# Tennessee Housing Development Agency - Board of Directors

# Committee and Board Meeting Materials
# July 25, 2023

# 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 and Committee Meetings Agendas

**Tuesday, July 25, 2023 at 10 AM CT**
**Tennessee Room #2, Tennessee Towers**
**312 Rosa L. Parks Avenue, 3rd Floor**
**Nashville, TN 37243**

**COMMITTEE AGENDAS**

**AUDIT & BUDGET COMMITTEE**
**A. Approval of Audit & Budget Committee Meeting Minutes-November 15, 2022**
**B. Action Item**

1. 2023-2024 Audit Plan
2. Financial Status Update

**BOND FINANCE COMMITTEE**
**A. Approval of Bond Finance Committee Meeting Minutes-May 23, 2023**
**B. Action Item**

1. Bond Issue 2023-3
2. Amendment to THDA Investment Policy
3. Financial Advisor Selection

# THDA Board of Directors Board Meeting Agenda
**(directly following Bond Finance Committee Meeting)**

**Tuesday, July 25, 2023 at 10 AM CT**
**Tennessee Room #2, Tennessee Towers**
**312 Rosa L. Parks Avenue, 3rd Floor**
**Nashville, TN 37243**

**A. Board Chair Convening of the Board and Introductory Comments**

**B. Public Comment Period**

**C. Executive Director's Report**

**D. Single Family Business**

Business Update
HFA-1 Program Overview

**E. Multifamily Business**

Business Update
Discussion of Preliminary Proposed Changes to the 2024 Qualified Allocation Plan

**F. Program Presentation –** National Housing Trust Fund

**G. Board Action items**

1. Approval of Minutes from May 23, 2023 meeting
2. 2023 HOME Rental Development Program Description
3. 2023 HOME Homeownership Development Program Description
4. 2019 Challenge Grant – Extension Request by Knoxville Habitat for Humanity
5. 2019 Spring Competitive Grant – Gallatin Housing Authority Extension Request
6. Revision to the 2022 Eviction Prevention Pilot Program Description
7. Single Family Income Limits
8. Single Family Acquisition Cost Increase
9. Bond Issue 2023-3
10. Amendment to Investment Policy

**H. Board Briefing Items**

1. 2022 HOME Rental Housing Development Program Award
2. 2023 HOME Urban/Rural Program Awards
3. 2023 National Housing Trust Fund Program Awards
4. 2023 MF Tax Exempt Bond Authority Program Awards

# Tennessee Housing Development Agency - Board of Directors

## Audit & Budget Committee

# Tennessee Housing Development Agency

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

**Bill Lee**
**Governor**

**Ralph M. Perrey**
**Executive Director**

## Audit & Budget Committee Meeting Agenda

**Tuesday, July 25, 2023 at 1000 AM CST**
**Tennessee Room #2, Tennessee Towers**
**312 Rosa L. Parks Avenue, 3rd Floor**
**Nashville, TN 37243**

**A. Approval of Minutes from November 15, 2022 meeting**

**B. Action Items**

1. 2023-2024 Audit Plan
2. Financial Status Update

**Committee Members:**
Secretary Tre Hargett (Chair)
Treasurer David Lillard
Matt McGauley
Rick Neal
Chrissi Rhea

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
November 15, 2022

Pursuant to the call of the Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Tuesday, November 15, 2022, at 10:18 AM CT at the William R. Snodgrass Tennessee Tower, Tennessee Room 2, 312 Rosa Parks Blvd; Nashville, TN 37243.

The following Committee members were present in person: Mathew McGauley (Board Chair); Sara Quierolo (for Treasurer David Lillard); Austin McMullen; Rick Neal; and Chrissi Rhea. Other Board Members present were: Katie Armstrong (for Comptroller Jason Mumpower); Robert Mitchell; Alex Schuhmann (for Commissioner Jim Bryson); John K. Snodderly; Todd Skelton; and Tennion Reed.

Recognizing a quorum present, Chair McGauley called the meeting to order at 10:18 a.m. Central Time. For the first order of business, Chair McGauley called for consideration and approval of the September 27, 2022, Audit & Budget Committee Meeting Minutes. Upon motion by Mr. Neal, second by Ms. Rhea, and following a vote with all members identified as present voting "yes", the motion carried to approve the September 27, 2022, minutes.

Chair McGauley indicated the next item for consideration was for the Annual Performance Evaluation for Director of Internal Audit, Ms. Gay Oliver. Ms. Quierolo presented the results of Ms. Oliver's annual performance evaluation was outstanding performance, and that she is to receive an increase in and salary and associated bonus, which will be the same as provided to THDA staff who receive the same rating, effective January 1, 2023 . Chair McGauley called for a motion to approve this evaluation as presented by the committee. Upon motion by Mr. Neal, second by Ms. Rhea, and following a vote with all members identified as present voting "yes", the motion carried to approve the annual performance evaluation of Ms. Gay Oliver.

Chair McGauley indicated the next item for consideration was for the Annual Performance Evaluation for Executive Director, Mr. Ralph M. Perrey. Ms. Quierolo presented the results of Mr. Perrey's annual performance evaluation was advanced performance, and that she is to receive an increase in and salary and associated bonus, which will be the same as provided to THDA staff who receive the same rating, effective January 1, 2023. Chair McGauley called for a motion to approve this evaluation as presented by the committee. Upon motion by Mr. McMullen, second by Ms. Quierolo, and following a vote with all members identified as present voting "yes", the motion carried to approve the annual performance evaluation of Mr. Ralph M. Perrey.

Chair McGauley recognized Ms. Gay Oliver, Director of Internal Audit, to present the Agency's Risk Management review, Board Member Disclosure Report, and THDA Staff Member Disclosure Report. Upon completion of the presentation by Ms. Oliver, Chair McGauley indicated no Board action is required.

There being no further business, Chair McGauley adjourned the meeting at 10:30 AM CT.

Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit
Approved this 23rd day of January, 2023.

# 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 Audit and Budget Committee

**FROM:** Gathelyn Oliver, Director of Internal Audit

**SUBJECT:** Fiscal Year Audit Plan

**DATE:** July 10, 2023

**Recommendation**
Staff recommends the Audit and Budget Committee approve the Fiscal Year 2024 Annual Audit Plan.

**Key Points**
The Internal Audit Plan outlines the priorities of the Internal Audit Division. For Fiscal Year 2024, the plan was derived primarily from the results of the Internal Audit risk assessment. Many of the projects are required to be performed and are on the plan each year. Additional projects on this year's plan include:

- Third Party Risk Management
- Quality Review of Tennessee Housing Trust Fund

**Background**
The FY 2024 audit plan and a listing of projects in progress as of July 1, 2023 were required to be submitted to the Comptroller's office this year by July 7. We submitted the documents on July 7. A copy of our submission is included in your packet. The plan was developed using input from management and results of our risk assessment. The draft plan was emailed to Audit and Budget Committee members on June 13 for review. While this is our work plan for fiscal year 2024 projects may change as priorities change throughout the year.

Feel free to contact me with any questions or concerns.

# 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: Ms. Kathy Stickel, CPA, Director
Office of the Comptroller, Division of State Audit

FROM: Ms. Gathelyn Oliver, CPA
Director of Internal Audit

DATE: July 7, 2023

SUBJECT: Audit Projects in Progress and Internal Audit Plan

According to TCA Section 4-3-304(7), copies of all reports issued during the fiscal year are filed with your office at the time of completion. We have enclosed a copy of our annual Internal Audit Plan (IAP) for the fiscal year ended June 30, 2024 and a listing of all internal audits, reviews and investigations currently in progress as of July 1, 2023.

The Internal Audit Plan (IAP) outlines the priorities of the Internal Audit Division. The 2024 Fiscal Year priorities were derived primarily from the results of the Internal Audit risk assessment. The Internal Audit risk assessment was developed in consultation with Senior Management and the THDA Audit and Budget Committee to obtain a current understanding of the Department's key programs/process areas. The risk assessment was conducted by assigning risk scores to criteria for each key program/process area identified within the Department. The criteria included, but were not limited to, strategic, operational, financial, regulatory/compliance, and reputational risks. Utilizing the average risk scores assigned to the criteria, program/process areas were identified/prioritized for audit plan inclusion, with consideration for the limited resources within Internal Audit. Detailed risk assessment documentation is on file with Internal Audit and is available for review upon request.

In addition to the priorities identified from the risk assessment, the IAP also includes reviews, audits, and other activities as required by statute, rules, and Department policies. The IAP may also include reviews, assessments, or audits resulting from external audit(s) recommendations or findings. The IAP may include consulting engagements and other activities designed to help improve the management of risk, add value to the Department, and/or improve departmental operations. The IAP may be modified throughout the year, based on changes in the organization, audit resources, and/or additional risk considerations.

Audit reports are provided to the Audit and Budget Committee of the THDA Board of Directors after audit engagements are completed. Hopefully, these items will enable the Division of State Audit to adequately coordinate audit efforts for the State.

If you have any questions or need additional information, please feel free to contact me.

Enclosures

C: Audit and Budget Committee Members and Representatives of the THDA Board of Directors
Mr. Ralph M. Perrey, Executive Director

**TENNESSEE HOUSING DEVELOPMENT AGENCY**
**INTERNAL AUDIT PROJECTS IN PROCESS**
**As of July 1, 2023**

Development District – MAAG 9/1/2023 – 3/31/2023
HAF Program Review 10/1/2022 – 3/31/2023
Knoxville-Knox County Community Action Committee Subrecipient Monitoring
Mid-East Community Action Agency Subrecipient Monitoring
S8RA Payments & Repayments/Repayments Agreement Review 2023

# Tennessee Housing Development Agency
## Internal Audit Plan
### For The Fiscal Year Ended June 30, 2024

Based on an assessment of risk of all THDA activities and programs, and on discussions with THDA management, the following audits are planned for the Fiscal Year Ended June 30, 2024.

1. **Financial Integrity Act/Enterprise Risk Management Assessment** – Lead THDA in the preparation of the self-assessments and compilation of the reports required to comply with the Financial Integrity Act due by December 31, 2023.

2. **Third Party Risk Management -** Provide oversight of third party vendors contracted to provide products and services to and on behalf of THDA. Oversight includes ensuring compliance with Federal consumer financial law and other regulatory requirements. This project involves ongoing review of due diligence documentation and contract performance.

3. **Quality Review of Tennessee Housing Trust Fund** - This project involves a review of internal controls, processes and agency performance relative to projects funded from the Tennessee Housing Trust Fund.

4. **Hardest Hit Fund (HHF) Review –** Perform a limited review of the internal controls established for THDA programs funded by the Hardest Hit Fund, including review of loan documentation, funding process and follow-up activities performed by Community Services division staff to ensure compliance with US Department of Treasury and THDA requirements. This review will be performed semi-annually.

5. **Subrecipient Monitoring** – These projects involve a review of internal controls, expenditure of awards and delivery of services by subrecipients of Federal and State awards in accordance with Central Procurement Office Grant Management and Subrecipient Monitoring Policy and Procedures.

6. **Staff and Board Disclosure Analysis –** This project will involve a review of annual disclosure forms submitted by all THDA staff, board members and representatives for compliance with the disclosure policy and THDA's enabling legislation.

7. **Quality Review of Development District –** This project involves a review of internal controls, expenditure of awards and delivery of services by one development district that has been awarded funds by THDA.

8. **Quality Review of THDA's Administration of the Section 8 Rental Assistance Program –** This project will involve a review of internal controls and agency performance relative to the Section 8 Housing Choice Voucher Program.

9. **Section 8 HQS Inspection Quality Control Review** - This project involves a regular review of internal controls, quality and delivery of services by the contractor performing HQS inspections for the Housing Choice Voucher program.

10. **Administer the Compliance Management System for Mortgage Loan Servicing** – To ensure compliance with federal regulators and THDA policy, this responsibility includes reviewing all aspects of servicing THDA mortgages including monthly quality control reviews, as specified in the Quality Control Plan for Mortgage Loan Servicing.

11. **Administer the Compliance Management System for Mortgage Loan Originations** – To ensure compliance with regulatory requirements and THDA policy, this responsibility includes reviewing all aspects of originating THDA mortgages including monthly quality control reviews, as specified in the Quality Control Plan for Mortgage Loan Originations.

12. **Compliance Review of Intranet Content -** This project involves a review of internal controls, and data posted on internal data systems.

13. **COVID-19 Rent Relief Program Review –** This project will involve a limited review of the internal controls established for THDA rent relief programs funded by the Consolidated Appropriations Act 2021 and the American Rescue Plan Act of 2021, including review of required documentation, funding process and follow-up activities performed by the Community Services division staff and third party vendors to ensure compliance with US Department of Treasury and THDA requirements. This review is generally performed on a quarterly basis.

14. **Single Family Homeowner Assistance Fund Review –** This project will involve a limited review of the internal controls established for THDA mortgage relief programs funded by the American Rescue Plan Act of 2021, including review of loan documentation, funding process and follow-up activities performed by Single Family staff to ensure compliance with US Department of Treasury and THDA requirements. This review is generally performed on a quarterly basis.

15. **Various Audit and Investigative Projects –** As THDA programs have increased in size and complexity over the years, additional items arise that require either audit or investigative attention. THDA takes these items seriously with the intent to maintain the utmost transparency and integrity throughout our organization. Therefore, we will continue to spend an increased amount of our time and resources in performing reviews and investigations of potential fraud, waste, and abuse situations, or other matters requiring audit attention as they may arise during the period.

# 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: Trent Ridley, Chief Financial Officer

SUBJECT: Financial Update – May 31, 2023 (Unaudited)

DATE: July 9, 2023

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Attached is a financial update consisting of a Schedule of Net Position and Operating Income Statements as of May 31, 2023 (Unaudited). It should be noted that these statements are "unaudited" and may not include accruals and adjustments normally reflected in THDA's quarterly/annual financial statements. The following are highlights of the schedules:

1. **Schedule of Net Position** – THDA's assets total $3.64 billion ($3.53 billion May 2022) primarily consisting of first and second mortgages at $2.78 billion and $53 million respectively. Under the Bond Resolutions, we have approximately $516 million in cash and investments consisting of Loan Fund and Zeros ($168), Debt Service Reserves ($127), Loan Repayments/Prepayments and Interest ($167), and BFC Set-aside ($25), with the remainder dedicated for funding board-approved purposes (Down Payment Assistance, Housing Trust Fund, New Start, Servicing Release Premiums, THDA Operations, etc.). These funds are restricted under the bond indentures. THDA also has approximately $37 million in cash restricted for Servicing Escrows and Refundable Multifamily Fees.

2. **Operating Income** – Overall Operating Income of $12.3 million is tracking just behind $13 million at this time last year and is tracking well with the FY23 Budget of $16.9 million. As expected, gains in mortgage interest and investment income due to rising interest rates were somewhat offset by increased bond interest expense for a net increase in operating income from our mortgage business of approximately $700,000. This gain was offset by reduced Federal Revenue due to a lower approved indirect cost rate for FY23.

   **Mortgage Revenue Bonds (MRB) -** Mortgage Interest and Investment Income totaling of $108.1 million is up by 6.3% over this same time last year, while Bond Interest of $67.8 million increased by approximately 6.0%.

   **Federal and Administrative –** The net decrease in operating income of $1 million from Federal and Admin is primarily attributable to a reduction from last year due to a lower HUD-approved indirect cost rate that was somewhat offset by expense savings in lender compensation, contractual services, and other areas.

If you have any questions regarding the comprehensive budget or need additional information, please do not hesitate to contact me at (615) 815-2012 or via e-mail at tridley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULE OF NET POSITION ($000)
MAY 31, 2023
(UNAUDITED)

| | MRB | OTHER | TOTAL |
|---|---|---|---|
| ASSESTS | | | |
| First Mortgages | $ 2,775,685 | $ 0 | $ 2,775,685 |
| Second Mortgages | 53,344 | 0 | 53,344 |
| Loans held for resale | 0 | 3,057 | 3,057 |
| Cash and Investments | 516,739 | 189,194 | 705,933 |
| Other Assets | 69,427 | 32,506 | 101,933 |
| Total | 3,415,195 | 224,757 | 3,639,952 |
| LIABILITIES | | | |
| Bonds and Interest Payable | $ 2,873,468 | $ 0 | $ 2,873,468 |
| Unearned Revenue | 11,615 | 137,669 | $ 149,284 |
| Escrow Deposits | 52 | 37,912 | 37,964 |
| Other | 1,437 | 19,206 | 20,643 |
| Total | 2,886,572 | 194,787 | 3,081,359 |
| NET POSITION | | | |
| Invested In Capital Assets | $ 0 | $ 5,371 | $ 5,371 |
| MRB Restricted | 453,944 | 0 | 453,944 |
| Other Restricted | 17,890 | 6,288 | 24,178 |
| Unrestricted | 59,353 | 15,753 | 75,106 |
| Total | $ 531,187 | $ 27,412 | $ 558,599 |

TENNESSEE HOUSING DEVELOPMENT AGENCY
OPERATING INCOME ($000)
MAY 31, 2023
(UNAUDITED)

| | REVENUE | EXPENSES | OPER INC |
|---|---|---|---|
| MORTGAGE REVENUE BONDS | | | |
| Mortgage Interest | $ 103,159 | | |
| Investment Income | 4,957 | | |
| Other Revenue | 160 | | |
| | $ 108,276 | | |
| Bond Interest | | $ 67,868 | |
| Cost of Issuance | | 2,372 | |
| DPA Forgiveness | | 4,550 | |
| Other | | 1,090 | |
| | | $ 75,880 | |
| | | | $ 32,396 |
| FEDERAL AND ADMINISTRATIVE | | | |
| Federal Revenue | $ 29,917 | | |
| Multifamily Fees | 8,998 | | |
| Servicing Fees | 783 | | |
| Interest Income | 1,057 | | |
| Other | 1,008 | | |
| | $ 41,763 | | |
| Personnel | | $ 25,307 | |
| Lender Compensation | | 5,799 | |
| Contractural services | | 20,013 | |
| Computer and Other Supplies | | 1,758 | |
| Direct Servicing Expenses | | 7,253 | |
| Other | | 1,712 | |
| | | $ 61,842 | |
| | | | $ (20,079) |
| GRAND TOTAL | $ 150,039 | $ 137,722 | $ 12,317 |

# Bond Finance Committee

# Tennessee Housing Development Agency

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

**Bill Lee**
**Governor**

**Ralph M. Perrey**
**Executive Director**

## Bond Finance Committee Meeting Agenda

**Tuesday, July 25, 2023 at 1000 AM CST**
**Tennessee Room #2, Tennessee Towers**
**312 Rosa L. Parks Avenue, 3rd Floor**
**Nashville, TN 37243**

**A. Approval of Minutes from May 23, 2023 meeting**

**B. Action Items**

1. Bond Issue 2023-3
2. Amendment to THDA Investment Policy
3. Financial Advisor Selection

**Committee Members:**
Matt McGauley (Chair)
Commissioner Jim Bryson
Secretary Tre Hargett
Treasurer David Lillard
Comptroller Jason Mumpower

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
May 23, 2023

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Tuesday, May 23, 2023, at 10:07 AM CT at the William R. Snodgrass Tennessee Tower, Nashville Room, 312 Rosa Parks Blvd; Nashville, TN 37243.

The following Committee members were present in person: Mathew McGauley (Board Chair); Treasurer David Lillard; Alex Schuhmann (for Commissioner Jim Bryson); Katie Armstrong (for Comptroller Jason Mumpower); and Chris Mustain (for Secretary of State Tre Hargett). Other Board Members present were: Rob Mitchell; Chrissi Rhea; John Snodderly; Stephen Dixon; Jacky Akbari; Rick Neal; and Austin McMullen.

Recognizing a quorum present, Chair McGauley called the meeting to order at 10:07 a.m. Central Time. For the first order of business, Chair McGauley called for consideration and approval of the March 21, 2023, Bond Finance Committee Meeting Minutes. Upon motion by Mr. Lillard, second by Mr. Schuhmann, and following a vote with all members identified as present voting "yes", the motion carried to approve the March 21, 2023 minutes.

Chair McGauley indicated the next item for consideration was THDA's Schedule of Financing for fiscal year 2023-24. Bruce Balcom, THDA Chief Legal Counsel, described the document to be considered. Chair McGauley called for a motion if there were no further questions from committee members. There being no further questions, Chair McGauley called for a motion to approve THDA's Schedule of Financing. Upon motion by Mr. Lillard, second by Mr. Schuhmann and a vote with all members identified as present voting "yes", the motion carried to approve the Schedule of Financing as described.

Chair McGauley indicated the last item for consideration was the approval of an extension to the current Bond Counsel Contract with Kutak Rock, LLP (Kutak). THDA Chief Legal Counsel, Bruce Balcom, went over the merits of exercising THDA's option to extend the current contract with Kutak for an additional year while THDA was in the Fannie Mae application process. Chair McGauley called for a motion if there were no further questions from committee members. There being no further questions, Chair McGauley called for a motion to approve the extension of the Bond Counsel Contract with Kutak. Upon motion by Mr. Lillard, second by Mr. Schuhmann and a vote with all members identified as present voting "yes", the motion carried to approve the Bond Counsel Contract Extension.

