executive Director at its March 2020 meeting to address such issues through December 31, 2020. Due to on-going nature of this pandemic, staff is requesting a renewal of this authority through June 30, 2021.

### **Staff Recommendation:**

1. Staff requests and recommends that the THDA Executive Director be given temporary authority to modify the following: (a) THDA-established program deadlines and (b) THDA-established fees, limits, and penalties associated with such deadlines. Any such modifications shall be in accordance with standards and requirements established by staff and based on a demonstration of necessity, all as determined in the Executive Director’s sole discretion.
  - a. This temporary authority would extend to all programs in the Community Programs Division. The temporary authority would not apply to statutory requirements or requirements specified in federal regulations or rules.
  - b. This authority would be granted through June 30, 2021, and may be revoked by the Board of Directors or surrendered by the Executive Director if conditions and circumstances improve.
  - c. Decisions made by the Executive Director under this temporary authority shall be reported to the Board, but are not appealable to the Board or any Committee thereof.



# Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor  
502 Deaderick Street, Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

**TO:** THDA Board of Directors

**FROM:** Edwin King, Director of Multifamily Programs  
Don Watt, Chief Programs Officer

**DATE:** January 4, 2021

**SUBJECT:** Multifamily Tax-Exempt Bond Authority Special Request Application for Chippington Towers

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### **RECOMMENDATION**

Having determined that the special request application for Chippington Towers I and II (collectively, “Chippington”) satisfies the requirements of Section 6-B of the Multifamily Tax-Exempt Bond Authority (“MTBA”) Program Description for 2021 (available online at <https://thda.org/pdf/2021-MTBA-PD-APPROVED-11.17.2020.pdf>), staff recommends and requests approval of the special request application.

### **BACKGROUND**

Chippington received allocations of Low-Income Housing Credit (“LIHC”) and MTBA in 2005. Chippington was originally constructed in the late 1970s and currently incorporates 426 units of elderly/disabled housing. LHP Capital, LLC proposes to acquire and substantially rehabilitate Chippington beginning in 2021. The proposal has been submitted as a special request application pursuant to Section 6 of the MTBA Program Description for 2021. The amount of MTBA specified in the special request application is \$60 million. Please see the following summary for additional details.



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## **Chippington Towers I & II**

94 Berkley Drive & 1310 Coreland Drive, Madison, TN 37211

### **2021 THDA Multifamily Tax-Exempt Bond Authority Program Special Request Application**

Long-Term Preservation of 426 Affordable Apartment Units - Elderly & Disabled Tenancy

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**CHIPPINGTON TOWERS I**



## **CHIPPINGTON TOWERS I & II SPECIAL REQUEST APPLICATION SUMMARY**

### **INTRODUCTION – SATISFACTION OF SPECIAL REQUEST CRITERIA**

Chip III, L.P., a partnership sponsored by LHP Capital, LLC (“LHP”), intends to submit a Special Request Application to THDA in early 2021 in accordance with Section 6 of THDA’s Multifamily Tax-Exempt Bond Authority (“MTBA”) Program Description For 2021. The purpose of Chip III, L.P.’s Special Request Application will be to request up to \$60,000,000 of MTBA to allow for the acquisition and substantial rehabilitation of Chippington Towers I & II, two existing affordable housing properties located adjacent to one another at 94 Berkley Drive (Chippington Towers I) and 1310 Coreland Drive (Chippington Towers II) in Madison, TN. The properties are located off Gallatin Pike just a few miles from downtown Nashville and the Grand Ole Opry. Chip III, L.P.’s Special Request Application will satisfy all of the conditions required by Section 6 of THDA’s 2021 MTBA Program Description, which are summarized as follows:

#### **Preservation of an Existing Multifamily Development With Current Income and Rent Restrictions**

Chippington Towers I & II (the “Development”) were originally constructed in the late 1970’s and consist of two eleven-story high rise apartment buildings. The Development (TN05-221) was acquired and renovated in 2005 with the assistance of THDA tax exempt private activity bonds and 4% Low Income Housing Tax Credit (“LIHTC”) allocated to its owner, Chippington II, LP. The Development collectively serves 426 low and extremely low-income elderly and disabled persons in accordance with the LIHTC Land Use Restrictive Covenants recorded on the property and the long-term benefit of the Project Based Section 8 Rental Assistance. ***With 426 total units, the properties contain 31% of Davidson County’s entire project-based Section 8 HAP housing stock of 6,039 units.***