There being no further business, Chair McGauley adjourned the meeting at 10:10 AM CT.

Respectfully submitted,

Sandi Thompson,
Assistant Secretary
Approved this 25th day of July, 2023.

# 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 Bond Finance Committee, THDA Board of Directors

**FROM:** Bruce Balcom, Chief Legal Counsel

**SUBJECT:** Approval of Issue 2023-3

**DATE:** July 25, 2023

## Recommendation

Approval of the Plan of Financing by the Bond Finance Committee, with recommendation to the Board to approve, and subsequent Board approval, of the Authorizing Resolution, including the form of the Supplemental Resolution, and the Reimbursement Resolution.

## Key Points

It is anticipated that THDA will begin committing against Issue 2023-3 in August. Pricing will occur in the September through November timeframe, depending upon production, with the expectation of closing approximately a month after pricing. Staff proposes including language related to a convertible option bond ("COB")[1] for a portion of this deal to preserve expiring volume cap, depending upon production.

## Background

Attached please find the following documents in connection with the requested authorization of the THDA bond issue, Issue 2023-3:

1. Memo from CSG Advisors Incorporated ("CSG") recommending authorization in the maximum principal amount of $325,000,000 for a bond issue under the General Residential

[1] A convertible option bond is a bond with a short term maturity and an interest rate which may be fixed or variable (the COB is anticipated to be either refunded or remarketed at a future date into traditional MRB's at which time Program Loans will be funded).

Finance Program Bond Resolution adopted in 2013. This bond issue may include a COB, which could include a variable interest rate. Staff expects this bond issue to be priced at the earliest in September 2023 and closed not later than December 2023. The final size and structure will be determined by the Authorized Officer.

2. THDA Plan of Financing for Issue 2023-3 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 2023-3, that includes the form of Supplemental Resolution for Issue 2023-3 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 2023-3 in an amount not to exceed $75,000,000. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2023-3 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2023-3 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, convertible option 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/or preserve volume cap 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 2023-3 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

CSG | ADVISORS

*Atlanta • Los Angeles • New York • San Francisco*

# MEMORANDUM

**TO:** THDA Board of Directors and THDA Bond Finance Committee

**FROM:** Tim Rittenhouse, David Jones, and Eric Olson

**SUBJECT:** Bond Issue Authorization Recommendation

**RE:** Residential Finance Program Bonds, Issue 2023-3

**DATE:** July 7, 2023

## Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize up to $325 million of Issue 2023-3 bonds under the Residential Housing Finance Program Bond Resolution as both new money and convertible option bonds to fund THDA's qualified Great Choice mortgage loan pipeline as well as potentially its non-qualified mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale date based on THDA's mortgage pipeline and interest rates at the time.

- THDA is currently committing loans against Issue 2023-2 and expects to have the proceeds fully reserved by approximately the end of July.

- Issue 2023-3, if authorized, is expected to be sold in the fall of 2023 and could include both non-AMT bonds and potentially taxable bonds to a) preserve volume cap and/or b) fund THDA's non-qualified conventional loan production.

**Background**

On June 27th, THDA priced its $235 million Residential Finance Program Bonds, Issue 2023-2 (Non-AMT/Federally Taxable). The majority of these proceeds have already been reserved and obligated, with the remaining proceeds expected to be reserved around the closing date of July 25th.

Once the Issue 2023-2 proceeds are fully originated, THDA would purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2023-3. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2023-3, assuming a closing sometime in September or October of 2023.

*2 Crampton Road, Bronxville, NY 10708 | (914) 961-0003 | TRITTENHOUSE@CSGADVISORS.COM and*
*41 Perimeter Center East, Suite 615, Atlanta, GA 30346 | (678) 319-1911 | DJONES@CSGADVISORS.COM*

THDA's outstanding Homeownership Program Bonds, Issue 2013-1 and Issue 2013-2 are optionally redeemable at par on any date. These bonds may be refunded by Issue 2023-3 or a future bond issue anytime under a common plan of finance with the "new money" portion of the Issue 2023-3 transaction. However, based on current bond rates, neither issue is economically beneficial to refund. We will continue to monitor the market in the event that it becomes beneficial to refund either Issue 2013-1 or 2013-2.

**Proposed Sizing and Structure**

Authorizing a bond issue of not to exceed $325 million is expected to allow THDA to continue purchasing mortgage loans through the fall of 2023 and potentially beyond. The ultimate size of the issue will depend on mortgage loan demand until pricing, on interest rates, and on an assessment of any negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond interest rate before the proceeds can be used to purchase mortgage loans). Current reinvestment costs are quite minimal given the favorable rates at which THDA can currently invest its bond proceeds prior to purchasing mortgage loans.

Of the $474 million of volume cap carried forward from 2020 available at the beginning of 2023, after Issue 2023-2, THDA will have $211.6 million in 2020 volume cap remaining that must be used by December 31, 2023. As such, Issue 2023-3 is expected to consist of a) new money non-AMT bonds, b) potentially short-term convertible option non-AMT bonds that could extend the 2020 volume cap into 2024, and c) taxable bonds in order to preserve future volume cap and/or potentially fund THDA's non-qualified conventional loans as done in Issues 2023-1 and 2023-2.

Based on current market conditions and investor appetite, structuring Issue 2023-3 to include planned amortization class bonds ("PACs") to be sold at a premium would significantly lower the issue's bond yield. PACs are often priced at a premium and most frequently designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same maturity.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed slower than 100% PSA, causing the PACs to remain outstanding longer than projected and potentially extending the period during which THDA would pay the high coupon on these bonds. However, THDA's average historical prepayment speeds have exceeded 150% PSA, though recent prepayment speeds have dipped closer to and in some cases, below 100% PSA. If actual sustained prepayment speeds are less than 100% PSA, THDA could choose (as it has recently) to redeem the PACs up to 100% PSA experience with other available funds to maintain the short average life of the PACs.

Two alternative bond structures are shown in Exhibit A and summarized below. Both scenarios reflect the same total bond par amount of $200 million in long-term bonds with the same bond components: $135 million of tax-exempt non-AMT bonds for qualified loan production, and $65 million of taxable bonds for qualified loan production to preserve volume cap (the impacts of including convertible option bonds to preserve volume cap would be further explored in subsequent analysis as the deal progresses). Our analysis assumed current market bond rates, as well as THDA's current Great Choice mortgage loan rate of 5.875%.

In each case after calculating an estimated bond yield, the spread for tax compliance purposes between the mortgage loan yield and the bond yield was determined. Then, the amount of zero participation loans needed to achieve an aggregate (all-in) yield spread of 1.125% was computed, based on current bond market interest rates and THDA's mortgage rates.

- ***Scenario 1*** shows a level-debt issue with no PAC bonds and an overall aggregate (tax-exempt and taxable) yield spread of 1.02%. $3.61 million of zero participation loans would be consumed to bring the issue up to 1.125% spread.
- ***Scenario 2*** includes both tax-exempt and taxable PAC bonds, with the PAC bond repayments spread throughout the overall maturity structure of the issue. The lower yield on the PAC reduces the overall bond yield by approximately 0.04%. This results in an aggregate yield spread of 1.058%. $2.295 million of zero participation loans would be consumed to bring the issue up to 1.125% spread.

Convertible Option Bonds: With short-term rates much higher than in recent years past, there is a potential opportunity to include a short-term tax-exempt bond ("Convertible Option Bonds", or "COBs") whose proceeds would be invested at reinvestment rates higher than the rate on the tax-exempt bond issued. Several housing finance agencies have included COBs in their bond structure to take advantage of higher taxable reinvestment rates than short-term tax-exempt bond rates, allowing the issuer to earn some investment income while such bond is outstanding. This opportunity is likely to be available when THDA looks to price its Issue 2023-3 bonds and would be valuable in order to extend its 2020 volume cap into 2024. This approach will be evaluated closer to the time when the Issue 2023-3 bonds are scheduled to price to determine the current market benefits and advantages for the transaction.

THDA has approximately $85 million in zeros that can be used to subsidize new bond issues, such as Issue 2023-3. The amount of zero participation loans that THDA accumulated helps mitigate for THDA the risk of higher bond rates on future transactions, particularly with fewer economic refunding opportunities over the next few years than in the recent past as well as higher current interest rates that could reduce the attractiveness of refunding opportunities.

As the financing is developed, production needs will be refined, and as the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds, to assess if further refinement of the structure could offer improvement in the pricing of Issue 2023-3.

Issuing the Issue 2023-3 Bonds under the 2013 General Resolution avoids a state moral obligation pledge on the bonds.

**Method of Sale**

In the current market for housing bonds THDA will continue to benefit from offering its bonds via negotiated sale, rather than by competitive bid. Factors favoring a negotiated sale include:

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

Market Volatility – A competitively bid bond issue requires that the timing and, to a significant extent, the final bond structure be established well in advance of the bid date. Continued market volatility makes it unlikely THDA could structure its bonds to obtain the lowest possible cost of debt in advance of pricing. A negotiated sale provides flexibility to price on shorter notice, to adjust the bond structure through the pricing period in response to market factors and investor indications, or to delay or accelerate the pricing as conditions warrant.

Complexity and Credit – While investors are familiar with bonds issued by housing finance agencies, a negotiated sale provides greater opportunity to communicate with investors about the more complex structure, program experience, and the credit features of THDA's bonds.

Bond Structure – Though Issue 2023-3 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, to add additional maturities or features, or to use bonds priced at a premium or discount (such as lockout premium serial bonds as recently utilized). A negotiated sale facilitates greater flexibility to make structural changes, as reflected in a number of THDA's offerings in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

Pricing Oversight – THDA's policies and practices for negotiated bond sales – including the review of co-manager price views, consensus scales, comparable pricings, historic and current spreads, other current market data, and concurrent monitoring by the Division of State Government Finance and CSG – provide THDA with the basis for confirming that its bonds are priced fairly at time of sale. In advance of the offering CSG also provides a pre-pricing memo with information related to general bond market conditions, the housing bond market, and projected interest rate levels based on recent housing bond issues, previous THDA offerings, and pending statistical releases. To manage incentives for the syndicate members and investors, CSG also advises on syndicate rules and procedures, proposed holdbacks of specific maturities, and allotments of bonds.

**Current Market Conditions**

While economic news throughout 2022 was largely dominated by escalating inflation and concerns about the Federal Reserve's efforts to reduce inflation, the data releases so far in 2023 reflect slowing (but "sticky") inflation. The May 2023 CPI report reflected the index rose 4.1% from a year earlier, slowing from a 4.9% increase in April. Though still elevated above the 2.0% target of the Federal Reserve, inflation has decreased in the past year.

During 2022, to combat inflation, the Federal Reserve increased the federal funds rate seven times for a total of 4.25%, including by 75 bps (the largest single-meeting hike in decades) in June, July, September, and November. As important as these increases in the short-term federal funds rate were, the Fed's reduction of its balance sheet holdings of US Treasuries and MBS caused additional upward pressure on long-term rates through much of 2022.

Following 25 basis point rate hikes at the Fed's February, March, and May 2023 meetings, the Fed, as expected, decided to leave rates unchanged at their June meeting (a day after THDA's Issue 2023-2 pricing) in light of the gradual easing of inflationary pressure over the past several months and to assess the impact of previous rate increases. Strong recent economic data have market participants expecting another 25-basis point rate hike at the upcoming July Fed meeting, and possible additional increases later in the year. Since the beginning of 2023, Treasury rates initially fell during the first several months but have since eclipsed where they began 2023.

**Recommendations**

CSG Advisors recommends that the THDA Board of Directors and THDA Bond Finance Committee:

- Authorize the sale and issuance of Residential Finance Program Bonds, Issue 2023-3, with a par amount not to exceed $325 million;
- Delegate to the Authorizing Officer authority to:
  - Establish the principal amount of Issue 2023-3;
  - Establish the structure, sub-series and pricing schedule of Issue 2023-3, including:
    a. a short-term tax-exempt series of bonds to reinvestment at rates that generate positive investment income to THDA; and
    b. the potential issuance of taxable bonds to fund THDA's non-qualified loan production.
  - Approve fixed-rate serial and term bonds in any combination with maturities no longer than 32 years; and
  - Refund any combination of bonds that are optionally callable, based upon projected benefits under market conditions at the time of sale.
- Based on current market conditions and for the reasons described above, authorize Issue 2023-3 via a negotiated sale; and
- Select Citigroup to serve as book-running senior manager for Issue 2023-3, in view of the continuing value they have provided as a member of THDA's underwriting syndicate. (See our Underwriter Recommendation Memo for additional information.)

**EXHIBIT A:**
**PRELIMINARY STRUCTURING ANALYSIS**

# EXHIBIT A: STRUCTURING SCENARIOS

**Tennessee Housing Development Agency Issue 2023-3**
**As of 7/5/23, for Bond Authorization Recommendation Memo**

| | | 1 | | 2 | |
|---|---|---|---|---|---|
| **Key Structuring Variables** | | ***No PAC*** | | ***PAC Throughout Maturity Schedule*** | |
| Including PAC Bonds | | No | | Yes | |
| PAC Bond Maturity Years | | N/A | | 2024 - 2054 | |
| | | | | | |
| **Bond Series and Amounts** | | | | | |
| New Money | Non-AMT | 135,000,000 | *68%* | 135,000,000 | *68%* |
| New Money | Taxable | 65,000,000 | *33%* | 65,000,000 | *33%* |
| Total | | 200,000,000 | *100%* | 200,000,000 | *100%* |
| | | | | | |
| **Bond Structure** | | | | | |
| Non-AMT | Coupon / Yield | | | | |
| 3A: Serials | 3.250% - 4.150% | 34,260,000 | *25%* | 22,725,000 | *17%* |
| 3A: 7/1/38 Term | 4.200% | 11,715,000 | *9%* | 7,775,000 | *6%* |
| 3A: 7/1/43 Term | 4.500% | 23,255,000 | *17%* | 15,420,000 | *11%* |
| 3A: 7/1/48 Term | 4.600% | 29,105,000 | *22%* | 19,310,000 | *14%* |
| 3A: 7/1/53 Term | 4.750% | 36,665,000 | *27%* | 24,335,000 | *18%* |
| 3A: 1/1/54 PAC Term | 5.75% / 4.09% | - | *0%* | 45,435,000 | *34%* |
| Total | | 135,000,000 | *100%* | 135,000,000 | *100%* |
| Taxable | Coupon / Yield | | | | |
| 3B: Serials | 5.231% - 5.576% | 10,580,000 | *16%* | 6,825,000 | *11%* |
| 3B: 7/1/38 Term | 5.636% | 8,545,000 | *13%* | 5,520,000 | *8%* |
| 3B: 7/1/43 Term | 5.665% | 11,290,000 | *17%* | 7,285,000 | *11%* |
| 3B: 7/1/48 Term | 5.595% | 14,910,000 | *23%* | 9,620,000 | *15%* |
| 3B: 7/1/53 Term | 5.645% | 19,675,000 | *30%* | 12,685,000 | *20%* |
| 3B: 1/1/54 PAC Term | 6.00% / 5.75% | - | *0%* | 23,065,000 | *35%* |
| Total | | 65,000,000 | *100%* | 65,000,000 | *100%* |
| | | | | | |
| **Yields If No Loan Participations In or Out** | | | | | |
| Tax-Exempt Yield Spread | | 0.485% | | 0.544% | |
| Overall Tax-Exempt Plus Taxable | | | | | |
| Mortgage Yield | | 5.872% | | 5.872% | |
| Bond Yield | | 4.852% | | 4.814% | |
| Overall Yield Spread | | 1.020% | | 1.058% | |
| | | | | | |
| **GC Rate to Achieve Overall 1.125% Yield Spread** | | 5.98% | | 5.94% | |
| | | | | | |
| **Loan Particip. to Achieve 1.125% Yield Spread** | | | | | |
| 0% Loans (Consumed) from Past Issues | | (3,610,000) | | (2,295,000) | |
| 0% Loans Created from 2023-3 | | - | | - | |
| Net Zero Percent Loans (Consumed) / Created | | (3,610,000) | | (2,295,000) | |
| | | | | | |
| **New Volume Cap Needed** | | | | | |
| 2023-3A (Non-AMT) | | 135,000,000 | | 135,000,000 | |
| Plus PAC Premium | | - | | 3,215,889 | |
| Total | | 135,000,000 | | 138,215,889 | |

**Other Key Assumptions Common to All Scenarios**

5.875% Great Choice Loan Rate, 1% loan yield point on all loans
Loan Originations $30MM/month, 88% Great Choice / 12% Homeownership for Heroes

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**MEMORANDUM**

**TO:** THDA Bond Finance Committee, Division of State Government Finance, and THDA

**FROM:** David Jones, Tim Rittenhouse, and Eric Olson

**SUBJECT:** Underwriter Recommendation
Residential Finance Program Bonds, Issue 2023-3

**DATE:** July 7, 2023

**Background**

In January 2018, THDA's Bond Finance Committee selected the current underwriting team consisting of co-senior managers Citigroup, Raymond James, and RBC; co-managers JP Morgan and Wells Fargo, with a third co-manager position to be filled by a selling group member based on performance on THDA's prior bond issue. In October 2020, the Bond Finance Committee extended the existing team's term and to accommodate the current underwriter selections, the recent underwriting team is expected to be used for Issue 2023-3.

The purpose of this memo is to recommend firms to serve on THDA's Issue 2023-3 as:

1. book-running senior manager; and
2. elevated selling group member.

**1. Book-Running Senior Manager**

Table 1 shows the firms that served as book-running senior managers on THDA's recent bond issues.

**TABLE 1: BOOK-RUNNING SENIOR MANAGERS, RECENT THDA BOND ISSUES**

| Bond Issue | Par Amount of Bonds Issued | Book-Running Senior Manager |
|---|---|---|
| 2021-1 | 149,990,000 | Raymond James |
| 2021-2 | 99,990,000 | RBC Capital Markets |
| 2021-3 | 170,000,000 | Citigroup Global Markets |
| 2022-1 | 175,000,000 | Raymond James |
| 2022-2 | 149,990,000 | RBC Capital Markets |
| 2022-3 | 160,000,000 | Citigroup Global Markets |
| 2023-1 | 140,000,000 | Raymond James |
| 2023-2 | 235,000,000 | RBC Capital Markets |

Rather than select the book-running senior manager based on a fixed rotation, following the 2018 underwriter selection by the Bond Finance Committee, the book-running senior manager is selected from among the two firms who did not serve as the senior book-running manager on the last bond issue, based on criteria as determined by the Bond Finance Committee in consultation with the Comptroller's Office and CSG. As always, the Bond Finance Committee reserves the right to adjust the rotation or the factors to be considered at any time and for any reason. Measures of a senior manager's performance include, but are not limited to, the following:

- Bond distribution performance,
- Pricing aggressiveness,
- Ultimate execution of the sale,
- Flexibility,
- Ability to attract new investors,
- Secondary market support,
- Idea generation,
- Syndicate management,
- Willingness to underwrite unsold bonds,
- Offering of additional credit resources (lines of credit, etc.)

Citigroup continues to perform very well when selected as the book-running senior manager, evidenced by aggressive pricing of Issue 2022-3, the last issue Citi senior-managed for THDA. When senior managing prior issues, the firm has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. In recent months, Citi continues to successfully manage and achieve good pricing results for other housing finance agencies, the latest being South Carolina and Illinois, priced in May. In addition, Citigroup has sold several short-term convertible option bonds for HFAs, which is a bond likely to be included in Issue 2023-3.

<u>In view of their continued performance, we recommend that Citigroup serve as book-running senior manager for Issue 2023-3.</u>

**2. Elevated Selling Group Member**

The following table shows the retail performance of each selling group member for Issue 2023-2, including UBS which acted as the third co-manager.

**TABLE 2: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2023-2** ***(thousands)***

| Selling Group Member | Retail Orders | Final Allotments |
|---|---|---|
| UBS | $ 10,250 | $ 5,350 |
| Wiley Brothers - Aintree | 5,450 | 5,450 |
| Bancroft | 13,750 | 4,350 |
| RW Baird | 830 | 830 |
| FHN Financial | - | - |
| Fifth Third | - | - |
| Duncan Williams | - | - |
| **Total** | **$ 30,280** | **$ 15,980** |

*Excluding member orders.*

In addition to the $10.25 million in retail orders and $5.35 million in retail allotments of bonds, UBS also provided a $0.5 million net designated institutional order, which is uncommon from a co-manager. Of this $0.5 million net designated order, $0.1 million of bonds were allotted, resulting in total allotments of $5.45 million, equaling Wiley Brothers. Given the strong retail performance and the net designated order, we recommend that UBS be named the selling group member elevated to co-manager for THDA's Issue 2023-3.

A summary of the orders and final allotments for each of the last three bond issues is provided as Exhibit A.

**EXHIBIT A: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,**

**LAST THREE BOND ISSUES**

**THDA UNDERWRITER PERFORMANCE SUMMARY -- 2022-3, 2023-1, and 2023-2 ($ thousands)**

| | 2022-3 (Citi lead, Wiley co) 160,000 | | 2023-1 (RJ lead, Wiley co) 140,000 | | 2023-2 (RBC lead, UBS co) 235,000 | | Combined 2022-3 to 2023-2 535,000 | |
|---|---|---|---|---|---|---|---|---|
| | Orders | Allot-ments | Orders | Allot-ments | Orders | Allot-ments | Orders | Allotments |
| **Citigroup** | | | | | | | | |
| Tennessee Retail | 10,320 | 5,185 | 175 | 175 | 185 | 185 | 10,680 | 5,545 |
| National Retail | 6,905 | 4,470 | 3,300 | 2,735 | 11,000 | 4,870 | 21,205 | 12,075 |
| Net Designated | 299,385 | 86,435 | 0 | 0 | 720 | 425 | 300,105 | 86,860 |
| Member | 0 | 9,955 | 10,000 | 0 | 10,000 | 0 | 20,000 | 9,955 |
| Total | 316,610 | 106,045 | 13,475 | 2,910 | 21,905 | 5,480 | 351,990 | 114,435 |
| **Raymond James** | | | | | | | | |
| Tennessee Retail | 24,755 | 18,420 | 19,390 | 15,745 | 4,670 | 4,535 | 48,815 | 38,700 |
| National Retail | 8,740 | 3,280 | 10,380 | 7,080 | 970 | 250 | 20,090 | 10,610 |
| Net Designated | 8,000 | 1,000 | 260,410 | 92,655 | 17,235 | 2,325 | 285,645 | 95,980 |
| Member | 10,000 | 0 | 890 | 585 | 39,125 | 125 | 50,015 | 710 |
| Total | 51,495 | 22,700 | 291,070 | 116,065 | 62,000 | 7,235 | 404,565 | 146,000 |
| **RBC Capital Markets** | | | | | | | | |
| Tennessee Retail | 0 | 0 | 0 | 0 | 9,455 | 8,055 | 9,455 | 8,055 |
| National Retail | 1,730 | 1,280 | 1,535 | 1,535 | 32,005 | 10,770 | 35,270 | 13,585 |
| Net Designated | 12,000 | 1,500 | 0 | 0 | 902,715 | 180,480 | 914,715 | 181,980 |
| Member | 29,560 | 0 | 27,490 | 0 | 1,515 | 425 | 58,565 | 425 |
| Total | 43,290 | 2,780 | 29,025 | 1,535 | 945,690 | 199,730 | 1,018,005 | 204,045 |
| **J.P. Morgan** | | | | | | | | |
| Tennessee Retail | 780 | 510 | 140 | 140 | 550 | 550 | 1,470 | 1,200 |
| National Retail | 7,130 | 3,790 | 4,115 | 2,290 | 3,820 | 1,225 | 15,065 | 7,305 |
| Net Designated | 0 | 0 | 1,540 | 390 | 5 | 5 | 1,545 | 395 |
| Member | 3,000 | 0 | 6,000 | 0 | 15,000 | 0 | 24,000 | 0 |
| Total | 10,910 | 4,300 | 11,795 | 2,820 | 19,375 | 1,780 | 42,080 | 8,900 |
| **Wells Fargo** | | | | | | | | |
| Tennessee Retail | 2,150 | 2,150 | 0 | 0 | 0 | 0 | 2,150 | 2,150 |
| National Retail | 2,375 | 1,740 | 1,780 | 1,630 | 5,300 | 1,950 | 9,455 | 5,320 |
| Net Designated | 0 | 0 | 1,650 | 580 | 3,200 | 945 | 4,850 | 1,525 |
| Member | 10,000 | 0 | 7,000 | 0 | 35,085 | 0 | 52,085 | 0 |
| Total | 14,525 | 3,890 | 10,430 | 2,210 | 43,585 | 2,895 | 68,540 | 8,995 |
| **Duncan-Williams** | | | | | | | | |
| Tennessee Retail | 1,250 | 1,250 | 0 | 0 | 0 | 0 | 1,250 | 1,250 |
| Total | 1,250 | 1,250 | 0 | 0 | 0 | 0 | 1,250 | 1,250 |
| **Bancroft** | | | | | | | | |
| National Retail | 0 | 0 | 1,700 | 1,600 | 13,750 | 4,350 | 15,450 | 5,950 |
| Total | 0 | 0 | 1,700 | 1,600 | 13,750 | 4,350 | 15,450 | 5,950 |
| **FHN Financial** | | | | | | | | |
| Tennessee Retail | 100 | 100 | 0 | 0 | 0 | 0 | 100 | 100 |
| Member | 0 | 0 | 0 | 0 | 2,000 | 0 | 2,000 | 0 |
| Total | 100 | 100 | 0 | 0 | 2,000 | 0 | 2,100 | 100 |
| **Fifth Third** | | | | | | | | |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Robert W. Baird & Co.** | | | | | | | | |
| Tennessee Retail | 10,220 | 6,590 | 690 | 690 | 830 | 830 | 11,740 | 8,110 |
| Total | 10,220 | 6,590 | 690 | 690 | 830 | 830 | 11,740 | 8,110 |
| **UBS** | | | | | | | | |
| Tennessee Retail | 200 | 200 | 4,900 | 4,900 | 5,000 | 5,000 | 10,100 | 10,100 |
| National Retail | 750 | 650 | 1,375 | 1,205 | 5,250 | 350 | 7,375 | 2,205 |
| Net Designated | 0 | 0 | 0 | 0 | 500 | 100 | 500 | 100 |
| Member | 0 | 0 | 5 | 0 | 8,400 | 0 | 8,405 | 0 |
| Total | 950 | 850 | 6,280 | 6,105 | 19,150 | 5,450 | 26,380 | 12,405 |
| **Wiley Bros-Aintree** | | | | | | | | |
| Tennessee Retail | 14,550 | 11,495 | 6,000 | 6,000 | 5,450 | 5,450 | 26,000 | 22,945 |
| Member | 8,000 | 0 | 0 | 0 | 0 | 0 | 8,000 | 0 |
| Total | 22,550 | 11,495 | 6,000 | 6,000 | 5,450 | 5,450 | 34,000 | 22,945 |
| **TOTAL** | | | | | | | | |
| Tennessee Retail | 64,325 | 45,900 | 31,295 | 27,650 | 26,140 | 24,605 | 121,760 | 98,155 |
| National Retail | 27,630 | 15,210 | 24,185 | 18,075 | 72,095 | 23,765 | 123,910 | 57,050 |
| Net Designated | 319,385 | 88,935 | 263,600 | 93,625 | 924,375 | 184,280 | 1,507,360 | 366,840 |
| Member | 60,560 | 9,955 | 51,385 | 585 | 111,125 | 550 | 223,070 | 11,090 |
| Total | 471,900 | 160,000 | 370,465 | 139,935 | 1,133,735 | 233,200 | 1,976,100 | 533,135 |

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2023-3
July 25, 2023

Pursuant to TCA Section 13-23-120(e)(4):

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2023-3 (the "Bonds"), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the "General Resolution").

The aggregate principal amount of the Bonds shall not exceed $325,000,000. The actual aggregate principal amount shall be determined by the Authorized Officer appointed by the THDA Board of Directors (the "Authorized Officer") upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA's Bond Counsel and may take into account the following limitations and other factors:

(1) the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and

(2) the amount of Bonds which may be issued to refund bonds or notes outstanding under the General Resolution and/or the General Housing Finance Resolution (the "2009 Resolution") to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and

(3) the amount of Bonds that may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans and program securities financed from available THDA funds or other financing sources prior to the availability of proceeds from the Bonds; and

(4) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and

(5) the availability of THDA's funds, subject to the review of the Authorized Officer, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and

(6) the amount of resources (loans and cash) available under the 1985 General Resolution to over collateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

APPLICATION
OF PROCEEDS:

Proceeds of the Bonds will be applied to (i) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the General Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof (iii) to finance Program Loans upon the refunding or conversion thereof; and (iv) other uses as specified below in approximately the following amounts:

- 90% for single-family first lien mortgage loans, refinancing outstanding bonds;
- 8% for bond reserve;
- 1% for capitalized interest; and
- 1% for cost of issuance and underwriter's discount/fee.

DATE, METHOD AND
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than November 31, 2023. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.

MATURITIES:

The Bonds may be any combination of tax-exempt and/or taxable long and/or short term serial, term, convertible option, and/or discounted or premium bonds as may be determined by the Authorized Officer. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance.

BOND INTEREST RATES:

The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum.

REDEMPTION TERMS:

The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Authorized Officer.

LOAN INTEREST RATES AND
COST OF ADMINISTRATION:

Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA's costs of administration for the Bonds may be paid. The minimum spread necessary to finance the Issue 2023-3 Program Loans may be as low as 60 basis points.

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2023-3
July 25, 2023

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the "Act"), the Bond Finance Committee of the THDA Board of Directors (the "Committee"), on July 25, 2023, approved a plan of financing for Residential Finance Program Bonds, Issue 2023-3 (the "Bonds") in an aggregate par amount not to exceed $325,000,000 (the "Plan of Financing"); and

WHEREAS, the Plan of Financing provides for the Bonds to be issued as additional series of long term and/or short term tax-exempt and/or taxable bonds, including convertible option bonds, with fixed interest rates, under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the "General Resolution") and to be sold by competitive or negotiated sale, all at the election of the Authorized Officer; and

WHEREAS, THDA on January 24, 2023, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 24, 2023, primary housing costs exceed 25% of an average Tennessee household's gross monthly income; and

WHEREAS, pursuant to Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"), THDA must conduct a public hearing regarding the issuance of the Bonds and submit the results of the public hearing to the Governor of the State of Tennessee for approval; and

WHEREAS, THDA proposes to distribute a preliminary official statement (the "Preliminary Official Statement") to prospective purchasers and has proposed to make available to the respective purchasers a final official statement (the "Official Statement") with respect to the Bonds; and

WHEREAS, the Board wishes to authorize the Authorized Officer to proceed with the issuance and sale of the Bonds to provide funds for THDA's programs in accordance with the Plan of Financing and this Resolution.

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

1. The Secretary of the Committee, or in the absence of the Secretary of the Committee, an officer designated by the Secretary of the Committee is appointed as the authorized officer (the "Authorized Officer") and is authorized to sell the Bonds and to fix the details of the Bonds in accordance with the Plan of Financing and this Resolution.

2. The issuance and sale of the Bonds, in an aggregate par amount not to exceed $325,000,000, with the final terms, all as determined by the Authorized Officer pursuant to the Plan of Financing and upon the recommendation of THDA's Financial Advisor, and the Executive Director, with the approval of THDA's Bond Counsel, is hereby authorized.

3. The resolution titled "A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, $____________ Issue 2023-3A" (Non-AMT), $_____________ Issue 2023-3B (Non-AMT_ and $____________ Issue 2023-3C (Federally Taxable) (the "Supplemental Resolution"), in the form attached hereto, is adopted, subject to the provisions contained herein.

4. THDA is authorized and directed to conduct a public hearing prior to the issuance of the tax-exempt Bonds, to the extent required by the Code, with reasonable public notice and to submit the results of the public hearing to the Governor to obtain the Governor's written approval.

5. The Authorized Officer is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds (including whether or not any of the Bonds are convertible option bonds); (f) approve a final principal amount or amounts, not to exceed a par amount of

$325,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Authorized Officer, upon the recommendation of the Executive Director with the approval of Chief Legal Counsel of THDA and Bond Counsel, as the Authorized Officer shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; (j) select the senior bookrunning manager and the rotating co-manager upon the recommendation of the Financial Advisor and THDA staff; and (k) award the Bonds in accordance therewith. At the discretion of the Authorized Officer, the Bonds may include new volume cap and any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Resolution, under the General Homeownership Program Bond Resolution or under the General Housing Finance Resolution, including, without limitation, to produce proceeds for new mortgage loans or to produce economic savings or opportunities for interest rate subsidies. In addition, the Authorized Officer, at their discretion, may elect to transfer resources from the General Homeownership Program Bond Resolution and/or the General Housing Finance Resolution to the General Resolution in connection with the issuance of the Bonds upon recommendation of the Executive Director or Secretary of the Committee with the approval of Bond Counsel, Financial Advisor and Chief Legal Counsel.

6. The Assistant Secretary of the Committee, with the assistance of Bond Counsel, the Financial Advisor, and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare a Preliminary Official Statement and a final Official Statement for printing and distribution in connection with the issuance and sale of the Bonds.

7. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the competitive sale of all or any portion of the Bonds or all documents, including, without limitation, a purchase agreement or purchase agreements in a form appropriate for a negotiated sale, including a private placement, of all or any portion of the Bonds, as determined to be necessary or appropriate, for a negotiated sale of all or any portion of the Bonds.

8. The Authorized Officer is hereby authorized to execute (i) the proposal submitted by the lowest bidder or bidders in the event of a competitive sale of all or any portion of the Bonds or (ii) purchase agreements in the event of a negotiated sale, including a private placement, of all or any portion of the Bonds, the form of which has been approved by the Authorized Officer, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to deliver the Bonds as appropriate.

9. The Authorized Officer, and the Chair, the Vice-Chair, the Executive Director, the Director of Finance and the Chief Legal Counsel of THDA and other appropriate officers and employees of THDA are hereby authorized to do and perform or cause to be done and performed, for or on behalf of THDA, all acts and things (including, without limitation, execution and delivery of documents) that constitute conditions precedent to the issuance and sale of the Bonds or that are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the issuance and sale of the Bonds.

10. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Supplemental Resolution, as the context indicates.

11. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on July 25, 2023.

**TENNESSEE HOUSING DEVELOPMENT AGENCY**

**A Supplemental Resolution**

**Authorizing the Sale of**

**Residential Finance Program Bonds**

**$__________ Issue 2023-3A (Non-AMT)**

**$__________ Issue 2023-3B (Non-AMT)**

**$__________ Issue 2023-3C (Federally Taxable)**

Adopted July 25, 2023
as approved in its amended and supplemented form
by its Designated Authorized Officer
on __________ __, 2023

4865-0280-3054.2

**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF**

**RESIDENTIAL FINANCE PROGRAM BONDS**
**$__________ ISSUE 2023-3A (Non-AMT)**
**$__________ ISSUE 2023-3B (Non-AMT)**
**$__________ ISSUE 2023-3C (Federally Taxable)**

BE IT RESOLVED by the Board of Directors of the **TENNESSEE HOUSING DEVELOPMENT AGENCY** ("THDA") as follows:

## ARTICLE I

## DEFINITIONS AND AUTHORITY

**Section 1.01. Short Title**. This resolution may hereafter be cited by THDA as the Issue 2023-3 Supplemental Residential Finance Program Bond Resolution.

**Section 1.02. Definitions**.

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled "General Residential Finance Program Bond Resolution" (the "General Resolution") have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

["*400% PSA Prepayment Amount"* means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2023-3A Bonds or a particular Subseries of Long Term Rate Bonds (including Program Securities [and the Transferred Program Loans]) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

"*Bond Amortization Schedule*" shall mean the schedule of principal maturities and sinking fund installments with respect to the 2023-3B Bonds upon conversion of the interest rate thereon to Long Term Rates which schedule shall provide for substantially level debt service determined by the (i) scheduled repayments (net of servicing fees) of Program Loans to be made from bond proceeds, (ii) interest income and scheduled reductions of the Bond Reserve Fund, (iii) interest income from the Revenue Fund and (iv) payment of Trustee fees.

"*Bond Purchase Agreement*" means, collectively, the Issue 2023-3AC Bond Purchase Agreement and the Issue 2023-3B Bond Purchase Agreement.

"*Business Day*" shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.

"*Co-Managers*" means [J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and [________________]].

"*Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*Convertible Bonds*" shall mean all Issue 2023-3B Bonds, with respect to which THDA has not yet exercised its Long Term Option.

*"Designated Authorized Officer"* means the Secretary of the Bond Finance Committee or, in the absence of the Secretary of the Bond Finance Committee, an officer designated by the Secretary of the Bond Finance Committee.

"*DTC*" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

*"Election Certificate"* shall mean a Certificate of an Authorized Officer delivered on an Election Date pursuant to Section 3.02 hereof.

"*Election Date*" shall mean any date on which THDA is required to elect in accordance with Section 3.02 hereof the Short Term Option, the Long Term Option or the Redemption Option with respect to any outstanding Convertible Bonds. Such election must occur on or prior to the 10th day next preceding any Tender Date.

"*Excess 2023-3 Principal Payments*" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2023-3 Bonds or a Subseries of Long Term Rate Bonds (including Program Securities [and the Transferred Program Loans][allocable to such Long Term Rate Bonds]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the [Issue 2023-3 Bonds][such Long Term Rate Bonds].

"*Issue 2023-3 Bonds*" means, together, the Issue 2023-3A Bonds and the Issue 2023-3B Bonds.

"*Issue 2023-3A Bonds*" means the Issue 2023-3A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[*"Issue 2023-3A PAC Bonds"* means the Issue 2023-3A Bonds in the aggregate principal amount of $_____ maturity on __________.]

["*Issue 2023-3A PAC Bonds Planned Amortization Amount*" means the cumulative amount of Issue 2023-3A PAC Bonds expected to be redeemed upon the receipt of Excess 2023-3 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

"*Issue 2023-3A Serial Bonds*" means the Issue 2023-3A Bonds which are not Issue 2023-3A Term Bonds.

"*Issue 2023-3A Term Bonds*" means, collectively, the Issue 2023-3A Bonds maturing [__________, _____, and __________].

"*Issue 2023-3AC Bond Purchase Agreement*" means the contract for the purchase of the Issue 2023-3A Bonds and the Issue 2023-3C Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

["*Issue 2023-3B Bond Purchase Agreement*" means the contract for the purchase of the Issue 2023-3B Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.]

"*Issue 2023-3B Bonds*" means the Issue 2023-3B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing, which Issue 2023-3B Bonds shall include the Convertible Bonds and the Long Term Rate Bonds of such Series.

[*"Issue 2023-3B PAC Bonds"* means, if so designated in an Election Certificate on any Election Date, the last Term Bond of any Subseries of Long Term Rate.]

["*Issue 2023-3B PAC Bonds Planned Amortization Amount*" means the cumulative amount relating to a Subseries of Long Term Rate Bonds expected to be redeemed upon the receipt of Excess 2023-3 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

"*Issue 2023-3B Serial Bonds*" means the Issue 2023-3B Bonds which are not Term Bonds.

"*Issue 2023-3B Tender Date*" shall mean (i) the initial Tender Date for 100% of the Issue 2023-3B Convertible Bonds of [_______________], unless THDA designates a Business Day occurring on or after [_______________], as the initial Tender Date for all or a portion of the Issue 2023-3B Convertible Bonds in accordance with Section 3.01 and, if applicable, (ii) the Tender Dates thereafter for any Issue 2023-3B Bonds shall be any Business Day occurring on or before [_______________], as designated by THDA in accordance with Section 3.01; provided, that Long Term Rate Bonds shall not be subject to mandatory tender on any Tender Date and provided further that the last Issue 2023-3B Tender Date shall be [_______________], if there are any Issue 2023-3B Convertible Bonds outstanding on such date.

"*Issue 2023-3B Term Bonds*" means, subsequent to the conversion of the interest rate thereon to Long Term Rates, collectively, the Issue 2023-3B Bonds maturing [__________, _____, and __________].

"*Issue 2023-3C Bonds*" means the Issue 2023-3C Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[*"Issue 2023-3C PAC Bonds"* means the Issue 2023-3C Bonds in the aggregate principal amount of $_____ maturity on __________.]

["*Issue 2023-3C PAC Bonds Planned Amortization Amount*" means the cumulative amount of Issue 2023-3C PAC Bonds expected to be redeemed upon the receipt of Excess 2023-3 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

"*Issue 2023-3C Serial Bonds*" means the Issue 2023-3C Bonds which are not Term Bonds.

"*Issue 2023-3C Term Bonds*" means, collectively, the Issue 2023-3C Bonds maturing [__________, _____, and __________].

"*Issue Date*" means the date on which the Issue 2023-3 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on [_____ __], 2023.

"*Long Term Option*" shall have the meaning set forth in Section 3.02(a) hereof.

"*Long Term Rate*" shall have the meaning set forth in Section 3.02(a) hereof.

"*Long Term Rate Bonds*" shall mean all Issue 2023-3B Bonds for which the Long Term Option has been exercised, which Bonds bear interest at fixed interest rates to their maturity or prior redemption.

*"MSRB"* means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

"*Official Statement*" means the Official Statement dated [__________ __], 2023 used in connection with the sale of the Issue 2023-3 Bonds.