The aging Development is now over 40 years old and is in need of extensive rehabilitation and long-term preservation. LHP is pursuing a resyndication in 2021 that would ensure the Development is thoroughly modernized and perform substantial updates of approximately \$60,000 per apartment unit. To finance the preservation and substantial rehabilitation of the properties, Chip III, L.P. will make a Special Request to THDA in early 2021 for MTBA and 4% LIHTC. By virtue of this request, Chip III, L.P. will agree to preserve the properties as affordable housing for an additional 30 years into the future. Furthermore, if the Special Request is approved, Chip III, L.P. will renew the properties’ existing Project Based Section 8 HAP contract with HUD for an additional 20 years, further ensuring the long-term preservation of the properties as important affordable housing resources for citizens of metropolitan Nashville.

#### **LIHTC, MTBA, USDA or HUD Current Income and Rent Restrictions**

Section 6 states that current income and rent restrictions are limited to participation in either the LIHTC program, the MTBA program, or a program administered by USDA or HUD. As described above, the Development is currently encumbered by income and rent restrictions associated with their participation in THDA’s LIHTC and MTBA programs and HUD’s Section 8 HAP program.

### **Preservation of a Minimum of 400 Qualified Low Income Units at a Single Location**

The Development collectively serves a total of 426 affordable apartment units (212 units at Chippington Towers I and 214 units at Chippington Towers II) which are connected by a driveway that provides pedestrian and vehicular access between the two properties. The property operates as one development with leasing and compliance each handled out of one central office. All 426 units are currently owned by Chippington II, L.P. The property is considered one LIHTC and one tax exempt bond project as it complied with the per development caps and provisions under THDA's programs in 2005 (pursuant to its purchase and redevelopment overseen by the current owner, Chippington II, L.P.) and will be purchased by a single ownership entity (Chip III, L.P.) in 2021.

### **Special Request Application Amount**

The minimum MTBA Special Request amount is \$40,000,000 and the maximum MTBA Special Request amount is \$100,000,000. Chip III, L.P. anticipates making a Special Request application for approximately \$60,000,000 of MTBA to allow for the acquisition, renovation, and preservation of 426 existing affordable housing units.

### **PRESERVATION AND REHABILITATION OF AFFORDABLE HOUSING**

A Special Request allocation of approximately \$60,000,000 of MTBA will allow Chip III, L.P. to purchase the Development and spend over \$25 million (approximately \$60,000 per apartment unit) to make major, long-lasting renovations and improvements to the properties while preserving them as affordable housing for very low- and low-income elderly and disabled residents for another 30 years. The substantial rehabilitation of the properties will significantly improve the residents' quality of life ***without permanently dislocating any of the residents while renovations are ongoing or causing any increase in the residents' monthly rent payments.***

LHP will hire a Relocation Specialist/Resident Advocate to assist the residents during the rehab to ensure a positive resident experience. In addition, the Development will continue to employ two full-time resident service coordinators at each of the two properties to work closely with the elderly and disabled resident clientele; these service coordinators help the residents obtain access to a wide variety of social medical services as well as facilitate various educational and community functions hosted at the properties. Highlights of the planned renovations include:

- Five percent of all units at each building will be modified to comply with current ADA standards and two percent of all units at each building will be modified for residents with sight and/or hearing issues.
- Complete kitchen renovations, including new cabinets, countertops, Energy Star appliances, vent hoods, sinks, fixtures, and the addition of microwaves.
- Complete bathroom renovations, including new walk-in showers, vanities, medicine cabinets, fixtures and accessories, high-efficiency toilets, fans, and grab bars.
- New vinyl plank flooring, doors, closet doors, hardware, and paint throughout all units.
- New interior light packages with Energy Star-rated bulbs throughout all units.
- Ceiling fans with lights will be added to the bedrooms and living rooms of all units.