"*Notification Date*" shall mean any date on which the Trustee is required to send a Tender Notice to owners of Convertible Bonds in accordance with Section 3.03 hereof. Such Tender Notice must be sent on or prior to the 15th day next preceding a Tender Date.

["*PAC Bonds*" means, collectively, the Issue 2023-3A PAC Bonds, the Issue 2023-3B PAC Bonds and the Issuer 2023-3C PAC Bonds.]

["*PAC Bonds Planned Amortization Amount*" means, collectively, the Issue 2023-3A Planned Amortization Amount, the Issue 2023-3B Planned Amortization Amount, and the Issue 2023-3C Planned Amortization Amount.]

"*Preliminary Official Statement*" means the Preliminary Official Statement dated [__________ __], 2023 used in connection with the offering of the Issue 2023-3 Bonds.

"*Rating Agency*" shall mean Moody's Investors Service, Inc. (or any successor thereto), and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLP business (or any successor thereto).

"*Redemption Option*" shall have the meaning set forth in Section 3.02(c) hereof.

["*Refunded Bonds*" means, the THDA bonds [listed in Exhibit D hereto][set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2023-3 Bonds.]

"*Remarketing Agent*" means the Remarketing Agent appointed in accordance with Section 3.04 of this Resolution.

"*Remarketing Agreement*" means the Remarketing Agreement for the remarketing of the Convertible Bonds by and between THDA and the Remarketing Agent referred to in Section 3.04 of this Resolution which shall constitute the Remarketing Agreement for purposes of the Resolution.

*"Remarketing Costs"* means any costs associated with the remarketing of any Short Term Rate Bonds or the conversion of any Issue 2023-3B Bonds to Long Term Rate Bonds, including fees of the Remarketing Agent, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the remarketing of the Issue 2023-3B Bonds.

"*Resolution*" means this Supplemental Resolution adopted by THDA on July 25, 2023, as approved in its amended and supplemented form by the Designated Authorized Officer on [__________ __], 2023.

"*Serial Bonds*" means, collectively, the Issue 2023-3A Serial Bonds, the Issue 2023-3B Serial Bonds, and the Issue 2023-3C Serial Bonds.

"*Short Term Option*" shall have the meaning set forth in Section 3.02(b) hereof.

"*Short Term Rate*" shall mean the short-term adjustable interest rate (i) initially borne by the Convertible Bonds upon issuance and (ii) pursuant to the Short Term Option set forth in Section 3.02(b) hereof.

"*Subseries*" shall mean any subseries of Issue 2023-3 Bonds established pursuant to this Resolution and references to the Bonds of any Subseries shall include all Bonds at any particular point in time designated as the Bonds of such Subseries in accordance with the provisions of this Resolution.

"*Tender Date*" shall mean any date on which all or a portion of Convertible Bonds become subject to mandatory tender for purchase by the Trustee, including any Issue 2023-3B Tender Date.

"*Term Bonds*" means, collectively, the Issue 2023-3A Term Bonds, the Issue 2023-3B Term Bonds, and the Issue 2023-3C Term Bonds.

["*Transferred Investments*" means amounts on deposit in certain funds and accounts of THDA allocated to any Refunded Bonds relating to the Issue 2023-3A Bonds or a Subseries of Long Term Rate Bonds which are allocated to such Long Term Bonds upon the refunding of such Refunded Bonds.]

["*Transferred Proceeds*" means the sum of $__________ on deposit in the Issue 2023-3 Bond Subaccount of the Loan Fund subsequent to the refunding of any Refunded Bonds.]

["*Transferred Program Loans*" means the Program Loans allocable to any Refunded Bonds which are allocated to the Issue 2023-3A Bonds or a Subseries of Long Term Rate Bonds upon the refunding of such Refunded Bonds.]

"*Underwriters*" means, collectively, [Citigroup Global Markets Inc., Raymond James & Associates, Inc., and RBC Capital Markets, LLC], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2023-3 Bonds.

(c) Unless the context otherwise indicates, words of the masculine gender will be deemed and construed to include correlative words of feminine and neuter genders, words importing the singular number include the plural number and vice versa, and words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

(e) [Unless the context otherwise indicates, the term "Program Loan" as used herein shall include any Transferred Program Loans, as well as new Program Loans, and, without duplication, Program Securities, and the phrase "Program Loans allocable to the Issue 2023-3 Bonds" shall include any Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2023-3 Bonds.]

**Section 1.03. Authority for this Resolution**. This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

## ARTICLE II

## TERMS AND ISSUANCE

**Section 2.01. Issue Amount and Designation**. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2023-3A are hereby authorized to be issued in the aggregate principal amount of $__________, Residential Finance Program Bonds, Issue 2023-3B are hereby authorized to be issued in the aggregate principal amount of $__________, and Residential Finance Program Bonds, Issue 2023-3C are hereby authorized to be issued in the aggregate principal amount of $__________. In addition to the title "Residential Finance Program Bond," the Issue 2023-3 Bonds will bear the additional designation "Issue 2023-3A (Non-AMT)," "Issue 2023-3B (Non-AMT)," and "Issue 2023-3C (Federally Taxable)," as appropriate. The Issue 2023-3 Bonds shall be issued only in fully registered form. The Issue 2023-3A Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds. The Issue 2023-3B Bonds will initially consist of $__________ principal amount of Convertible Bonds. The Issue 2023-3C Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds.

**Section 2.02. Purposes**. [A portion of] the Issue 2023-3A Bonds are being issued to refund the Refunded Bonds. [As a result of such refunding, the Transferred Program Loans, [Transferred Proceeds] and the Transferred Investments will become allocated to the Issue 2023-3 Bonds.] [A portion of] the Issue 2023-3A Bonds, and the Issue 2023-3B Bonds and the Issue 2023-3C Bonds are being issued, subsequent to the conversion of the interest rate on any Convertible Bonds to Long Term Rates, (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2023-3 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2023-3 Bonds. Upon the conversion of the interest rate on all or a portion of the Convertible Bonds to Long Term Rate Bonds, amounts on deposit in the Issue 2023-3B Subaccount of the Loan Fund also may be used, if required, to pay certain costs of issuance or remarketing with respect to the Issue 2023-3B Bonds. [As a result of the refunding of the Refunded Bonds, the Transferred Proceeds will become allocated to the Issue 2023-3 Bonds.]

The proceeds of the Issue 2023-3A Bonds [and the [Transferred Proceeds and the] Transferred Investments] shall be applied in accordance with Article IV hereof.

Prior to the initial Issue 2023-3B Tender Date, all moneys made available from the issuance of the Issue 2023-3B Bonds shall be deposited in the Issue 2023-3B Subaccount of the Loan Fund, and shall be applied in accordance with Article IV hereof.

**Section 2.03. Amounts, Maturities and Interest Rates**.

(a) The Issue 2023-3A Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [_________], at the rate set opposite such date in the following tables:

**Issue 2023-3A Bonds**

**Serial Bonds**

| Maturity Date | Principal Amount | Interest Rate | Maturity Date | Principal Amount | Interest Rate |
|---|---|---|---|---|---|
| | $ | % | | $ | % |

**Term Bonds**

| Maturity Date | Principal Amount | Interest Rate |
|---|---|---|
| | $ | % |

**Issue 2023-3C Bonds**

**Serial Bonds**

| Maturity Date | Principal Amount | Interest Rate | Maturity Date | Principal Amount | Interest Rate |
|---|---|---|---|---|---|
| | $ | % | | $ | % |

**Term Bonds**

| Maturity Date | Principal Amount | Interest Rate |
|---|---|---|
| | $ | % |

(b) Prior to the conversion of the interest rate on any Issue 2023-3B Bonds to Long Term Rates, such Convertible Bonds shall have a nominal maturity of [______]. The Convertible Bonds shall bear interest at the initial Short Term Rate of [_____]% per annum to, but excluding, the Issue 2023-3B Tender Date, calculated on the basis of a 360-day year of twelve 30-day months.

(c) At such time as THDA elects the Long Term Option with respect to all or a portion of the Convertible Bonds, the Issue 2023-3B Bonds with respect to which such an election shall have been made shall bear interest at the Long Term Rate (calculated on the basis of a 360-day year of twelve 30-day months) and shall mature on each January 1 and July 1 commencing on the first January 1 or July 1 which is at least twelve months subsequent to the date of conversion of the interest rate on the 2023-3B Bonds to Long Term Rates through and including July 1, [____], and on January 1, [____], July 1, [____], January 1, [____] and July 1, [____], each in the principal amounts determined by application of the related Bond Amortization Schedule.

Notwithstanding the foregoing, in the event that the application of the Bond Amortization Schedule results in a principal amount of Issue 2023-3B Bonds that is to mature or to be redeemed on any date which is not an integral multiple of $5,000, then the amount of such principal shall be rounded up to the next integral multiple of $5,000 and the principal amount of the final maturity of the Issue 2023-3B Bonds which are being converted to the Long Term Rate shall be reduced by a corresponding amount.

[The maturity dates for the Issue 2023-3B Bonds set forth above may be modified and the Issue 2023-3B Bonds which are to be converted to Long Term Rates shall be modified to incorporate [PAC Bonds], capital appreciation bonds and tender option bonds; provided, that (i) the Remarketing Agent delivers a certificate to the Trustee, THDA and Bond Counsel to the effect that the proposed changes in the maturity dates and structure of the Issue 2023-3B Bonds result in the lowest net interest cost to THDA that permits THDA to originate 30 year mortgages; (ii) the Trustee receives an opinion from Bond Counsel to the effect that such proposed changes do not adversely affect the exclusion of interest on the Issue 2023-3B Bonds from gross income for federal income tax purposes and that such proposed changes are permitted under the General Resolution and this Resolution; and (iii) written confirmation from the Rating Agencies that the proposed changes will not, in and of themselves, cause the ratings on the Issue 2023-3B Bonds to be adversely affected.]

(d) The Issue 2023-3B Bonds shall be dated their date of issuance and shall bear interest from that date to, but excluding, their respective Tender Date, and, if THDA selects the Short Term Option (as described below) in connection with such Tender Date or any subsequent Tender Date with respect to all or a portion of the Issue 2023-3B Bonds, then such Issue 2023-3B Bonds shall bear interest at the Short Term Rate (as defined in Section 3.02(b) hereof) from and including such Tender Date to, but excluding, the next succeeding Tender Date.

Prior to the first Issue 2023-3B Tender Date, interest on the Issue 2023-3B Bonds bearing interest at a Short Term Rate shall be payable on [July 1, ____], and the first Tender Date with respect thereto.

Subsequent to the first Tender Date, Issue 2023-3B Bonds bearing interest at a Short Term Rate shall be payable on each January 1 and July 1 commencing on the first January 1 or July 1 which is more than sixty days after the related Tender Date and on the next subsequent Tender Date. If THDA selects the Long Term Option in accordance with Section 3.02(a) hereof with respect to all or a portion of the Issue 2023-3B Bonds, then the Issue 2023-3B Bonds which are so converted shall bear interest at the Long Term Rate (as defined in Section 3.02(a) hereof) from the Tender Date on which the Long Term Rate goes into effect with respect to such Issue 2023-3B Bonds until maturity or prior redemption, payable on each January 1 and July 1 thereafter, commencing on the first such January 1 or July 1 which occurs more than sixty days following the Tender Date with respect to which THDA exercised its Long Term Option.

(e) Whenever the due date for payment of interest on or principal of the Issue 2023-3 Bonds or the date fixed for redemption of any Issue 2023-3 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

**Section 2.04. Denominations, Numbers and Letters**.

(a) The Issue 2023-3 Bonds of each Series or Subseries maturing in each year are to be issued in denominations of $5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2023-3 Bonds of each Series or Subseries maturing in such year. The Issue 2023-3 Bonds are to be lettered “R-3A,” “R-3B,” or “R-3C,” as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2023-3 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2023-3 Bond of each Series or Subseries will be outstanding for each maturity and interest rate of each Series or Subseries of the Issue 2023-3 Bonds in the aggregate principal amount of such maturity, interest rate and Series or Subseries. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2023-3 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2023-3 Bonds will not receive certificates representing their interest in the Issue 2023-3 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2023-3 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2023-3 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

**Section 2.05. Paying Agent**. The Trustee is hereby appointed as paying agent for the Issue 2023-3 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

**Section 2.06. Execution of Bonds**. The Issue 2023-3 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2023-3 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2023-3 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2023-3 Bonds upon instructions from THDA to that effect.

**Section 2.07. Place of Payment; Record Date**. While the Issue 2023-3 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2023-3 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2023-3 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2023-3 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2023-3 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2023-3 Bonds in a principal amount equal to or exceeding $1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2023-3 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

**Section 2.08. Sinking Fund Redemption Provisions**.

(a) The Issue 2023-3A Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2023-3 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

**Issue 2023-3A Term Bonds due __________**

| **Date** | **Amount Due** | **Date** | **Amount Due** |
|---|---|---|---|
| | **$** | | **$** |

*Maturity

**Issue 2023-3A Term Bonds due ___________**

| **Date** | **Amount Due** | **Date** | **Amount Due** |
|---|---|---|---|
| | **$** | | **$** |

*Maturity

**Issue 2023-3C Term Bonds due ___________**

| **Date** | **Amount Due** | **Date** | **Amount Due** |
|---|---|---|---|
| | **$** | | **$** |

*Maturity

(a) The Issue 2023-3B Bonds that are Term Bonds are subject to redemption in part by lot on each January 1 and July 1 as set forth in the Bond Amortization Schedule at a Redemption Price equal to 100% of the principal amount thereof plus interest accrued to the date of redemption from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem the Term Bonds specified for each of the dates in Section 2.03(e).

(b) Upon the purchase or redemption of Issue 2023-3 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2023-3 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2023-3 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2023-3 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

**Section 2.09. Optional Redemption**. The Issue 2023-3A Bonds maturing on and after [________] [other than the Issue 2023-3A PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [________] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

[[The Issue 2023-3A PAC Bonds are subject to redemption at the option of THDA, either as a whole or in part at any time or on or after [________] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

| **Period** | **PAC Bond Redemption Price** |
|---|---|
| [________] to [__________] | [_____]% |
| [__________] and thereafter | [_____]] |

The 2023-3B Bonds bearing interest at a Short Term Rate shall be subject to redemption prior to maturity at the option of THDA in whole or in part on a Tender Date for such Bonds at a Redemption Price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption.

The 2023-3B Bonds bearing interest at Long Term Rates shall be subject to redemption prior to maturity at the option of THDA, in whole or in part at any time on or after the first January 1 or July 1 subsequent to the [ninth] anniversary of the conversion of interest on such Bonds to Long Term Rates, at Redemption Prices (expressed as percentages of the principal amount of the Bonds or portions thereof to be redeemed) together with interest accrued to the date of redemption, during the applicable period listed below:

| Redemption Period | Redemption Prices |
|---|---|
| January 1 or July 1 of [ninth] year following Long Term Rate conversion through the succeeding December 31 or June 30, as applicable | 101% |
| January 1 or July 1 of [tenth] Year following Long Term Rate Conversion and thereafter | 100 |

**Section 2.10. Special Optional Redemption**. The Issue 2023-3A Bonds, the Issue 2023-3C Bonds, and, subsequent to their conversion to Long Term Rate Bonds, the Issue 2023-3B Bonds, are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of such Issue 2023-3 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including Program Securities [and the Transferred Program Loans]) allocated to the Issue 2023-3 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2023-3 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2023-3 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that any PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2023-3 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2023-3 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that any PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2023-3 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

**Section 2.11. Special Mandatory Redemptions**.

(a) ***Unexpended Proceeds.*** The Issue 2023-3A Bonds are subject to mandatory redemption on [_________] in the event and to the extent that there are unexpended proceeds of the Issue 2023-3A Bonds [in excess of $[_______] on deposit in the Issue 2023-3AC Subaccount of the Loan Fund on [_______]; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 5.02 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2023-3A Bonds are subject to mandatory redemption on [______ __, _____], to the extent any proceeds of the Issue 2023-3A Bonds remain on deposit in the Issue 2023-3AC Subaccount of the Loan Fund on [______ __, _____].

The Issue 2023-3B Bonds are subject to mandatory redemption in whole or in part at 100% of the principal amount thereof, plus accrued interest, on [______], from the unexpended proceeds of the Issue 2023-3B Bonds in excess of $249,999 on deposit in the Issue 2023-3B Subaccounts of the Loan Fund which have not been utilized to finance Program Loans prior to [_______]. Such redemption shall be paid out of all of the unexpended proceeds in the Issue 2023-3B Subaccounts of the Loan Fund made available from the issuance of the Issue 2023-3B Bonds and the investment income therefrom

The redemption price of the Issue 2023-3 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for any PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2023-3 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that any PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2023-3 Bonds then Outstanding.

(b) [***Excess 2023-3 Principal Payments (PAC Bonds)***. The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2023-3 Principal Payments. Any Excess 2023-3 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [_________]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any Issue 2023-3 PAC Bonds remain Outstanding, Excess 2023-3 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to a Series or Subseries of Issue 2023-3 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the related 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2023-3 Principal Payments shall first be applied to redeem such PAC Bonds up to an amount correlating to the related PAC Bonds Planned Amortization Amount, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than such PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to a Series or Subseries of the Issue 2023-3 Bonds (including Program Securities [and the Transferred

Program Loans]) are in excess of the related 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2023-3 Principal Payments shall first be applied to redeem such PAC Bonds up to an amount correlating to the related PAC Bonds Planned Amortization Amount (as set forth in "FIRST" above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including such PAC Bonds (any such remainder used to redeem such PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2023-3 Principal Payments which is in excess of the related 400% PSA Prepayment Amount, and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of such PAC Bonds' proportionate amount of all Issue 2023-3 Bonds then Outstanding.

The Issue 2023-3A PAC Bonds Planned Amortization Amount and the Issue 2023-3A 400% PSA Prepayment Amount set forth in Exhibit B hereto, any Issue 2023-3B PAC Bonds Planned Amortization Amount and Issue 2023-3B 400% PSA Prepayment Amount determined for the Issue 2023-3B PAC Bonds, and the Issue 2023-3C PAC Bonds Planned Amortization Amount and Issue 2023-3C 400% PSA Prepayment Amount set forth in Exhibit B hereto, are each subject to proportionate reduction to the extent the related PAC Bonds are redeemed from amounts on deposit in the Issue 2023-3 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

(c) **Ten Year Rule**.

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2023-3 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2023-3 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2023-3 Bonds (or the date of original issuance of the bonds refunded by the Issue 2023-3 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2023-3 Bonds on or before the next Interest Payment Date with respect to the Issue 2023-3 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2023-3 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2023-3 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that any PAC Bonds may be redeemed in an amount that exceeds the related PAC Bonds Planned Amortization Amount only if there are no other Issue 2023-3 Bonds Outstanding.

(d) *Mandatory Redemption of Issue 2023-3B Bonds Bearing Interest at Short Term Rate*. The Issue 2023-3B Bonds bearing interest at a Short Term Rate shall be subject to mandatory redemption on any related Tender Date, in whole or in part by lot, from proceeds of such Issue 2023-3B Bonds on deposit in the Issue 2023-3B Subaccount of the Loan Fund, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the event such Issue 2023-3B Bonds have been tendered, or deemed tendered, for purchase on such Tender Date and the conversion to Long Term Rate Bonds does not occur or such Issue 2023-3B Bonds are not remarketed. No notice of redemption shall be given with respect to a redemption under this Section 2.11(d).

(e) *Selection of Bonds Subject to Mandatory Redemption*. THDA shall direct redemptions pursuant to subsections 2.11(a) and (b) hereof pro rata among all maturities of the related Subseries of Issue 2023-3B Bonds bearing interest at Long Term Rates, as applicable, then outstanding unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of such Subseries of Issue 2023-3B Bonds bearing interest at Long Term Rates, to be redeemed.

**Section 2.12. Selection by Lot**. If less than all of the Issue 2023-3 Bonds of like Series or Subseries and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

**Section 2.13. Purchase of Bonds by THDA or Trustee**. Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.

## ARTICLE III

## TENDER, REMARKETING AND PURCHASE OF CONVERTIBLE BONDS AND LONG TERM RATE LOANS

**Section 3.01. Designation of Tender Dates [and Rate Estimation].** The Convertible Bonds are subject to mandatory tender in whole or in part on each related Tender Date; provided, however, that 100% of the Issue 2023-3B Convertible Bonds are subject to mandatory tender on [_______________]. THDA may designate a Tender Date other than the stated Tender Date (any Business Day on or after [_______________] in relation to the Issue 2023-3B Bonds, with respect to the first Tender Date for such Issue 2023-3B Bonds) for all or a portion of the Convertible Bonds for which funds are on deposit in the Issue 2023-3B Subaccount of the Loan Fund and shall pay the purchase price thereof in accordance herewith in the event of a failed remarketing by giving written notice of such designation to the Trustee, the Remarketing Agent and each Rating Agency no later than the 25th day prior to such Tender Date. (Such written notice to the Trustee shall also contain the direction for the Trustee to give Tender Notices as set forth in Section 3.03). THDA may specify in such written designation a period of time prior to the designated Tender Date during which THDA may not designate an earlier Tender Date. If only a portion of the Convertible Bonds are to be subject to tender on such Tender Date, then the Trustee shall select by lot which Convertible Bonds will be subject to tender on such Tender Date and such Convertible Bonds shall be given a special Subseries designation to distinguish them from other Convertible Bonds which are not subject to tender on such Tender Date. THDA will evaluate its ability to originate Program Loans and will be required to elect one of the Options described in Section 3.02 hereof on or before the 10th day next preceding each respective Tender Date (each, an "Election Date").