- New laundry rooms will be added at each building and free laundry services will be provided to all residents.
- Existing cable television service at each building will be upgraded and made available to all residents free of charge.
- Pendant emergency call systems will be installed, and a pendant will be provided to every resident.
- New roofs, windows, and PTAC units at both buildings.
- Elevator upgrades, including new elevator cab finishes, and sprinkler system upgrades, at both buildings.
- A new community room, maintenance area, management office, and service coordinator office will be installed at Chippington Towers I.
- At Chippington Towers II, ground floor office space will be redesigned and expanded. A fitness center, beauty salon, community room with TV/reading area, dining area with kitchen, and gaming area will be added to the basement level.
- The existing brick exteriors at each property will be fortified and a new EIFS exterior façade will be installed at Chippington Towers I. Balconies will be upgraded at each building.

#### **ABOUT THE SPONSOR – LHP CAPITAL, LLC**

The limited partnership entity that will purchase and rehabilitate Chip III, L.P. will be sponsored by LHP, a real estate development firm and national leader in the development and management of multifamily housing properties for people with limited incomes. Headquartered in Knoxville with a second office located in Nashville, LHP has consistently been on the Affordable Housing Finance's list of top 50 affordable housing owners. The company specializes in the acquisition and rehabilitation of affordable housing properties while working to bring value and positive transformation to the communities it serves. LHP is especially adept at structuring project financing for properties that would benefit from resources that are available from federal, state, and local agencies, including LIHTC and MTBA. LHP has completed more than \$1.24 billion in development activity for the renovation and preservation of more than 13,700 units of affordable housing at 105 multifamily properties, and the company currently owns and manages 59 properties in 7 states.

LHP is especially dedicated to the preservation of affordable housing in the state of Tennessee, with a particular focus on the preservation of affordable housing in Nashville. Of its 59 current properties, 38 are in Tennessee and 10 are located in metropolitan Nashville. These 10 Nashville properties contain 1,874 apartment units assisted through project-based Section 8 HAP contracts with HUD and have been acquired, renovated, and preserved by LHP as affordable housing through a combination of MTBA and LIHTC allocations from THDA. With all of Davidson County containing 6,039 units of affordable housing units assisted through project-based Section 8 HAP contracts, ***LHP's 1,874 units currently under ownership and management represent 31% of Davidson County's entire project-based Section 8 HAP housing stock*** and make LHP one of the largest providers of quality affordable housing in the greater Nashville market as a whole.



# Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor  
502 Deaderick Street, Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

TO: THDA Board of Directors

FROM: Edwin King, Director of Multifamily Programs  
Don Watt, Chief Programs Officer

SUBJECT: Low-Income Housing Credit County Need Score

DATE: January 4, 2021

**1) THDA calculates the Low-Income Housing Credit (“LIHC”) County Need Score using seven variables:**

- a) The county’s percentage share of all renter households in Tennessee with incomes between 30% and 50% of Area Median Income who experience Housing Problems.
  - i) A higher value in this measure contributes to a higher score.
  - ii) This variable accounts for 13.6% of the total score.
- b) Population Growth Rate
  - i) A higher value in this measure contributes to a higher score.
  - ii) This variable accounts for 13.6% of the total score.
- c) Population Growth as a Percent of the State’s Population Growth
  - i) A higher value in this measure contributes to a higher score.
  - ii) This variable accounts for 13.6% of the total score.
- d) Five-Year Prior LIHC Allocation Per Eligible Renter Household
  - i) Allocations that are returned to THDA are counted as twice the value in this measure (Davidson and Rutherford are the only counties currently impacted).
  - ii) A higher value in this measure contributes to a lower score.
  - iii) This variable accounts for 16% of the total score.
- e) Five-Year Prior Allocation Dollar Value
  - i) Allocations that are returned to THDA are counted as twice the value in this measure (Davidson and Rutherford are the only counties currently impacted).
  - ii) A higher value in this measure contributes to a lower score.
  - iii) This variable accounts for 16% of the total score.
- f) Five-Year Pipeline of New LIHC Units
  - i) A higher value in this measure contributes to a lower score.
  - ii) This variable accounts for 13.6% of the total score.

g) 3-Year Average Vacancy Rate

- i) The vacancy rates of each existing LIHC properties in the county over the last three years.
- ii) A higher value in this measure contributes to a lower score.
- iii) This variable accounts for 13.6 percent of the total score.

**2) Method**

- a) THDA converts the values for each variable to a standard score so that different measurements (i.e. persons, housing units, dollars) can be added and subtracted.
- b) The total score is converted to a 20-point scale. 20 is the highest score; 0 is the lowest.
- c) The allocation process favors applications from counties with highest need scores within each of the geographic pools.

**3) Davidson County**

- a) Davidson County's 2021 need score is zero. This is largely due to the increase in 4% bond transactions and the number of units those developments add to the pipeline.
- b) Additionally, developments in Davidson County returned credits within the last five years, which means those units are double-counted against the county, thus decreasing the Needs Score.
- c) The allocation value variable spreads the resource to different areas of need across the state. The pipeline variable allows a market to absorb new units. The impact of these variables on Davidson County's need score will diminish over time.



# Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

December 1, 2020

Dear Representative :

I wanted to provide you an explanation and context regarding a scoring anomaly within THDA's County Needs Score that will impact Housing Tax Credit developments proposed for Davidson County in 2021. A significant component of the County Needs Score is how many developments in a county have been awarded Housing Tax Credits in the past five years, counting both the competitive pool of 9% tax credits and the non-competitive 4% credits that THDA provides to developments we have supported with an authorization of tax-exempt bonds. By that measure, Davidson County has received an unprecedented amount of support from THDA, so much, in fact, as to drastically impact Davidson County's need score for the 2021 competitive tax credit round.

Since 2015 THDA has supported Davidson County developments with:

- \$103 million in 9% Housing Tax Credits (20% of the total for Tennessee); these tax credits generated over \$900 million in equity investment for those 12 developments.
- Over that same time span THDA authorized the issuance of more than \$511 million in tax-exempt bonds (approximately 40% of the total) to support the development or rehabilitation of 25 properties.
- Those developments further benefitted from \$32 million in non-competitive 4% tax credits, which generated some \$275 million in equity investment.

Taken together, these represent the largest amount of housing investment THDA has ever made to one county and, I believe, fairly reflects our commitment to meeting the affordable housing challenges of the state's fast-growing capital city.

We believe it makes sense to continue considering prior investment awards in assessing a county's "need" for affordable housing, but recognize that larger counties, like Davidson, can absorb a greater number of units than smaller counties. As we develop the Qualified Allocation Plan (QAP) for 2022, we will be examining other ways we might assess housing need and location.

In 2021, however, the low county needs score for the 9% Housing Tax Credits will disadvantage applications for developments proposed for Davidson County. There is no adverse impact on developments seeking to use tax-exempt bonds and 4% credits and, in fact, we expect to proceed on several significant bond deals for Davidson County in the coming months.

I did not want you to be taken unaware by this year's scoring and hope this letter addresses questions that may have arisen. Please always feel free to contact me on this issue or any other housing matter of importance in your district.

With kindest regards, I am

Sincerely,

Ralph M. Perrey  
Executive Director



# **Tennessee Housing Development Agency**

**Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243**

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

**THDA Board of Directors Rental Assistance Committee Meeting  
Thursday, January 21, 2021 at 8:30 a.m. Central Time  
WebEx Meeting /Call - To join the call Dial  
1-650-479-3208; Code 177 649 6031**

## **AGENDA**

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- a. Update on Programs and Activities

### **COMMITTEE MEMBERS**

John Snodderly, Chair  
JoAnn Massey  
Erin Merrick  
Tennion Reed



# Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor  
502 Deaderick Street, Nashville, TN 37243

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

TO: Rental Assistance Committee  
Board of Directors

FROM: Don Watt, Chief Programs Officer  
Jeboria Scott, Director of Rental Assistance