**Section 3.02. Options.** On each Election Date one of three Options must be selected by THDA and the Option selected will be effective as to all or a specified portion of the Convertible Bonds, as the case may be, on the next succeeding Tender Date. The Options are that the Convertible Bonds, or a specified portion thereof, will be:

(a) remarketed as serial and term bonds (including a PAC Bond, if so elected pursuant to the terms of this Section 3.02) having the maturity and redemption provisions described in Article II hereof and bearing long term interest rates determined by negotiated (including, without limitation, a private placement) or competitive sale, at THDA's option, as necessary to market such Convertible Bonds at a purchase price for each maturity equal to 100% of the principal amount thereof (the "Long Term Rate") from and including the applicable Tender Date next following THDA's exercise of its Long Term Option to the respective maturity dates of such Convertible Bonds, with such maturity dates determined in accordance with Section [_____] hereof (the "Long Term Option");

(b) remarketed as term bonds having the maturity and redemption provisions described herein, but subject to mandatory tender on the next succeeding applicable Tender Date and bearing a short term rate determined by negotiated (including, without limitation, a private placement) or competitive sale, at THDA's option, as necessary to market such Convertible Bonds at a purchase price equal to 100% of the principal amount thereof (the "Short Term Rate") from and including the Tender Date immediately following THDA's exercise of its Short Term Option to, but excluding, the next succeeding Tender Date which must be designated by THDA in accordance with Section 3.01 at the time THDA exercises its Short Term Option (the "Short Term Option"); or

(c) redeemed at par pursuant to Section 2.09(b) hereof (the "Redemption Option") (the Long Term Option, the Short Term Option and the Redemption Option are hereinafter collectively called the "Options").

THDA shall elect the Long Term Option with respect to all or a portion of the Convertible Bonds with respect to which an election is being made if prevailing market conditions are such that such Bonds can be remarketed at a Long Term Rate which will enable THDA to implement THDA's program of financing Program Loans. THDA's determination shall be based on, among other things, whether, under prevailing financial market conditions, the Long Term Rate which the Issue 2023-3B Bonds would bear would be low enough to enable mortgagors to afford Program Loans and the mortgage lenders to commit to originate Program Loans and whether such remarketing is economically advantageous to THDA and otherwise satisfies the financial objectives of THDA. THDA may elect the Long Term Option for all or part of such Convertible Bonds. The Short Term Option or the Redemption Option is available to THDA only in the event that the prevailing financial conditions do not warrant THDA electing the Long Term Option prior to any Tender Date. On the last applicable Tender Date, THDA may only elect between the Long Term Option and the Redemption Option.

THDA may elect to include a PAC Bond as part of its Long Term Option only so long as [PAC test/requirement language to be provided]. Any election to include a PAC Bond in such

Long Term Option must be designated in the Election Certificate delivered in connection with the related Tender Date.

In order to elect either the Short Term Option or the Long Term Option, THDA must notify the Rating Agencies of its election and deliver to them such information as they may require. In addition, in order to elect either the Long Term Option or the Short Term Option, THDA shall deliver to the Trustee (a) a Projected Cash Flow Statement, (b) a Bond Counsel Option to the effect that THDA's choice of such Option will not affect the validity of such Bonds or adversely affect the exclusion of interest on such Bonds from the gross income of the recipient thereof for federal income tax purposes, (c) written confirmation from each Rating Agency to the effect that such election will not adversely affect the then existing rating on any Bonds Outstanding, and (d) an Election Certificate.

Each Election Certificate shall set forth (a) the related Series, (b) the Outstanding principal amount of such Series on such Election Date, (c) the Option selected for such principal amount, or, if more than one Option is selected, the principal amount of such Series or Subseries relating to each Option, including the Subseries designation for each such Option, (d) the next Tender Date (including any lockout period) relating to any Series or Subseries, if any, with a Short Term Rate, (e) whether or not a PAC Bond is included in any Subseries of Bonds with a Long Term Rate, (f) the Bond Amortization Schedule for each Subseries with a Long Term Rate, and (g) the Planned Amortization Amounts relating to the PAC Bond, if any.

**Section 3.03. Notification of Each Tender Date.** On or prior to the 15th day next preceding each Tender Date, THDA will direct the Trustee to deliver to the registered owner or owners of Convertible Bonds subject to mandatory tender, by registered or first class mail, a notice of tender (the "Tender Notice") no later than the Notification Date. Notwithstanding the foregoing, so long as Cede & Co., as nominee of DTC, is the registered owner of all Convertible Bonds, such Tender Notice shall be delivered solely to Cede & Co. by registered or first class mail, or such other method of notification as shall be acceptable to DTC.

The Tender Notices with respect to the Issue 2023-3B Bonds shall state in substance that (a) the Convertible Bonds which are subject to mandatory tender on the next Tender Date are required to be tendered for mandatory purchase on the next Tender Date (which date shall be specified in the Tender Notice) at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon to the purchase date; (b) the registered Bondowner will be entitled only to the payment of the purchase price equal to 100% of the principal amount of his Convertible Bonds plus accrued interest to the applicable Tender Date but will not be entitled to the payment of interest which accrues on his Convertible Bonds from and after such Tender Date; (c) such registered Bondowner must deliver his Convertible Bonds to the Trustee not later than 10:30 A.M., New York City time, on the next Tender Date duly endorsed in blank for transfer.

**Section 3.04. Remarketing of Tendered Bonds.** THDA shall select an investment banking firm, financial advisory firm or other entity experienced in the sale or placement of qualified mortgage revenue bonds to serve as Remarketing Agent with respect to the Convertible Bonds either through negotiation (including, without limitation, the placement thereof with an institutional investor) or competitive sale. THDA shall direct the Remarketing Agent to offer, the Convertible Bonds (or portions thereof) in the amount required to be tendered for purchase. The Remarketing Agent shall offer for sale and use its best efforts to sell, or negotiate the sale or private placement of, the Convertible Bonds (or portions thereof) of each maturity at a price equal to 100%

of the principal amount thereof. The Remarketing Agent shall notify the Trustee no later than one Business Day (or two Business Days if THDA elects the Long Term Option) preceding the applicable Tender Date, of the amount remarketed, their maturities and interest rates. Any portion of the Convertible Bonds not remarketed shall be redeemed by the Trustee with moneys made available from proceeds of such Bonds on deposit in the Issue 2023-3B Subaccount of the Loan Fund, as applicable.

**Section 3.05. Payment of Tendered Convertible Bonds.**

(a) *Application of Remarketing Account*. The Trustee shall establish hereunder a Remarketing Account and shall deposit therein proceeds received from the remarketing of the Convertible Bonds.

(b) *Payment of Tendered Bonds*. On each Tender Date, the Trustee shall purchase the amount of the Convertible Bonds which have been tendered to the extent proceeds for such purchase are available in the Remarketing Account. Any portion of a Convertible Bond which has been tendered but not remarketed shall be redeemed by the Trustee with moneys available in the Issue 2023-3B Subaccount of the Loan Fund, as applicable, which are attributable to the proceeds of such unremarketed Convertible Bonds.

## ARTICLE IV

## SALE AND DELIVERY

**Section 4.01. Sale**.

(a) The Issue 2023-3 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Board of Directors of THDA hereby authorizes the Designated Authorized Officer to approve the purchase price of the Issue 2023-3 Bonds and to execute the Bond Purchase Agreement.

(b) The Designated Authorized Officer of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2023-3 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Designated Authorized Officer are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2023-3 Bonds to the public is hereby authorized and approved.

(c) The Issue 2023-3 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2023-3 Supplemental Resolution.

## ARTICLE V

## DISPOSITION OF PROCEEDS AND OTHER MONEYS

**Section 5.01. Loan Fund; Bond Reserve Fund Requirement**. Upon receipt of the proceeds of the sale of the Issue 2023-3 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2023-3 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2023-3 Bonds. Amounts on deposit in the Issue 2023-3B Subaccount of the Loan fund shall not be applied to finance Program Loans until the interest rates on all or a portion of the Issue 2023-3B Bonds are converted to Long Term Rate Bonds. Amounts on deposit in the Issue 2023-3AC Bond Subaccount of the Loan Fund in excess of $[__________], [together with the Transferred Proceeds,] shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 5.04 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Upon the conversion of any Issue 2023-3B Bonds to a Long Term Rate Bonds, THDA shall deposit the proceeds of such Long Term Rate Bonds, together with any contribution from THDA of available THDA funds, in a Subseries subaccount of the related Issue 2023-3B Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable; such deposits shall be as set forth in a certificate of THDA delivered on or prior to the date of conversion of any Issue 2023-3B Bonds to Long Term Rate Bonds. Such proceeds may be (a) applied to the refunding of Refunded Bonds, if any, (b) deposited to the Issue 2023-3B Subaccount of the Bond Fund in any amount required to meet the Bond Reserve Requirement for such Series, and (c) applied to the payment of Remarketing Costs; all remaining proceeds may be applied to finance Program Loans, or participations therein, in accordance with the provisions of the General Resolution and Section 5.04 hereof.

Amounts on deposit in a Subseries subaccount of any the Issue 2023-3 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of the related Issue 2023-3 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2023-3 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2023-3 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2023-3 Bonds shall not exceed 2% of the proceeds of the Issue 2023-3 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2023-3 Bond Subaccount of the Loan Fund allocable to the new money proceeds of the Issue 2023-3 Bonds which are to be used to finance Program Loans shall be made available for owner financing of "targeted area residences" (as defined in Section 143(j) of the Code) for a period of one year subsequent to the date on which such funds are first made available to finance Program Loans, unless THDA shall receive an opinion of Bond Counsel to the effect that the failure to make such moneys available will not adversely affect the exclusion of interest on the Issue 2023-3 Bonds from the gross income of the owners thereof for federal income tax purposes.

The Bond Reserve Fund Requirement with respect to the Issue 2023-3 Bonds and any Subseries of Long Term Rate Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to such Series or Subseries of the Issue 2023-3 Bonds plus the amount on deposit in the related Issue 2023-3 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

**Section 5.02. Proceeds of Issue 2023 Bonds**. Proceeds of the Issue 2023-3A Bonds, Issue 2023-3B Bonds and Issue 2023-3C Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited (a) in the principal amount of $[_______], in the Issue 2023-3AC Bond Subaccount of the Loan Fund, and (b) in the principal amount of $[_______], in the Issue 2023-3B Bond Subaccount of the Loan Fund. [On the Issuance Date, $[__________] of the amount on deposit in the Issue 2023-3AC Bond Subaccount of the Loan Fund [(representing [the principal] [a portion of] the proceeds of the Issue 2023-3A Bonds)] shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans [and the Transferred Proceeds] shall be credited to the Issue 2023-3 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]]

**Section 5.03. Investment of Proceeds of Issue 2023-3B Bonds.** The proceeds of the Issue 2023-3B Bonds bearing interest at a Short Term Rate shall be invested in Investment Securities which mature and bear interest in an amount at least equal to the principal of and interest due on such Issue 2023-3B Bonds on their Tender Date. Such Investment Securities will secure all Bonds Outstanding under the General Resolution on a parity basis. Notwithstanding the foregoing, THDA hereby covenants and agrees for the benefit of the owners of the Issue 2023-3B Bonds bearing interest at a Short Term Rate, that amounts on deposit in the Issue 2023-3B Subaccount of the Loan Fund shall be used to pay debt service on Bonds other than the Issue 2023-3B Bonds only to the extent that there are no other funds available for such payment under the Resolution.

**Section 5.04. Program Loan Determinations**. No Program Loan shall be financed with proceeds of the Issue 2023-3 Bonds [(including the Transferred Proceeds)] unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the fee simple or leasehold estate, of real property located in the State or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

(a) have been pooled into a Program Security; or

(b) have been insured or guaranteed or have a commitment for insurance or guaranty by (i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or

(c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA), or the sale price of the property securing the Program Loan; or

(d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to issue such insurance or guarantee in the State and approved by THDA, and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or sale price of the property securing the Program Loan, whichever is less.

## ARTICLE VI

## FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

**Section 6.01. Form of Bonds**. Subject to the provisions of the General Resolution, the Issue 2023-3 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

**Section 6.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication**. The Issue 2023-3 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2023-3A (Non-AMT)] [Issue 2023-3B (Non-AMT)] [Issue 2023-3C (Federally Taxable)] of the Tennessee Housing Development Agency.

U.S. BANK TRUST COMPANY NATIONAL ASSOCIATION, as Trustee

By __________________________________
Authorized Officer

## ARTICLE VII

## MISCELLANEOUS

**Section 7.01. No Recourse Against Members or Other Persons**. No recourse may be had for the payment of principal of or premium or interest on the Issue 2023-3 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2023-3 Bonds and neither the members of THDA nor any person executing the Issue 2023-3 Bonds may be liable personally on the Issue 2023-3 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

**Section 7.02. Bonds not Debt, Liability or Obligation of the State or the United States of America**. The Issue 2023-3 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2023-3 Bonds. The Issue 2023-3 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2023-3 Bonds.

**Section 7.03. Delivery of Projected Cash Flow Statements**. THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

**Section 7.04. Authorized Officers**. The Chair, Vice Chair, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

**Section 7.05. Authorized Trustee**. THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

**Section 7.06. Covenant to Comply with Federal Tax Law Requirements**. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the

Issue 2023-3 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2023-3 Bonds from time to time.

**Section 7.07. Continuing Disclosure Undertaking**.

(a) THDA shall deliver to the MSRB, within 210 days after the end of each Fiscal Year:

(i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB or filed with the Securities and Exchange Commission.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2023-3 Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2023-3 Bonds, or other material events affecting the tax status of the Issue 2023-3 Bonds;

(vii) modifications to rights of the holders of the Issue 2023-3 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2023-3 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA);

(xiii) The consummation of a merger, consolidation or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a financial obligation of THDA, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of THDA, any of which affect Bondholders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of THDA, any of which reflect financial difficulties.

For the purposes of the events identified in clauses (xv) and (xvi) above, the term "financial obligation" means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule").

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2023-3 Bonds or defeasance of any Issue 2023-3 Bonds need not be given pursuant to this Section 7.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2023-3 Bonds pursuant to the Resolution.

(c) THDA shall give notice to the Trustee and the MSRB in a timely manner of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 7.07 shall be for the benefit of the beneficial owners of the Issue 2023-3 Bonds whether or not the Rule applies to such Issue 2023-3 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2023-3 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2023-3 Bonds or (B) the holders of the Issue 2023-3 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2023-3 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2023-3 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 7.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 7.07 may be enforced by any beneficial owner of the Issue 2023-3 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 7.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 7.07 shall be instituted in a court of competent jurisdiction in the State.

**Section 7.08. Confirmation and Adjustment of Terms by Designated Authorized Officer**. The terms of the Issue 2023-3 Bonds are herein established subject to confirmation by the Designated Authorized Officer upon the approval of the sale of the Issue 2023-3 Bonds by the Designated Authorized Officer. The Designated Authorized Officer is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2023-3 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Designated Authorized Officer determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

**Section 7.09. Covenant as to Investment Securities.** THDA will not change the terms of any Investment Securities in which the Issue 2023-3B Bond proceeds are invested nor liquidate such Investment Securities at less than par prior to the maturity thereof during the period prior to its selection of the Long Term Option for all Issue 2023-3B Bonds without first obtaining the prior written consent of each Rating Agency.

**Section 7.10. Effective Date**. This Resolution will take effect immediately.

# EXHIBIT A

# BOND PURCHASE AGREEMENTS

## EXHIBIT B

## [PLANNED AMORTIZATION AMOUNTS FOR ISSUE 2023-3A PAC BONDS]

| Date | Issue 2023-3A PAC Bonds Planned Amortization Amount |
| --- | --- |

## [[400]% PSA PREPAYMENT AMOUNTS
## FOR ISSUE 2023-3A BONDS]

| Date | Cumulative Amount | Date | Cumulative Amount |
|---|---|---|---|

[Add tables as needed for Issue 2023-3B PAC Bonds and Issue 2023-3C PAC Bonds, if any.]

**EXHIBIT C**

**FORM OF BOND**

**REGISTERED**

**R- [2A][2B][2C]-__** **$[________]**

**TENNESSEE HOUSING DEVELOPMENT AGENCY**
**RESIDENTIAL FINANCE PROGRAM BOND**
**ISSUE 2023-3[A][B] (Non-AMT)**

| Interest Rate | Dated Date | Maturity Date | Cusip |
| --- | --- | --- | --- |
| [___]% | [_____], 2023 | [_____] | 880461[___] |

**REGISTERED OWNER**: CEDE & CO.

**PRINCIPAL SUM**: [_________]

**TENNESSEE HOUSING DEVELOPMENT AGENCY** (hereinafter sometimes called "THDA"), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the "State"), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA's obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [________]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank Trust Company, National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

This Bond is one of the bonds of THDA designated "Residential Finance Program Bonds" (herein called the "Bonds") authorized to be issued in various series under and pursuant to the Tennessee Housing Development Agency Act, Sections 13-23-101 et seq., of the Tennessee Code Annotated, as amended (herein called the "Act"), a resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled "General Residential Finance Program Bond Resolution" (herein called the "General Resolution") and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and subject to the provisions thereof, may otherwise vary. All Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated "Issue 2023-3[A][B][C]" (herein called the "Bonds") issued in the aggregate principal amount of $[________] under the General Resolution, a resolution of THDA adopted on July 25, 2023, as approved in its amended and supplemented form by the Designated Authorized Officer on [__________ __], 2023 (collectively with the General Resolution, the "Resolutions"). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank Trust Company, National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the "Trustee") and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by THDA with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. If such modification or amendment will by its terms not take effect so long as any Bonds of any specified like series and maturity remain outstanding, however, the consent of the holders of such Bonds shall not be required. In addition, certain other modifications or amendments to the Resolutions can be made which are not contrary to or inconsistent with the Resolutions without the consent of the Bondholders.

The holder of this Bond shall have no right to enforce the provisions of the Resolutions, to institute actions to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner's attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner's attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same subseries and maturity shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. THDA and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a special limited obligation of THDA payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

The Bonds are issued as fully registered bonds in the denomination of $5,000 or any integral multiple thereof.

The Bonds are subject to optional, mandatory and sinking fund redemption as described in the Resolutions.

This Bond does not constitute a debt, liability or other obligation of the State or any political subdivision thereof other than THDA and neither the State nor any political subdivision thereof shall be obligated to pay the principal of the Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Resolutions until the Certificate of Authentication hereon shall have been signed by the Trustee.

The Act provides that neither the members of THDA nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution or statutes of the State and the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Bonds, together with all other indebtedness, of THDA, is within every debt and other limit prescribed by law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, TENNESSEE HOUSING DEVELOPMENT AGENCY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Executive Director, all as of the dated date shown above.

TENNESSEE HOUSING DEVELOPMENT AGENCY

By ______________________________

Matt McGauley
Chair

[SEAL]

Attest:

By ______________________________

Ralph M. Perrey
Executive Director

## CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2023-3[A][B][C] (Non-AMT) of the Tennessee Housing Development Agency.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By ____________________________________
Authorized Signatory

Dated: __________ __, 2023

**ABBREVIATIONS**

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

| | | |
|---|---|---|
| TEN COM | - | as tenants in common |
| TEN ENT | - | as tenants by the entireties |
| JT TEN | - | as joint tenants with the right of survivorship and not as tenants in common |

UNIFORM GIFT MIN ACT - ___________________ Custodian ________________________
(Cust) (Minor)

under Uniform Gifts to Minors

Act ______________________________
(State)

Additional Abbreviations may also be used though not in the above list

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto _____________ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____________, attorney to transfer the said Bond on the bond register, with full power of substitution in the premises.

Dated: __________________________________________

Social Security Number or
Employer Identification
Number of Transferred: __________________________________________

Signature guaranteed: __________________________________________

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.

# EXHIBIT D

# REFUNDED BONDS

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSMENT OF THDA
FROM PROCEEDS OF ISSUE 2023-3
July 25, 2023

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 2023-3, 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 $75,000,000 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 $75,000,000 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 Street, Nashville, TN 37243**

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director

**TO:** THDA Bond Finance Committee, THDA Board of Directors

**FROM:** Trent Ridley, Chief Financial Officer
Bruce Balcom, Chief Legal Counsel
Wayne Beard, Director of Finance

**SUBJECT:** Investment Policy Amendments

**DATE:** July 10, 2023

**Recommendation**

Approval of amendments to THDA's Investment Policy by the Bond Finance Committee with recommendation to the Board to approve said amendments. Staff recommends the following amendments to THDA's Investment Policy that require Board action:

- Add the following definition to Section I *Definitions*:

  ***Program Securities – Mortgage backed securities (MBS) created with pools of mortgages funded/purchased by THDA***.

- Delete Section VI.A (Additional Investment Criteria – Maturity) in its entirety and replace with the following:

  A minimum of five percent (≥ 5%) of the daily fair market value of THDA total investments must mature within five years. No more than fifty percent (≤ 50%) of the daily fair market value of THDA total investments shall have a maturity of greater than fifteen (> 15) years without the approval of the Bond Finance Committee of the Board of Directors. ***The maturity limitations listed above shall not apply to or include Program Securities as defined in this Policy.***

  All of the investment maturities shall be laddered to avoid maturity concentration.

## Key Points

Definition of Program Securities

As THDA has begun securitizing loans and holding these securities as assets funded by mortgage revenue bonds, instead of whole loans, it is important to note that these assets are mortgage-backed securities (MBS) that are classified as investments with a 30-year maturity. All investments are subject to applicable provisions in THDA's investment policy, including among other things, maturity limitations imposed by Section VI.A of the Policy.

Section VI.A Maturity

As MBS have 30-year maturities, the current investment policy limits amount of MBS THDA can hold on its books to no more than 50% of our total investment portfolio. As of May 31, 2023, this amount to approximately $250 million, which restricts THDA's ability to meet loan production demands in markets where selling MBS in the secondary market is not viable. Additionally, it restricts THDA's ability to manage the negative impact on our Program Asset-To-Debt Ratio (PADR), as the PADR requirement for whole loans versus MBS is 1.07 and 1.0 respectively.

## Background

As you know, the Board has authorized THDA to securitize loans funded/purchased by THDA for the purposes of providing a conventional product, meeting single-family loan production demand in an environment with higher multifamily demand for volume cap, and manage THDA's PADR. In January 2022, interest rates began to rise sharply, and by January 2023, the TBA Market was not a viable option. As a result, THDA began securitizing loans in February 2023, funding those MBS with tax-exempt and taxable bonds, and hold the MBS on our books as security for the bonds.

It should be noted that many of our HFA counterparts struggled financially when the TBA Market waned in 2010. Many were forced to lay off employees, as their assets dramatically decreased under a "TBA-Only" production model. Rating agencies stressed the importance of having both whole loans and TBA as options to "weather the storm".

THDA's Five Year Financial Strategic Plan anticipates moving our single family production to MBS as a means to gradually reducing PADR requirements and thus providing additional flexibility to meet future demands for, among other things, Downpayment Assistance, New Start Loans, and the Housing Trust Fund.

A copy of THDA's Investment Policy is at the beginning of each quarterly Investment Report located in the Investments Section of THDA's website (https://thda.org/pdf/Investment-Report-3-31-2023.pdf).

# 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

**FROM:** Bruce Balcom, Chief Legal Counsel; Sandi Thompson, Director, Division of State Government Finance

**SUBJECT:** Bond Counsel Selection

**DATE:** July 10, 2023

**Recommendation**

Staff recommends the Bond Finance Committee approve staff move forward with drafting documents to issue an RFP for Financial Advisor services for consideration by the Committee and Board at the September meeting.

**Key Points**

The current contract with CSG Advisors Inc. expires December 31, 2023. This is the end of the second extension exercised by THDA following the end of the 3 year original term of the contract.

**Background**

The current financial advisor contract commenced January 1, 2019 with a three (3) year term. THDA extended the contract two additional years as permitted in the original contract.

# Board of Directors Meeting

# 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 Board Meeting Agenda
**(directly following Bond Finance Committee Meeting)**

**Tuesday, July 25, 2023 at 10 AM CT**
**Tennessee Room #2, Tennessee Towers**
**312 Rosa L. Parks Avenue, 3rd Floor**
**Nashville, TN 37243**

A. **Board Chair Convening of the Board and Introductory Comments**
B. **Public Comment Period**
C. **Executive Director's Report**
D. **Single Family Business**
Business Update
HFA-1 Program Overview
E. **Multifamily Business**
Business Update
Discussion of Preliminary Proposed Changes to the 2024 Qualified Allocation Plan
F. **Program Presentation –** National Housing Trust Fund
G. **Board Action items**
1. Approval of Minutes from May 23, 2023 meeting
2. 2023 HOME Rental Development Program Description
3. 2023 HOME Homeownership Development Program Description
4. 2019 Challenge Grant – Extension Request by Knoxville Habitat for Humanity
5. 2019 Spring Competitive Grant – Gallatin Housing Authority Extension Request
6. Revision to the 2022 Eviction Prevention Pilot Program Description
7. Single Family Income Limits
8. Single Family Acquisition Cost Increase
9. Bond Issue 2023-3
10. Amendment to Investment Policy

H. **Board Briefing Items**
1. 2022 HOME Rental Housing Development Program Award
2. 2023 HOME Urban/Rural Program Awards
3. 2023 National Housing Trust Fund Program Awards
4. 2023 MF Tax Exempt Bond Authority Program Awards

# Tennessee Housing Development Agency - Board of Directors

# Multifamily Programs Update

# 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: Eric Alexander, Director of Multifamily Programs

Don Watt, Chief Programs Officer

SUBJECT: Summary of and Response to Public Comments on Preliminary Proposed Changes for the Low-Income Housing Credit 2024 Qualified Allocation Plan

DATE: July 12, 2023

This document represents staff's response to select repeated comments and is not meant to be a replacement for the comments themselves (10 submissions in total), which are included attached to this memo.

**Key Points**

- Reorganization of the QAP – comments generally supported this proposed change.
  - Response – Staff continues to recommend reorganization.
- Simplify the calculation of the maximum developer/consultant fees – comments expressed concern that the maximum fees would be reduced. Comments also noted that the current calculation is working well.
  - Response – Staff has considered the concerns expressed and recommends that changes to simplify the language and calculation of developer/consultant fees in the QAP be tabled for this year.
- Standardize new construction and rehabilitation minimum standards – comments expressed concern that the standardization will increase the burden of compliance.
  - Response – Staff is mindful of this concern and intends to operationalize the standards in a manner that minimizes any increase to the level of burden.
- Implementation of a mechanism to encourage developments supporting homeless populations – comments were generally supportive, although several expressed concern regarding financing and operating this type of development.
  - Response – Staff continues to recommend this change, and intends to consider financing and operational challenges when drafting language. Staff also notes that the THDA Board authorized THDA's Rental Assistance Division to implement a pilot project-based vouchers initiative within

THDA's program service area to assist projects receiving awards under selected programs, including any permanent supportive housing developments funded under the 2024 QAP. Such project-based voucher assistance will improve the financial feasibility of development operations given the extremely low income of residents to be served.

# Tennessee Housing Development Agency

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

| | |
|---|---|
| **Bill Lee**<br>**Governor** | **Ralph M. Perrey**<br>**Executive Director** |

PRELIMINARY PROPOSED CHANGES FOR THE DRAFT LOW-INCOME HOUSING CREDIT 2024 QUALIFIED ALLOCATION PLAN

JUNE 20, 2023

The following are preliminary proposed changes for the Draft Low-Income Housing Credit 2024 Qualified Allocation Plan (the "Draft 2024 QAP"). These preliminary proposed changes may be accepted, rejected, or modified in any respect. Changes or modifications not currently reflected herein may also be made. By posting these preliminary proposed changes, no representations are being made about any item that may be included, excluded, or modified in the preparation and approval of the final 2024 QAP.

Written comments regarding these preliminary proposed changes for the Draft 2024 QAP may be submitted via email to TNAllocation@thda.org. **The deadline for submission is 10:00 AM CT on Wednesday, July 5, 2023.**

1. Reorganize the Draft 2024 QAP into 3 parts, one part for language applicable to all allocations, one part applicable only to competitive allocations, and one part applicable only to noncompetitive allocations.
2. Simplify the calculation of the maximum developer/consultant fee for related, unrelated, competitive, and noncompetitive applications.
3. Standardize new construction and rehabilitation minimum standards across all THDA multifamily programs.
4. Consider implementation of a set-aside or similar mechanism to encourage developments supporting homeless populations.

MANSERMAR
DEVELOPMENT

June 29th, 2023

Tennessee Housing Department Authority
Attn: Felita Hamilton
502 Deadrick Street
Nashville, TN 37243

**Re: THDA 2024 QAP Developer Forum**
**Mansermar Development, LLC's Comments**

Dear Felita,

Thank you for hosting the Developer Forum on Wednesday, June 28, 2023. We enjoyed participating in the discussion and hearing what others had to say about the 2024 QAP considerations. Please see below for our written comments on the preliminary proposed changes for the Draft Low-Income Housing Credit 2024 Qualified Allocation Plan.

1. **We agree** to reorganize the Draft 2024 QAP into 3 parts, one part for language applicable to all locations, one part applicable only to competitive allocations, and one part applicable only to noncompetitive allocations.
2. **We are interested to see what** simplifying the calculation of the maximum developer/consultant fee for related, unrelated, competitive, and noncompetitive applications **would look like**. **We are happy with the current calculation also.**
3. **We are interested to see what** standardizing new construction and rehabilitation minimum standards across all THDA multifamily programs **would look like, but overall, we are happy with the current requirements and regulations. The other THDA multifamily programs have much more stringent standards that should not be applicable to LIHTC and TEB deals. If anything, we would appreciate the other programs aligning more with the current QAP standards.**
4. Consider implementation of a set-aside or similar mechanism to encourage developments supporting homeless populations. **We are interested to see how you plan to score how deals are supporting homeless populations. We like the idea of increased scoring for deals that agree to offer a lower AMI to a specific number of units or deals that have HUD subsidy that allow properties to serve very low-income residents.**

We look forward to participating in other Developer Forums THDA hosts and are excited to work with THDA on future deals.

Thank you,

Ali Watson
Vice President & Development Director
Mansermar Development, LLC



Mansermar Development, LLC
1720 Gracewood Parkway, Bishop, GA 30621

## Ed Yandell

**From:** Michael Dunthorn <mdunthorn@knoxvilletn.gov>
**Sent:** Thursday, June 29, 2023 1:11 PM
**To:** TNAllocation
**Subject:** Comment on preliminary proposed changes for the Draft 2024 QAP



Please accept this comment in support of item number 4 of THDA's preliminary proposed changes for the Draft 2024 QAP, that reads: "Consider implementation of a set-aside or similar mechanism to encourage developments supporting homeless populations."

In particular, I would recommend that THDA create a Supportive Housing set-aside in the 9% LIHTC Qualified Allocation Plan that establishes scoring criteria designed to produce high quality supportive housing. Permanent Supportive Housing (PSH) is a proven solution to homelessness in our communities, and outcomes are vastly better in PSH for people who have been homeless and struggling with challenges like mental illness and addiction. PSH has also been shown over and over to produce these better outcomes while also being less expensive to the taxpayer and community than seeing the same people remain on the streets, endlessly cycling through hospitals, jails and shelters.

Low Income Tax Credits, and particularly 9% credits, are a critical financial tool for the development of successful, sustainable Permanent Supportive Housing, which is needed here in Knoxville and across Tennessee.

Thank you for considering the inclusion of this item among your proposed changes for the 2024 QAP.

Michael Dunthorn
City of Knoxville Office on Homelessness

**Ed Yandell**

| | |
|---|---|
| **From:** | Grace Smith <gsmith@agewelltn.org> |
| **Sent:** | Friday, June 30, 2023 8:00 AM |
| **To:** | TNAllocation |
| **Subject:** | Comment re: LIHTC Qualified Allocation Plan proposed changes |



I'm writing in **support of the proposed change #4 for the Draft Low-Income Housing Credit 2024 Qualified Allocation Plan: Consider implementation of a set-aside or similar mechanism to encourage developments supporting homeless populations.**

I serve on the TN Supportive Housing Coalition and **favor a Permanent Supportive Housing set aside** to boost the availability and address the serious shortage of supportive housing for several vulnerable populations including older adults.

The age of individuals experiencing homelessness has risen in recent years. Today nearly half of all single individuals experiencing homelessness are over the age of 50; by 2050, the senior homeless population is expected to double (csh.org, Impactful Innovations report).

For older Tennesseans needing affordable and supportive residential housing, it is nearly impossible to find. There are few, if any, placement options for those needing supportive housing and unable to pay for private assisted living. Both the TN Commission on Aging & Disability & the TN Comptroller's Office recently issued reports noting the growing unlicensed facility problem in TN, and the need to expand community based supportive housing for older adults.

Thank you for the opportunity to comment.

Grace Smith

AgeWell MIDDLE TENNESSEE

Grace Sutherland Smith, LMSW
Executive Director
PO Box 158309 | Nashville, TN 37215
615.353.4235
www.agewelltn.org

*Embracing Aging. Enhancing Community.*

## Ed Yandell

**From:** Thom Amdur <tamdur@lincolnavecap.com>
**Sent:** Friday, June 30, 2023 11:05 AM
**To:** Ed Yandell; TNAllocation
**Cc:** Ralph M. Perrey; Felita Hamilton; Eric Alexander
**Subject:** THDA Preliminary QAP Comments

**CAUTION** - This email originated from outside of THDA. Do not click links or open attachments unless you recognize the sender.

Tri,
Thank you for the opportunity to provide feedback on the preliminary QAP changes to THDA's 2024 Qualified Allocation Plan (QAP). Lincoln Avenue Capital is a developer of affordable housing with a national footprint. We currently own more than 22,000 affordable rental units in 23 states. We are currently exploring several potential 4% LIHTC transactions in Tennessee which we hope to submit applications on in 2024.

**1. Reorganize the Draft 2024 QAP into 3 parts, one part for language applicable to all allocations, one part applicable only to competitive allocations, and one part applicable only to noncompetitive allocations.**
In principal, we support this proposed change assuming that the reorganization does not fundamentally change the current substance of the QAP as it applies to the non-competitive program. If the reorganization involves adding additional requirements to the non-competitive program that have not previously applied we do not believe that would be in the best interest of maximizing production within the program.

**2. Simplify the calculation of the maximum developer/consultant fee for related, unrelated, competitive, and noncompetitive applications.**
We believe that the current developer fee/consultant fee structure is working well in Tennessee and do not advocate for changes that would substantively change the way fees are calculated in either the 9% program or the non-competitive program. We believe the differentiated fee structures between the 9% and 4% programs is good public policy that has largely driven increased production in the state and helped fill project financing gaps in particular for non-competitive 4% projects.

**3. Standardize new construction and rehabilitation minimum standards across all THDA multifamily programs.**
While we see that there could be some administrative benefits to standardizes minimum new construction and rehab standards across all THDA MF programs we do not necessarily think this is good public policy. Different programs bring different resources to the table that can enable greater or lesser scope of work. We think a one-size-fits all approach may not apply well across all programs potentially either lowering building standards to work everyone or making some types of desirable development infeasible.

Happy to follow-up further at your convenience if you have any questions!
Thom

**Thom Amdur**
Senior Vice President, Policy & Impact | Lincoln Avenue Capital
C: 860-287-1635
D: 914-241-5885
tamdur@lincolnavecap.com I www.lincolnavecap.com

Home Innovation
RESEARCH LABS™

June 30, 2023

Tennessee Housing Development Agency
Attn: Eric Alexander, Director of Multifamily Development
502 Deaderick St
Nashville, TN 37243

Submitted electronically: TNAllocation@thda.org

Dear Mr. Alexander:

On behalf of Home Innovation Research Labs, I am pleased to submit these comments to inform the Tennessee Housing Development Agency (THDA) 2024 Qualified Allocation Plan (QAP). We appreciate THDA's collaborative and inclusive approach and the opportunity to provide feedback.

We respectfully request that THDA add credible, third-party green building certification(s) as an alternative to the existing list of prescriptive energy efficiency measures. Specifically, we request that NGBS Green Certification be recognized as a named alternative.

Recognition of NGBS compliance would provide consistency in the housing industry. HUD recognizes NGBS Green certification for many of their programs, including their mortgage insurance premium reduction for green certified properties. Fannie Mae and Freddie Mac also recognize NGBS Green certification for their financing incentives. Many state QAPS recognize the NGBS, and recognition in the Tennessee QAP provides consistency across LIHTC programs.

### Value of Green Building Certification

Prior to 2018, the Tennessee QAP awarded 15 points for the achievement of Enterprise Green Communities certification. In the 2018 and subsequent QAPs, this option was replaced with requirements for energy efficiency.

While energy efficiency is the cornerstone of sustainable construction, energy efficiency requirements alone are not enough to promote sustainable development. Buildings designed to increase energy efficiency without consideration for moisture management, indoor air quality, and other green practices risk being worse off than if there was not a priority to maximize energy. Green building certification to a credible third-party program also offers THDA greater assurance of construction quality, operational efficiency, and resident comfort.

## National Green Building Standard Overview

The NGBS was the first residential green building rating system to undergo the full consensus process and receive approval from the American National Standards Institute (ANSI). Since 2008, each version of the NGBS has been approved by the American National Standards Institute (ANSI). The 2008, 2012, and 2020 versions were developed with support from the National Association of Home Builders (NAHB) and the International Code Council (ICC). For the third edition of the standard, the 2015 version, the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) participated as a third co-sponsor. This partnership further cements the NGBS as the preeminent green standard for residential construction.

The NGBS is also the first solely residential green building standard to be one of the ICC suite of I-codes that form a complete set of comprehensive and coordinated building codes. As the industry standard for green residential development, it is embedded within the International Green Construction Code (IgCC) as an alternative compliance path for multifamily residential buildings and the residential portion of mixed-use buildings.

As one of the I-Codes, the NGBS is written in code language to make it easy for industry professionals and contractors to understand. I believe this is one reason the NGBS has been successful even in areas where it is not part of the building code and is used as an above-code program. For a residential building to be in compliance, the building must contain all mandatory practices in the NGBS. The building must also contain enough practices from each of the six categories of green building practices to meet the required threshold points.[1] The six categories of green practices are:

- Lot & Site Development
- Resource Efficiency
- Energy Efficiency
- Water Efficiency
- Indoor Environmental Quality
- Homeowner Education

Under the NGBS, homes and multifamily buildings can attain one of four potential certification levels: Bronze, Silver, Gold, or Emerald. The NGBS was specifically designed so that no one category of green practices is weighted as more important than another. Peerless among other green rating systems, the NGBS requires that all projects must achieve a minimum point threshold in <u>every category</u> of green building practice to be certified. A project certified to the NGBS can’t merely obtain all or most of its points in a few categories, as other rating systems allow. This requirement makes the NGBS the most rigorous green building rating systems available.

[1] See page 12 in ICC 700-2020 NGBS.

The NGBS's mandatory provisions must be met for certification at any level. There are no exemptions. However, unlike other green building rating systems, the NGBS contains an expansive array of green building practices aimed at all phases of the development process: design, construction, verification, and operation. This provides the flexibility builders and developers need to ensure their green projects reflect their geographic location, climatic region, cost constraints, and the type of project they are constructing.

**Certification Program**

Home Innovation Research Labs serves as Adopting Entity and provides certification services to the NGBS. Home Innovation Labs is a 59-year old, internationally-recognized, accredited product testing and certification laboratory located in Upper Marlboro, Maryland. Our work is solely focused on the residential construction industry and our mission is to improve the affordability, performance, and durability of housing by helping overcome barriers to innovation. Our core competency is as an independent, third-party product testing and certification lab, making us uniquely suited to administer a green certification program for residential buildings. Our staff is comprised of mechanical, structural, and electrical engineers; planners; economists; architects; former builders, remodelers, and contractors; lab and technicians. Combined, they possess an unparalleled depth of knowledge and experience in all facets of market analysis and building science research and testing. Why is that important? Because behind every building seeking NGBS compliance stands a team of experts on a mission to help them succeed. Participation in NGBS Green brings our building science expertise to each project team at no additional cost.

**Independent, Third-Party Verification**

The NGBS requires that a qualified, independent third-party inspect the project and verify that all green design or construction practices claimed by the builder toward green certification are incorporated correctly into the project. Most projects require at least two inspections. The verifier must perform a rough inspection before the drywall is installed to observe the wall cavities, and a final inspection once the project is complete. The required verification offers imbues an elevated level of rigor and quality assurance to the projects that are certified. An affordable housing organization can be assured that construction practices for higher building performance and healthier residences are successfully achieved.

Verifiers record the results of their rough and final inspections on a Verification Report, which is submitted to Home Innovation Research Labs. Home Innovation reviews every rough and final inspection to ensure national consistency and accuracy in the verification reports. After the Verification Reports are reviewed and approved, our team issues green certification to the project.