SUBJECT: Section 8 Rental Assistance Division Review of Housing Choice Program

DATE: December 18, 2020

### Housing Choice Voucher (HCV) Administrative Plan Updates

HUD allows PHA's to update their Housing Choice Voucher Program Administrative Plan when there are changes to Code of Federal Regulations (CFR) and/or when there are changes to internal policies. This summary provides details of the specific language used and an explanation of the policy changes that were approved by THDA's Board of Directors. The key policies that were updated during this revision are indicated below:

1. Language has been included that allows THDA to provide notices and communicate via USPS or electronically via email/fax.
2. A new Non Elderly/Disabled (NED) waitlist preference was added for families with a disabled household member who is not the head or co-head.
3. Case Conferences, Informal Reviews/ Hearings may be conducted via teleconference. In-person appointments may not be strictly required.
4. In cases when a proposed termination is issued for failure to supply recertification documentation, and the required documentation is received before the Informal Hearing date, THDA may continue the recertification process. This will allow assistance to continue after a withdrawal of the proposed termination.
5. Voucher extensions will be permitted for disabled families as a reasonable accommodation.
6. Language regarding when Housing Assistance Payments (HAP) are due to owners was updated to reflect to business days instead of calendar days.
7. The Portability language was streamlined to reflect the new changes in the HUD HCV Guidebook
8. The homeownership chapter clarifies household designation for homeowners who receive subsidy under the HCV program; and reasonable accommodation language was added.
9. The term 'First time homeowner' has been amended to include homemaker and single parent family.

10. This section was amended to specify that Housing Assistance Payments (HAP) would not be issued retroactively for abated units when they become HCV compliant.
11. All HQS inspection related language previously located throughout the Administrative Plan was moved to one centralized location. The scheduling of inspection days was changed from calendar to business days. The inspection window was expanded from 3 to 4 hours.
12. The Owner/Tenant HQS Self-Certification and abatement policies were amended providing more flexibility in handling self-certifications, extension requests, and no retroactive Housing Assistance Payments (HAP) on assisted units that fall into abatement due to non-compliance.
13. Other housekeeping changes were made for brevity and clarity.

#### Use of Technology and Innovation to Streamline Housing Choice Voucher Processing (HCV)

In planning strategically to ensure successful Housing Choice Voucher (HCV) business operations, we have assessed the needs of the Rental Assistance (RA) Division. With the use of technology and innovation, THDA will maximize resources and remain responsive to both the changing rental market and to consumer needs. As a result program administration focused on the following HCV program specific areas:

1. A global approach to caseload management and equitable distribution.
2. Incorporating the use of an online platform for electronic processing of vouchers via Emphasys: My Housing Suite software.
3. Review of the HCV Waitlist Management System and a restructure of the Rental Assistance Division.

#### Section 8 Rental Assistance Division Reorganization

This change in the RA Division's organization and reporting structure will optimize team processing and performance standards for sustainability. This will also ensure that the RA staffing aligns with a long-term strategic plan. The Division's restructure included the following:

1. We reorganized the reporting structure for both the RA Assistant Director (AD), and The RA Director.
2. A new Centralized Intake Center will perform specific functions such as initial Eligibility (leasing activities); Interim Re-Exams; Portability Processing; and external customer services activities.
3. HCV Processing functions such as Annual Re-Exam and Relocation Processing will remain primary duties of field office Rental Assistance Specialists.

#### Waitlist Management Model Update

THDA has maintained steady utilization of Housing Choice Vouchers to serve Tennesseans in 72 counties. After a thorough analysis in partnership with THDA legal, Research and Planning and I.T. divisions, it was determined that reducing the waitlists from 72 counties to 3 waitlist regions would increase program efficiency and better serve voucher recipients. Streamlining the HCV Waitlist Management system will enable THDA to:

1. Increased ability to effectively manage Per Unit costs (PUC). This model organizes counties into pooled waitlists with balance aggregate HAP expenditures.