Home Innovation Research Labs qualifies, trains, tests, and accredits the NGBS Green Verifiers and maintains a current list at www.HomeInnovation.com/FindNGBSVerifier. Verifiers must possess experience in residential construction and green building. Many verifiers are Home Energy Rating

System (HERS) raters. Potential verifiers are trained on how to verify every NGBS practice. After completing the training, verifiers must pass a three-part exam and carry sufficient insurance to earn accreditation. Verifiers renew their accreditation annually and retrain and retest with every NGBS version.

Home Innovation maintains strict rules to ensure verifiers remain independent and free of conflict-of-interest on the projects for which they provide verification services. Verifiers serve as our field agents to confirm buildings are NGBS compliant. Further, we regularly audit our verifiers and their verifications as part of our internal quality assurance program.

### QAP Recognition of the NGBS

The National Green Standard is currently recognized in nearly 30 state Qualified Allocation Plans (QAPs), and an increasing number of State Housing Finance Agencies have been adding NGBS green certification to their QAPs to help promote green affordable housing. In these plans, NGBS is recognized as on-par with comparable programs, such as LEED and Enterprise Green Communities, and other regional programs, such as EarthCraft. Multifamily builders that utilize NGBS for low-income housing tax credits typically receive the same number of points for NGBS as they would for an alternative program. The straight-forward and low-cost nature of the NGBS Green program makes it ideally suited for affordable housing development, and this is evident by the number of Habitat for Humanity organizations and other LIHTC providers who select NGBS as their program of choice.

### Program Statistics to Date

Home Innovation has certified 11,600 multifamily buildings representing 412,734 dwelling units and 24,902 single-family homes. Currently, there are 8,571 multifamily buildings in progress, representing an additional 387,547 dwelling units, and 8,102 single-family homes. We have certified many LIHTC projects, as well as other affordable and workforce housing developments. I believe that this indicates we have been successful in designing a green certification program that is affordable and flexible, while remaining rigorous.

Tennessee building professionals are knowledgeable and experienced in green design and construction. Tennessee ranks among the top 10 states for NGBS Green activity. Across Tennessee, we have certified 239 multifamily buildings, representing 10,099 dwelling units, and 479 single-family homes. Currently, there are 261 multifamily buildings, representing 13,350 dwelling units, and one single-family home.

### Summary

We request that THDA add credible, third-party green building certification as an alternative to the existing list of prescriptive energy efficiency measures. Third-party green certifications support current goals of increased rigor and added flexibility while offering an expanded scope and greater quality assurance.

Specifically, we request NGBS Green Certification be included within the QAP. The NGBS was designed specifically for residential construction and is cost-effective for affordable housing development. Recognition of NGBS compliance would also provide consistency in the housing industry.

We look forward to discussing it further with you or your staff if you require a more detailed overview of the NGBS or our certification program. I will also gladly send you any supplemental information that you might require. Please don't hesitate to contact Michelle Foster (mfoster@HomeInnovation.com, 301.430.6205), our Vice President, Sustainability, directly if she can be of further assistance.

I look forward to working with the THDA to promote green certified housing built to the ***National Green Building Standard***.

Best,

Michael Luzier
President and CEO

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

**JOHN COOPER**
**MAYOR**

**PLANNING DEPARTMENT**
**HOUSING DIVISION**
**METROPOLITAN OFFICE BUILDING**
**NASHVILLE, TENNESSEE 37210**

Dear Executive Director Perrey,

We thank you and your agency's efforts to continue to refine the Low-Income Housing Tax Credit Qualified Allocation Plan (QAP) to incentive projects that impact critical housing needs. Metro Nashville's Housing Division appreciates the opportunity to comment on the draft proposed changes to the 2024 QAP. Our comments apply specifically to the following proposed change: "Consider implementation of a set-aside or similar mechanism to encourage developments supporting homeless populations."

Over the past year, Metro Nashville's Housing Division has been engaged in the Tennessee Supportive Housing Coalition made up of partners from across the state dedicated to advancing state-wide housing solutions for our most vulnerable populations. The coalition has advocated for the need to create more permanent supportive housing (PSH) - housing that is permanently affordable to households with extremely low incomes (30% of the Area Median Income or below) and includes voluntary supportive services. By combining affordable housing with supportive services, permanent supportive housing helps vulnerable people build stable lives and results in cost-savings. Notably, national studies have shown supportive housing has resulted in significant reductions in emergency room utilization, interactions with the justice system, and psychiatric hospitalizations. With the support of the Corporation for Supportive Housing, the Tennessee Supportive Housing Coalition has estimated that Tennessee has a need of over 19,000 units of supportive housing. This estimate includes individuals and families with disabling conditions (including substance use disorder, serious mental illness, and/or co-occurring physical health challenges) and a household member that is homeless or at risk of homelessness.

Metro Nashville's Housing Division applauds THDA's proposal to consider incorporating a set-aside to encourage developments for homeless populations. In Nashville alone, there is an estimated 5-year need of 3,230 PSH units for individuals and families experiencing homelessness. The needs of the homelessness population are diverse and not all individuals or families experiencing homelessness require permanent supportive housing to exit homelessness. However, for households with complex conditions, particularly those individuals who have experienced chronic homelessness, supportive services coupled with permanent housing are an effective and often times necessary strategy to becoming stably housed. For that reason, Metro Nashville encourages THDA to consider encouraging the model of permanent supportive housing for individuals experiencing homelessness with complex needs.

The QAP is one of the most important policy documents impacting the development of affordable housing. The Low-Income Housing Tax Credit is one of the state's most effective and essential tools to advancing housing security. As housing prices continue to increase across the state, it is imperative to amplify efforts to support those individuals and families whose needs are the greatest and whose health and safety are threatened by their houselessness. Metro Nashville's Housing Division wholeheartedly supports implementing a set-aside or similar mechanism to promote additional housing opportunities for individuals and families experiencing homelessness. According to the Corporation for Supportive Housing, nearly half of all states have incorporated a set-aside or similar mechanism into their QAP to advance supportive housing for special populations. Metro Nashville’s Housing Division believes strongly that such set-aside can be an effective and important tool in helping end homelessness in the state of Tennessee.

Thank you for your continued leadership in advancing housing security for Tennesseans. We appreciate your consideration of our comments and welcome the opportunity to further collaborate to address our state’s housing needs.

Sincerely,

Angela C. Hubbard
Director, Metro Nashville’s Housing Division

HOLLADAY VENTURES

July 5, 2023
Eric Alexander
Director of Multifamily Programs
Tennessee Housing Development Agency
Andrew Jackson Building, Third Floor
502 Deaderick Street
Nashville, TN 37243

Re: Proposed Changes for the Draft Low-Income Housing Credit 2024 Qualified Allocation Plan

Mr. Eric Alexander,

Thank you for considering the development community's perspectives regarding the Preliminary Proposed Changes for the Draft Low-Income Housing Credit 2024 Qualified Allocation Plan that were issued on June 20. Holladay Ventures has reviewed these and has the following thoughts:

*Proposed Change One: Reorganize the Draft 2024 QAP into 3 parts, one part for language applicable to all allocations, one part applicable only to competitive allocations, and one part applicable only to noncompetitive allocations.*

We support any changes that clarify the structure for how the Low-Income Housing Credit and Multifamily Tax-Exempt Bonds are awarded and distributed, and we commend the Agency for encouraging greater participation in the programs for doing so.

*Proposed Change Two: Simplify the calculation of the maximum developer/consultant fee for related, unrelated, competitive, and noncompetitive applications.*

THDA's approach to developer fee calculation has been simple to understand and has allowed developers to leverage financing in an environment of rising costs and higher interest rates, and where other gap financing options are scarce, highly competitive or both. Deferred developer fee often is the most pliable and abundant resource developers have at our disposal to bridge gap and generate additional tax credit basis. Applying deferred fee on 4% LIHC/TEB bond deals, in particular, is a vital tool responsible for high production levels. These deals have more financing costs that are not allowed for inclusion in eligible basis and, in respect to new construction, require larger and more expensive developable sites -another basis ineligible cost.

We respectively ask THDA to maintain the current developer fee calculations.

*Proposed Change Three: Standardize new construction and rehabilitation minimum standards across all THDA multifamily programs.*

Without understanding what this standardization entails, we cannot offer suggestions regarding its details. However, we urge THDA to carefully balance qualitative improvements to its portfolio with the needs of the intended resident populations and to the realities of local markets, and to offer substitution opportunities when price spikes or commodity shortages could affect development timelines and financing commitments developers must make.

*Proposed Change Four: Consider implementation of a set-aside or similar mechanism to encourage developments supporting homeless populations.*

Should THDA decide to create this set-aside, we think the Agency would benefit from solicitating the consultation of supportive housing subject matter experts to help guide the establishment of the larger framework of partnerships and collaborations necessary for the successful implementation of a Housing First model in Tennessee.

Thank you again for the opportunity to provide feedback on the proposed revisions. We value the ongoing partnership and guidance you provide the development community to address this critical work in Tennessee, and we look forward to a successful and impactful 2024.

Sincerely,

Brian Drobnick
Director of Development

Cc: Evan Holladay, Chase Markham, Reed Lower

**1400 16th St. NW**
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**Washington, DC 20036**
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**[www.housingonline.com](http://www.housingonline.com)**

July 5, 2023

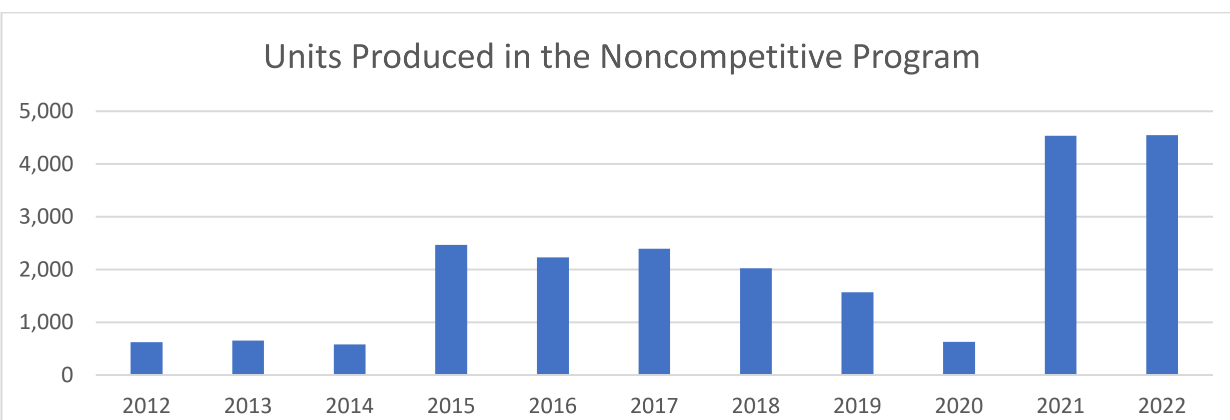
Tennessee Housing Development Agency
Andrew Jackson Building, Third Floor
502 Deaderick Street
Nashville, TN 37243

Mr. Eric Alexander,

Thank you for the opportunity to provide feedback on the Preliminary Proposed Changes for the Draft Low-Income Housing Credit 2024 Qualified Allocation Plan. The Tennessee Developers Council's mission is to provide a unified voice for the development community on the most important state housing issues and to communicate concerns and feedback about state policy and legislation that directly impacts affordable housing development businesses. In that spirit, our comments are based on the premise of creating and preserving more affordable housing options for low-income Tennesseans.

*Proposed Change One: Reorganize the Draft 2024 QAP into 3 parts, one part for language applicable to all allocations, one part applicable only to competitive allocations, and one part applicable only to noncompetitive allocations.*
The Tennessee Developers Council supports this change. We also hope this will mean that changes to the noncompetitive application are known earlier in the year, as we move away from a two-track process for updating the competitive and noncompetitive documents.

*Proposed Change Two: Simplify the calculation of the maximum developer/consultant fee for related, unrelated, competitive, and noncompetitive applications.*
The tiered developer fee has long been a hallmark of THDA and a key driver of production in the noncompetitive program. Prior to increasing the developer fee for noncompetitive applications in 2015, the program produced roughly 600 units per year before skyrocketing to over 2,000 units the following year.




*THDA data from 2018 and 2020 includes several properties with "NA" listed as the unit count

Tennessee's developer fee does not stand out as particularly complex, the table below shows the wide variation among state's developers fees. Deferring the developer fee allows properties to generate additional tax credit basis. The additional tax credits can then be used to leverage additional debt. The deferred developer fee makes otherwise financially infeasible deals, possible.

Higher interest rates as well as continued inflation in the labor market and for materials are making deals harder to finance. Matters are made worse by increased operating expenses, especially in the form of insurance costs.

The additional basis comes in the form of four percent tax credits, a resource that is not limited like nine percent tax credits and private activity bonds. Artificially capping an unlimited resource would financially inhibit deals.

It should be noted that PABs, and by extension the four percent LIHTC, have higher fixed-costs compared to the nine percent LIHTC. The majority of these costs are associated with cost of issuing TEBs, including fees associated with trustees, bond counsel, underwriters and credit raters or enhancers. Oftentimes these costs cannot be included in eligible basis, and the increased developer fee for PAB projects is the only means by which developers can account for these increased costs.

We urge THDA to maintain the current developer fee structure. Short of that, we ask what additional resources the state is willing to put into deals to continue the same level of production to meet the shortage of 129,343 affordable homes for extremely low-income renters.[1]

| **State** | **Four Percent/PAB Developer Fee Range** | **Nine Percent Developer Fee Range** | **Source** |
|---|---|---|---|
| Arizona | 16-19% | 16-19% | 2022 – 2023 QAP Page 32 |
| Kentucky | Up to 20% | Up to $1,200,000 | 2023-2024 Multifamily Program Guidelines Page 93 |
| Ohio | Up to 25% | Base fee + bonuses | 2022-2023 QAP Page 28 |
| Oklahoma | Up to 20% | Up to 15% | 2023 QAP Page 64 |
| Oregon | 14-22% | 12-20% | 2022 QAP Page 60 |
| Virginia | 15-25% | 15-25% | 2023 Federal Housing Credit Manual Page 28 |
| Wisconsin | Up to 20% | | 2023-2024 QAP Page 21 |

*Proposed Change Three: Standardize new construction and rehabilitation minimum standards across all THDA multifamily programs.*

Standardization for the sake of standardization and simplification may not yield the best results. Different programs offer different subsidies warranting different scopes of work. We maintain that the program is not well served by its current tiered approach for rehabilitation. As we have commented in previous years, the size of the request does not always align with the specific needs of a property. The best indicator of rehabilitation needs in any given project is an independent third-party Physical Needs Assessment (PNA). The current tiered scale can require developers of larger scale projects and/or

[1] The National Low Income Housing Coalition. *2023 Tennessee Housing Profile.* Retrieved from: https://nlihc.org/sites/default/files/SHP_TN.pdf.

projects with relatively high acquisition costs (e.g., projects located in hot real estate markets) to incur significant expenses replacing systems and building components that may otherwise have a useful life more than the 15-year compliance period. We suggest as an alternative, modifying the current tier system in the BPD so that each tier is scaled against bond authority requested per unit as opposed to total bonds requested. This will make the rehab requirements neutral to the total number of units in a proposed project or the relative value of the land.

*Proposed Change Four: Consider implementation of a set-aside or similar mechanism to encourage developments supporting homeless populations.*

Financing units supporting homeless populations is fairly straightforward, while operating the properties presents a thorny set of complications. Vouchers are often critical to the success, will THDA set aside vouchers for this purpose? Supportive services funding must be paired for these properties to run well and frequently the service contracts run on much shorter timelines than standard underwriting.

Striking the right balance of homeless units per building is another challenge. 100 percent homeless properties may present conflicts with the 1999 *Olmstead v L.C.* decision and prove difficult to finance. Additionally, the intake process for units supporting homeless populations is critically important. It may not be the best fit to have the most highly acute individual as measured by the Vulnerability Index – Service Prioritization Decision Assistant Tool (VI-SPDAT) placed into a LIHTC property serving families or seniors. Owners need the ability to screen tenants of homeless units as they would other units.

Due to the recent collapse of Skid Row Housing Trust as well as the replacement of the receiver after just three months, the state should consider proceeding with caution. We urge THDA to further study this issue and consider how it will support these properties beyond a set-aside or points preference before implementing any changes.

Thank you again for the opportunity to provide comments. Please feel free to contact me directly at 202-939-1753 or ksnyder@housingonline.com.

Sincerely,

Kaitlyn Snyder

Kaitlyn Snyder
Managing Director

Comments from Phyllis Vaughn to

TN 2024 draft LIHTC Qualified Allocation Plan

Please accept my comments to the draft 2024 LIHTC Qualified Allocation Plan.

To the four proposed changes initiated by THDA June 20, 2023:

1. Every program director wants to put their specific fingerprint on the state's QAP; no problem with rearranging, although that will bring it's own problems during 2024 administration.
2. Clearly define the calculation of the max developer fee, for both programs, bond and credit; good idea.
3. Standardize cons't standards across all THDA multifamily programs. The programs administered through THDA's Community Programs division are typically HUD or HUD type programs, augmenting other programs, and by THDA's own definition serve government and not for profit partners, many of those rural or small TN cities without the staff development experience and prowess of Low Income Housing Tax Credit developers. The LIHTC program provides high levels of cash equity to developments to create housing. That type of program is highly scrutinized by at least three to four levels of review before closing the equity. Development architect (who provides a certification at the end of the construction to THDA, of what specifically was built, including any THDA requirements or points selections), local government building codes enforcement review (providing a building permit as well as certificates of occupancy per building at the end of construction), third party review of development plans and specifications by the tax credit buyer/equity investor, in addition to third party review during construction of the development by the tax credit buyer/equity investor, review and oversight by the bank providing the construction financing and the bank providing the permanent financing. There is no need for standardizing construction and rehabilitation standards across all THDA multifamily programs. Government overkill.
4. Homeless setaside. The homeless population has very specific needs that THDA does not provide for. Homelessness requires heavy, intense, ongoing services, as well as deeply subsidized rents to create a successful living environment. Homelessness is a mental health issue. The stresses placed on already insufficient financial resources to provide affordable housing for the general population in Tennessee cannot also sustain Tennessee's homeless problems. Don't dilute the only program you have to address affordable housing within the general population by adding homeless to that mix. That help should come from the Community Programs division, not Rental Housing. There are currently no prohibitions for homeless developments to successfully compete within the current LIHTC setasides, if the developer can bring the needed services and rental subsidy to create a successful development.

**Tennessee Setasides**

THDA's program is approximately $20M in annual credits. The program is typically divided into setasides, which gives a THDA policy preference to those specific types of developments, as they otherwise would not be able to compete within the program. Currently, the THDA policy provides for:

10% Not for Profit developments (required by Federal program rules)

10% Choice Neighborhood Implementation Grant development (PHA's only, with HUD CNI approval; 1 PHA within the State of TN, that continues to receive it year after year until completion of the HUD grant)

15% Economic Development Zone (2 developments)

20% Public Housing Authorities w/preference for RAD (2 developments)

20% Rehabilitation developments w/preference for Community Revitalization Plan (5 to 7 developments)

Leaving approximately 25% (4 developments) for new construction developments in 4 regions of TN serving the general TN population. One development per region.

I would like to see THDA's board examine those setasides annually, reexamining their policies each year for the LIHTC program. As Tennessee's population changes, so should THDA's policies for their only program serving Tennesseans with affordable housing options.

**Program Caps**

Covid effects are slowly winding down, but construction is still volatile in both materials and labor. THDA removed the per developer and per development caps with increasing construction costs during Covid. The per development caps were reinstated in the 2023 program, after an unanticipated issue by staff that the 2022 program didn't provide their intended end results. However, the per developer caps have not been reinstated, and should be. Not only should THDA be concerned about the political implications of one development taking a large portion of their annual allocation, but that one developer could then take a large portion of the annual TN allocation. If not reinstated by dollar cap, reinstate by number of maximum successful developments one developer may receive in any given year.

Program caps should also include a reduced cap for rehabilitation developments, which should be lower than new construction development caps. Those caps were the same for 2023 program. Large rehabilitation developments can compete successfully within the tax exempt bond program/4% LIHTC program.

The program cap also removed, and not reinstated, has been new developer cap, of formally requiring a developer new to TN's LIHTC program to wait until the first development has been completed and 50% occupied, before being allowed to receive a successful "next" application. Show success, come back for a 2nd bite at the apple.

**Setaside competition**

The Not for Profit setaside does not allow Public Housing Authority not for profit entities to complete within that setaside. Nor are Public Housing Authorities applications within the PHA setaside allowed to drop down and complete within other setasides. The same logic should also then apply to the CNI setaside, as their developments should not be allowed to participate in additional setasides, either solely or partnering with others, as their entitlement is already established within the CNI setaside for 1 deal.

That seems to be the THDA intent, for PHA's to only receive 1 successful development, which is a valid restriction. However, the prohibition within the Not for Profit setaside for a PHA's not for profit entity should be contained within that intent as well, not allowing a PHA to be successful with two developments, both Not for Profit plus PHA. Rather than prohibiting PHA's from competing within the Not for Profit setaside, just prohibit all PHA's from receiving more than one successful application within the LIHTC 9% program in any one year.