2. Increase HCV Applicant access to housing choice locations (county). HCV applicants may now select areas to reside across the state with increased access to more TN counties within a particular region.
3. Effective monitoring of Portability Voucher Expenses.

#### Mainstream 811 Grant Award

In 2018 THDA applied for a funding award for the Mainstream 811 voucher to serve households with at least one Non-Elderly but disabled member (NED) who is at risk of chronic homeless or institutionalization. The grant offers additional HAP funding and administrative fees. In 2019, THDA was originally awarded the grant to serve 99 households. In 2020, HUD allocated an additional 30 NED Vouchers to THDA, for 129 total NED Vouchers. We have housed 35 families who are utilizing the NED voucher, and the additional 94 are in the process of being leased. THDA is currently working with our State of TN partners to administer the NED vouchers.



## **Project Based Section 8 Contract Administration**

In 2000, THDA was awarded the Annual Contribution Contract (ACC) by the Department of Housing and Urban Development (HUD) to provide contract administration services for dwelling units in Tennessee receiving project-based rental assistance under HUD's Section 8 program. Unlike the tenant-based Section 8 program, project-based rental assistance payments are tied to a property so that eligible residents of all covered units at the property automatically receive the benefit of the rent subsidy, but are not able to use the subsidy at another property.

THDA's Section 8 Contract Administration and Compliance Division is responsible for implementing all functions under the ACC, including: 1) Calculating and paying Section 8 rental subsidies correctly; 2) Administering project-based Section 8 Housing Assistance Payment (HAP) contracts consistently; and 3) Enforcing owner obligations to provide decent, safe and affordable housing for eligible families. Section 8 HAP contracts are between HUD and property owners and contain requirements that owners must meet in order to receive rental subsidy for low-income residents of the properties.

Currently under the HUD ACC, THDA is assigned 371 project-based Section 8 HAP contracts for 28,491 subsidized housing units in Tennessee. To address the three primary objectives and to earn administrative fees that are used to support THDA's work, THDA must perform seven core tasks for HUD, which include: 1) conducting management and occupancy reviews (MORs); 2) adjusting contract rents; 3) reviewing, verifying and paying monthly vouchers from Section 8 owners; 4) responding to life threatening health and safety issues; 5) responding to non- life threatening health and safety issues; 6) renewing HAP contracts and processing HAP contract terminations or expirations; and 7) meeting general reporting requirements (monthly and annual reports). To carry out these seven core tasks, HUD established Incentive Based Performance Standards (IBPS) that have minimum Acceptable Quality Levels (AQL) that must be met in order to earn the administrative fees. THDA disperses over \$17,000,000 per month to owner/agents on behalf of the residents for Housing Assistance Payments and generate over \$6,000,000 in annual revenue to THDA.

There are two additional performance requirements that are not associated with earning of administrative fees, but must be performed, tracked, and reported to HUD. These responsibilities include processing of special claims and addressing general resident issues. Additionally, the Contract Administration division coordinates operating requirements with other THDA divisions to meet requirements of the ACC, including ensuring audits and financial statements are submitted to HUD annually.

The ACC may only be amended by HUD and is amended for the purpose of adding or withdrawing Section 8 HAP contracts and/or increasing or decreasing the level of federal budget authority for each Section 8 HAP contract.

The current ACC expires on January 31, 2022. HUD recently has discussed in forums with contract administrators that a Request for Proposals (RFP) will be released in 2021 for the rebid of the PBCA Contract.

## **Section 8 Contract Administration & Compliance ACC Oversight Requirements**

The core tasks and quality control plan under the PB-ACC are conducted within the Section 8 Contract Administration & Compliance division. The following Incentive Based Performance Standards (IBPS) tasks are being completed by the Director, Managers, Contract Operations Specialists (COS), Resident Issues Specialist, and Coordinators:

### **IBPS 1: Management & Occupancy Reviews (MOR)**

The review is a comprehensive assessment of the owner's abilities for directing and overseeing the property's operations. Each review will evaluate and assess the owner/management agents operating policies and procedures for directing and overseeing property operations, compliance with Housing Assistance Payment (HAP) contracts as set forth in regulations, handbooks, forms, notices, and guidance issued by HUD, as amended and revised, and their adequacy of the procedures for carrying out daily, front-line activities.

Areas audited include: maintenance, security, leasing, occupancy, certification and recertification of family income, and determination of the family payments, financial management, Management Improvement and Operating (MIO) Plans, and general maintenance practices. The results of the on-site review must provide adequate documentation to support any enforcement actions proposed against the owner by THDA or HUD. The expected outcome is to identify and resolve areas of noncompliance with HUD regulations and other requirements. The MOR staff must conduct a desk review, on-site file review, site inspection, complete a comprehensive report within 30 days of conducting the MOR and follow-up on deficiencies found during the review and close out the review. The complexity and inherent risks of performing MORs must be taken into consideration.

### **IBPS 3: Rent Adjustments**

Contract rent under each Section 8 HAP contract must be adjusted during the HAP contract term in accordance with the HAP contract and HUD requirements. THDA must process contract rent adjustments correctly. If applicable, THDA must analyze adjustments of the owner utility allowance schedule. The expected outcome is the contract rent adjustments are timely and correct. There are different types of rent adjustments and each type requires analytical skills to ensure all documentation is analyzed, verified for accuracy, completed timely and entered into the appropriate HUD system. Approved rent adjustments must be executed and finalized within 30 days of receipt of the owner's request for a budget based rent adjustment or on the anniversary date of the HAP contract for an AAF-based rent adjustment.

### **IBPS 6: HAP Payment Record**

Section 8 project owners are required to request housing assistance payments by vouchers submitted monthly through the Tenant Rental Assistance Certification System (TRACS). Vouchers are due the tenth day of the month preceding the month for which the owner is requesting payment. A PHA may not pay owners until owner vouchers are received and reviewed for accuracy. Payments of Section 8 vouchers and claims are only authorized and paid for eligible covered units. Payments are made to owners by the first day of every month.

#### **Requirements are to:**

#### **A. Verify and certify accuracy of monthly Section 8 vouchers (forms HUD-52670 & HUD-52670-A)**

THDA must verify and provide written documentation certifying the accuracy of owner payment requests by the last day of each month before the month when payment is due to the owner in accordance with the HAP contract. THDA will disburse the housing assistance payments to the owner in response to the owner's payment request as verified by the COS. To accomplish this task, staff must:

1. Monitor owner follow-up efforts on discrepancies identified as a result of any income matching Initiatives. HUD will provide discrepancy reports to the PHA.
2. Monitor compliance by owners with requirements for entry of all resident certification and recertification data in TRACS.
3. Verify voucher submissions by owner through the TRACS system by the tenth day of the month preceding the month for which the owner is requesting payment.
4. Verify through TRACS that the amount of the housing assistance payment paid on behalf of each resident family is accurate.
5. Verify that all re-certifications are completed by the owner in a timely manner and entered into TRACS.
6. Verify that the owner's payment request does not include any covered units for which Section 8 assistance has been abated.
7. Analyze required adjustments prior month's vouchers to determine accuracy and validity.
8. Determine if authorized rent or utility allowance adjustments have been implemented timely and accurately.
9. Verify pre-approval of Section 8 Special Claims.

**B. Verify and authorize payment only on valid Section 8 Special Claims for unpaid rent, resident damages or vacancy loss.**

A Section 8 project owner may claim reimbursement from the PHA --to the extent provided in the HAP contract -- for unpaid rent, resident damages, and vacancy losses on covered units. Eligible claims must be pre-approved by THDA before being submitted with owner's monthly voucher.

1. Staff must: Analyze, verify and approve or disapprove owner claims in accordance with HUD regulations and other requirements including program requirements and using TRACS and information provided by the owner.
2. Enter data into a spreadsheet program that comply with HUD standards and requirements for monitoring PHA payments.
3. Return the HUD-approved claim to the owner for owner submission with the next owner voucher.

**C. Disburse Section 8 payments to owners**

After staff has approved the owner's Section 8 voucher the housing assistance payments will be disbursed to the owner by an electronic fund transfer (EFT).

THDA must disburse each monthly housing assistance payment to the owner no earlier than the first of the calendar month for which payment is due, and no later than the first business day of that month.

## **IBPS 9 & 10: Health and safety issues and community/resident concerns**

The PHA must accept resident complaints and follow-up with owners to ensure that owners take appropriate action.

Outcome: Resolve health and safety issues and establish positive relations and communications with residents and the community.

Requirements:

### **A. Respond to all life threatening health and safety issues within 1 hour**

1. Respond immediately to all life threatening health and safety issues.
2. Maintain tracking system for inquiries, responses and corrective actions and submit log to jurisdictional HUD office with monthly invoices.
3. Notify owner of all concerns and determine appropriate corrective action.
4. Monitor owner response to concerns and implementation of corrective actions.

### **B. Respond to all non-life threatening health and safety and community/resident concerns**

1. Respond to all non-life threatening health and safety issues within two business days of notification during normal business hours.
2. Maintain tracking system for community and resident inquiries and complaints, PHA responses, and corrective actions by owner. Submit log to jurisdictional HUD office with monthly invoices.
3. Notify owner of all concerns and determine appropriate corrective action.
4. Monitor owner response to concerns and owner implementation of corrective actions.

This position not only requires the resident issues specialist to have good customer service skills, they must understand HUD rules and regulations and be able to meet HUD's AQL standards.

## **IBPS 14: Contract Renewals** (Monitor, process and execute renewal HAP contract documents)

Owners must apply for HAP contract renewals to have units remain with Section 8 project-based assistance. THDA must ensure that owners fulfill their obligations to residents and HUD that are consistent with owner renewal decisions.

Requirements:

1. Verify that owners of projects with expiring Section 8 HAP contracts provide required notice to the PHA and project residents.
2. If the owner opts not to renew, take the actions described in Task 3.4 of the ACC and Maintain copies of owner's notice to PHA and project residents.
3. If the owner chooses to renew, determine which available option (form of renewal authorized by HUD) the owner wishes to use and notify the jurisdictional HUD office.
4. Prepare renewal HAP contract in the form required by HUD.
5. After receipt of confirmation of funding for renewal from HUD, ensure the HAP contract is executed (signed) by the owner and the PHA.

6. Execute and distribute copies of the HAP contract within one business week to the owner, jurisdictional HUD office, and PHA files.
7. Collaborate with HUD on Opt outs and Contract Terminations

### **IBPS 15: Tracking /Reporting**

The purpose is to track the performance and activities of the Contract Administrator of the Section 8 program, monitor and evaluate CA's performance, and identify technical assistance needs. THDA must provide monthly, and annual reports to the jurisdictional HUD office. THDA must submit reports and an invoice to the Contract Administrator Oversight Monitor (CAOM) by the tenth business day of each month for the previous month's activities.

#### **A. The Monthly Report includes:**

1. Hot Topics: Projects that required special attention due to such matters as, abatement actions, excessive resident complaints, and inquiries from governmental officials or the general public.
2. Work Plan Status Report:
  - a. Areas reviewed and services performed, including date of review and services; names of the staff performing the review and performing the services
  - b. Any significant administrative actions that could affect administration of the contract
  - c. Quality control activities and results
  - d. Major accomplishments, success stories, etc.
  - e. Noteworthy meetings
  - f. Pending issues
  - g. Work Plan and Work Plan status reports to the designated CAOM.

#### **B. Annual reports**

By the close of each THDA fiscal year, THDA submits to HUD a report that details its progress in accomplishing the Work Plan for that fiscal year. The report details all of THDA's actions and services (including dates, locations, and employee names) for that fiscal year. Also at the close of each fiscal year, THDA submits a Work Plan for the following year that details its plan to satisfy the ACC contract administration requirements.

### **Quality Control and Appeals**

Efficiency and timeliness are not spared as quality assurance takes place within the division prior to work being delivered to the customer for some tasks and after work is completed, for others. Internal QA helps to ensure the processes and procedures are tested and overall integrity is improved.

The division director follows HUD guidelines when responding to appeals.