THE CLEAR BLUE COMPANY

July 5, 2023

To: THDA Program Manager

RE: Comments to the preliminary proposed for the draft low-income housing credit 2023 Qualified Allocation Plan

1. Reorganize the Draft 2024 QAP into 3 parts, one part for language applicable to all allocations, one part applicable only to competitive allocations, and one part applicable only to noncompetitive allocations.

*Response:* The Clear Blue Company acknowledges this proposed change and will provide feedback after review of the 2024 Daft QAP later this year.

2. Simplify the calculation of the maximum developer/consultant fee for related, unrelated, competitive, and noncompetitive applications.

*Response:* If the developer/consultant fee is to be simplified to generate more interest in THDA's multifamily program, the determination of the amount of Housing Credit for a particular development should be increased to 25% of that portion of THDA determined eligible basis attributable to new construction if the Developer and contractor are *not* related persons as defined in Section 42(d)(2)(D)(iii).

3. Standardize new construction and rehabilitation minimum standards across all THDA multifamily programs.

*Response:* The Clear Blue Company understands the immense demand for units for those experiencing homelessness, especially in Davidson County. While the global intent to serve this population to strong, the deeper affordability level can widen the existing financial gaps and risks the feasibility of a proposed development for low-to-moderate individuals. Should a set aside that is required to provide services and partner with an experienced services provide such as Metro Homeless Impact Division, additional sources of funding (e.g., grants and "soft" funding) should be made available for developers that are responsible for costs of the services and bring the product to market.

4. Consider implementation of a set-aside or similar mechanism to encourage developments supporting homeless populations

*Response:* As noted in response to Proposed Change #3, and due to the increased construction and financing costs associated with multifamily developments across the industry, implementing a deeply affordable set-aside in a competitive and/or non-competitive housing tax credit project has the potential to widen the financing gap and risk the feasibility of a proposed LIHTC development. Moreover, should a set aside that is required to provide services and partner with an experienced services provide such as Metro Homeless Impact Division, additional sources of funding (e.g., grants and "soft" funding) should be made available for developers that are responsible for costs of the services and bring the product to market.

Sincerely,

Chase Cain & Ashley Horton

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
May 23, 2023

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency (THDA) Board of Directors (the “Board”) met in regular session on Tuesday, May 23, 2023, at 10:11 AM CT in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following board members were present in person: Chair Matt McGauley, Treasurer David Lillard, Alex Schuhmann (for Commissioner of F&A Jim Bryson), Rob Mitchell, Chris Mustain (for Secretary of State Tre Hargett), Stephen Dixon, Austin McMullen, Jacky Akbari, Chrissi Rhea, Rick Neal and John Snodderly. Those absent were: Comptroller Jason Mumpower, Dan Springer, and Tennion Reed.

Chair McGauley called the Board meeting to order and then opened the floor to anyone present from the public who wished to address the board. Seeing no one, he closed the floor to public comment.

Chair McGauley then recognized Executive Director Ralph M. Perrey for his report.

Mr. Perrey welcomed the newest Board Member, Stephen Dixon.

He also thanked John Snodderly and Austin McMullen for their service and the completion of two consecutive terms on the THDA Board of Directors.

Mr. Perrey highlighted THDA’s 50th Anniversary this month and thanked Speaker of the House Sexton for presenting a 50th Anniversary celebratory proclamation to THDA on behalf of the legislature.

He highlighted a trip to Memphis next week where he will join HUD Secretary Marcia Fudge, National Housing Conference President David Dworkin and many others to mark the second anniversary of the National Black Homeownership Collaborative. The event brings welcome attention to the Convergence Memphis effort, in which THDA supports the work of the Mortgage Bankers Association to increase the homeownership rate among African Americans.

Mr. Perrey noted the strong gains THDA is seeing in mortgage applications – nearly $60 million so far this month. He said it reflects well on the work our Single Family team has done to competitively position *Great Choice* products in the market place.

At the conclusion of Mr. Perrey’s remarks, Chair McGauley recognized Ms. Lindsay Hall, the Chief Operating Officer for Single Family Programs for a Single Family Programs Business Update. Ms. Hall’s update included a comparative loan production report and delinquencies. This was followed by an overview of THDA’s Ginnie Mae execution by Mr. Steve Fisher, Director of Capital Markets.

Next, Chair McGauley recognized Mr. Eric Alexander, the Director of Multifamily Programs for a Multifamily Programs Business Update. Mr. Alexander's update included an overview of projects in the current production pipeline, an introduction to affordable housing tax credits, and the three changes being considered for the 2024 Qualified Allocation Plan.

At the conclusion of the presentation, Chair McGauley asked for consideration of the March 21, 2023, board meeting minutes. Upon motion by Mr. McMullen and a second by Mr. Neal, the motion carried, with an abstention from Mr. Dixon, and the minutes were approved.

Mr. McGauley then recognized Mr. Ralph Perrey, Executive Director of THDA, to present the proposal for a $1,000,000 grant to the Home Builders Institute (HBI) for the purpose of establishing a BuildStrong training academy in Tennessee, as outlined in the memo dated May 8, 2023, from himself in the board packet. Ms. Emily Price, from HBI gave a presentation on HBI and the Build Strong training academy. Mr. Mitchell asked Ms. Price how HBI marketed to students. Ms. Price explained they use social media, influencers and traditional marketing spots on TV and radio. Mr. Neal asked Ms. Price about student eligibility. Ms. Price explained that students had to be 18 years of age or older, physically able to do the training, have a reliable means of transportation to get them to classes and undergo a background check. No High School Diploma is required. Then Mr. McGauley asked Ms. Price the timeline for getting the training academy if this grant was approved. Ms. Price said that HBI can normally secure funding in less than a year, and then it takes about 120 days to open the door to students once a facility has been secured. Upon a motion by Ms. Rhea and a second by Mr. Snodderly, the motion carried and the grant was approved.

Chair McGauley recognized Ms. Cynthia Peraza, Director of Community Programs, to present on the Authorization of Annually Funded Programs, as outlined in the memo dated May 8, 2023, from herself and Don Watt, Chief Programs Officer, as found in the board packet. Ms. Peraza highlighted that the programs listed did not change substantially from year to year and requested a permanent authorization to continue the programs if program changes remained minimal. Upon motion by Mr. Neal and a second by Ms. Rhea, the motion to approve Authorization of Annually funded programs was carried.

Chair McGauley recognized Ms. Cynthia Peraza, Director of Community Programs, to present on the Memphis Housing Authority 2020 National Housing Trust Fund Grant Extension Request, as outlined in the memo dated May 8, 2023, from herself and Don Watt, Chief Programs Officer, as found in the board packet. Ms. Peraza highlighted the HUD Section 18 delays the project has experienced and with that issue resolved they should be on track to complete the project in the next 15 months. Upon motion by Mr. Snodderly and a second by Mr. Dixon, the motion to approve Grant Extension from the Memphis Housing Authority was carried.

Chair McGauley recognized Ms. Cynthia Peraza, Director of Community Programs, to present on the Emergency Rental Assistance 2 (ERA 2) Set-Aside Award Recommendations, as outlined in the memo dated May 8, 2023, from herself and Don Watt, Chief Programs Officer, as found in the board packet. Ms. Peraza requested that a set aside of $5 million for Shelby County and up to $40 million for Knox County from ERA 2 funds be granted to help them continue to administer their existing Emergency Rental Assistance funded programs. Mr. Dixon asked why those dollar amounts were chosen. Mr. Peraza explained those were the dollar amounts the counties requested. Upon motion by Mr. Neal and a second by Mr. Dixon, the motion to approve Emergency Rental Assistance 2 Set-Aside Awards was carried.

Mr. McGauley then presented a motion and a second from the Bond Finance Committee to approve the Schedule of Financing as presented in the committee and outlined in the board materials. Upon vote from the full Board, the motion was carried.

Chair McGauley recognized Ms. Lindsay Hall, Chief Operation Officer of Single Family Programs, to present on the New Start Maximum Loan Limit Change and Blue Oval City Set-Aside, as outlined in the memo dated May 8, 2023, from herself and Rhonda Ronnow, Director of Single Family Loan Operations as found in the board packet. Ms. Hall explained the need for this increase is due to the rapidly growing costs of land, development, construction materials, and labor across all of Tennessee. Ms. Akbari asked how Single Family decided on $200,000 as the maximum limit statewide. Ms. Hall explained that after watching the Nashville and surrounding areas over the last few years, which already had a $200,000 maximum limit for New Start loans, that amount seemed to be appropriate to meet broader needs. Upon motion by Ms. Rhea, and a second by Mr. Snodderly, the motion to approve the New Start Maximum Loan Limit Change and Blue Oval City Set-Aside was carried.

Chair McGauley recognized Mr. Eric Alexander, Director of Multifamily Programs, to present on the Amendment to the Multifamily Tax-Exempt Bond Authority Program Description for 2023 and the Low Income Housing Credit 2023 Qualified Allocation Plan for 2023 MTBA Round 2, as outlined in the memo dated May 23, 2023, from himself and Don Watt, Chief Programs Officer, as found in the board packet. Mr. Alexander highlighted the future requested notification schedule for applications with missing or incomplete information in the next MTBA round of applications. Mr. McGauley asked what happens if a developer is working hard to provide missing or incomplete information, but runs out of time. Mr. Alexander explained that extenuating circumstances could be considered if they arise. Mr. Mustain then asked if applicants would be notified if their application had been removed at the end of the notification period. Mr. Alexander indicated that applicants are notified if their application has been removed from consideration. Mr. Mustain followed up, and asked how much time is being saved with this new 7 calendar day period to resolve application issues. Mr. Alexander explained that he did not have empirical data to support his claim at this time, but staff has indicated t that this new timeline could speed up the process by almost a month given the back and forth and review time necessary for staff to review submitted responses at each stage under the current process. Upon motion by Ms. Rhea and a second by Ms. Quierolo, the motion to approve Amendment to the Multifamily Tax-Exempt Bond Authority Program Description for 2023 and the Low Income Housing Credit 2023 Qualified Allocation Plan for 2023 MTBA Round 2, the was carried.

Chair McGauley then recognized Ms. Gay Oliver, Director of Internal Audit, for a brief update on THDA’s new Vendor Management Program.

At the conclusion of Ms. Oliver's presentation, Chair McGauley recognized Ms. Cynthia Peraza, Director of Community to Programs, to share recent ERA-EPP, HOME-ARP Support Service, HOME-ARP Rental Development, and Emergency Solutions Grants Awards.

With no further business, the meeting was adjourned at 12:19 PM CT.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 25th day of July, 2023

# Tennessee Housing Development Agency

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

| | |
|---|---|
| **Bill Lee**<br>Governor | **Ralph M. Perrey**<br>Executive Director |

**MEMORANDUM**

TO: THDA Board of Directors

FROM: Bill Lord, Director of Community Programs
Don Watt, Chief Programs Officer

DATE: July 12, 2023

SUBJ: 2023 HOME Program Description – Rental Development

**Recommendation:**

Staff recommends the Board approve the following:

- Adoption of the attached proposed 2023 HOME Program Description for Rental Development ("Program Description");
- Authorize the Executive Director or a designee to award 2023 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;
- Allow the Chief Legal Counsel or Assistant Chief Legal Counsel to make non-substantial changes and substantial changes if needed to comply with federal requirements; and
- Allow staff to reallocate any unawarded funds to future HOME activities.

Staff will provide information to the Committee and Board regarding associated funding awards at the meeting that immediately follows the date of the awards.

**Background:**

THDA is setting aside approximately $5.9 million in HOME funds to implement the HOME Rental Development Program Description to encourage the construction of affordable rental housing for low income households across the State. This activity is funded though an award of the States annually allocated HOME funds. This program description will open the HOME funding to all eligible nonprofit and for profit housing developers and Public Housing Authorities.

THDA will open the program for application August 1, 2023, with applications due on September 14, 2023. Funding awards will be announced on or about October 2, 2023, with the Grant award period beginning on November 1, 2023.

To view full documentation, please click here.

**TENNESSEE HOUSING DEVELOPMENT AGENCY**

**2023~~2~~ HOME RENTAL HOUSING DEVELOPMENT PROGRAM PROGRAM DESCRIPTION**

The Tennessee Housing Development Agency ("THDA") administers the federally funded HOME Investment Partnership Program ("HOME"), which is designed for the production and preservation of affordable housing through the acquisition, new construction, or rehabilitation of affordable housing for low-income households. The purpose of this Program Description is to explain the program requirements and application process.

THDA will provide HOME funding under its HOME Rental Housing Development Program (the "Program") for the new construction and/or acquisition and rehabilitation of rental housing projects that consist of no more than a total ~~number~~ of 11 units ~~are less~~. The funding may be combined with other resources, except for the Low-Income Housing Credit ("LIHC").

Program grants will be awarded through a competitive application process to Community Housing Development Organizations ("CHDO"), other non-profit housing developers, and Public Housing Authorities in all 95 Tennessee counties. An applicant must apply for at least $300,000 and may apply for a maximum grant of $1,500,000, subject to other limits defined herein. The application period for the Program will open on ~~Monday~~Tuesday, ~~January 9~~August 1, 2023 and applications must be received by THDA on or before 4:00 PM CT on ~~Friday~~Thursday, ~~February~~September 14 ~~24~~, 2023. THDA anticipates notifying successful applicants on or about ~~March 31~~October ~~1~~2, 2023. The Program ~~grant contract term~~period of performance will begin on ~~May 1~~November 1, 2023~~3~~ and will end on ~~April 31~~October 31~~0~~, 2026.

The application package for Program resources, as well as additional program documentation, will be made available on THDA's website beginning ~~January 9~~ August 1, 2023 at https://thda.org/government-nonprofit-partners/home-program

## 1) ALLOCATION OF FUNDS

HOME funds committed to the State of Tennessee through THDA will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. The program allocation will be a minimum of $~~6,000,000~~5,875,800. Additionally, THDA may make available any returned or leftover funds from other funding rounds as determined at the time of award.

## 2) ELIGIBLE RECIPIENTS

THDA will accept applications from qualified CHDOs, other nonprofit housing developers, and Public Housing Authorities. All applicants must be the final owner of the proposed rental housing project. An applicant must materially participate (regular, continuous, and substantial on-site involvement) in developing, owning, and operating the development throughout the affordability period, as defined herein.

a. To be eligible the entity must meet the following criteria:

i. Be organized and existing to do business in the State of Tennessee, or if organized in another state, be qualified to do business in the State of Tennessee.

ii. Demonstrate at least two (2) years of related housing development and management experience in Tennessee. For this Program, "related housing experience" means the development, ownership, and management of affordable rental housing.

iii. For acquisition only of a qualified housing development, demonstrate at least two years of related housing management experience in Tennessee.

iv. Demonstrate the financial capacity necessary to undertake, complete, and manage the proposed project, as demonstrated by its ability to own, construct, or rehabilitate and manage and operate affordable rental housing. THDA will evaluate the experience of the entire proposed team with owning, developing, and managing projects of similar size and scope serving the intended population proposed. Applicants and their development team must undergo an evaluation by THDA of their capacity before the applicant may qualify as an Eligible Recipient, as defined herein.

v. Have demonstrated understanding of the Federal, State and local housing programs used in conjunction with HOME funds to ensure compliance with all applicable program requirements and regulations.

vi. Not be debarred or excluded from receiving federal assistance or THDA assistance prior to selection or entering into the grant contract with THDA.

vii. Certify that housing units assisted with the HOME will comply with HOME program requirements during the entire period that begins upon selection and ends upon the conclusion of all HOME-funded compliance and affordability periods.

viii. Receive a minimum of 60% of the points available for a minimum score of 60 or greater.

**3) CHDO REQUIREMENTS**

To be considered a qualifying CHDO and eligible for available points under the CHDO Designation criteria of the scoring matrix, the applicant must also meet the following additional requirements:

a. Have an Internal Revenue Service ("IRS") designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status;

b. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;

c. Have among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of housing to low-income households;

d. Have standards of financial accountability that conform to 2 CFR Part 200, Uniform Administrative Requirements, Audit Requirements and Cost Principles;

e. Not be controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the CHDO. If a CHDO is sponsored or created by a for-profit entity, all of the following must apply:

   i. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer or real estate management firm;

   ii. The for-profit entity may not have the right to appoint more than one-third of the membership of the CHDO's governing body. CHDO board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;

   iii. The CHDO must be free to contract for goods and services from vendors of its own choosing; and

   iv. The officers, directors, owners (stockholders, managers, members, etc.) or employees of the for-profit entity cannot be officers, directors, owners (stockholders, managers, members, etc.) or employees of the CHDO;

f. Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO, however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of recipient governmental entity. Board members appointed by the State or local government may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers of the Board or employees of a CHDO;

g. Maintain accountability to low-income community residents by:

   i. Including residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in at least one-third of the CHDO's governing board's membership. For urban areas, "community" may be a neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and

   ii. Providing a formal, written process for low-income program beneficiaries to advise the CHDO in its decisions regarding the design, site selection, development, and management of affordable housing. The process must be described in the organization's by-laws or has been adopted by its board by resolution. Low-income board representation alone does not satisfy this requirement.

h. Have a demonstrated capacity to successfully carry out housing projects assisted with HOME funds. A CHDO undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with HOME funds. Paid staffing may be documented by providing copies of the most recent W-2, as applicable, issued by the nonprofit entity for each staff member. For its first year of funding as a CHDO, a CHDO may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key CHDO staff. A CHDO that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of 24 CFR 92.300(a)(2). A CHDO does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated or cost allocated by another organization, or by hiring a consultant; and

i. Have a history of serving the community within which the housing to be assisted with HOME funds is to be located. In general, a CHDO must be able to show at least one year of serving the community through housing activities benefiting low-income persons or families before HOME funds may be awarded to that CHDO. However, a newly created CHDO formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least one year of serving the community through housing activities benefiting low-income families.

### 4) SPEND DOWN REQUIREMENT

Applicants with previous~~past~~ HOME, National Housing Trust Fund (NHTF), HOME-ARP, and Tennessee Housing Trust Fund Competitive Grant program rental development grant awards must have submitted an official Request for Payment Form with supporting documentation demonstrating the spend down of the following percentages of all existing rental development ~~HOME~~ grants by ~~January~~ August 31, 2023, to be eligible for funding:

| ~~HOME~~ GRANT YEAR | SPEND DOWN REQUIREMENT |
|---|---|
| ~~Any 2018 HOME Round~~ | ~~100 percent~~ |
| Any 2019 ~~HOME~~ Round | 100 percent |
| Any 2020 ~~HOME~~ Round | 100 percent |
| Any 2021 ~~HOME~~ Round | 75~~50~~ percent |
| Any 2022 ~~HOME~~ Round | 50~~25~~ percent |
| Any 2023~~2~~ ~~HOME~~ Round | ~~25 percent~~Ineligible |

### 5) FORM OF ASSISTANCE

HOME funds will be awarded as a grant, secured by a note, deed of trust, and a declaration of land use restrictive covenants ("restrictions"). The entire grant term beginning with issuance of the Reservation of Funds and ending with the final project completion, issuance of a Certificate of Occupancy or equivalent and submission of all final draw requests and legal documentation is 3 years.

a. Eligible Recipients will be initially provided a Reservation of Funds with a total term period of 3 years. Prior to being issued the grant agreement and within six (6) months of the beginning of the term of the Reservation of Funds recipients must have satisfied the following requirements;

   i. Submission and approval of site and neighborhood standards

   ii. Submission and approval of an Environmental Review Record and receive issuance of a release of Funds letter.

   iii. Submittal of a final development budget with documentation of all committed development sources.

~~a.~~b. Eligible Recipients must sign a grant contract, initially, preliminarily awarding HOME funds to a proposed project.

c. Prior to requesting any draws, a Recipient must execute a note and record a fully and accurately executed deed of trust and restrictions (the "Legal Documents") and provide such to THDA.

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### 6) SUBSIDY LIMITS

The investment of HOME funds must conform to the following minimum and maximum subsidy limits per unit:

a. The minimum amount of HOME funds that must be invested in a project is $1,000 times the number of HOME-assisted units ("HOME Units") in the project.

b. The maximum amount of HOME funds that may be invested per HOME Unit per size is based on THDA's d subsidy limits as the time the project contract is executed. The current approved subsidy limits are:

| | |
|---|---|
| $129,758~~19,815~~ | 0-Bedroom (Efficiency) Limit |
| $148,748~~37,349~~ | 1-Bedroom Limit |
| $180,882~~67,020~~ | 2-Bedroom Limit |
| $234,004~~16,250~~ | 3-Bedroom Limit |
| $256,862~~37,177~~ | 4-Bedroom Limit |

**7) DEVELOPER FEE**

The sum of the Developer's overhead and the Developer's profit is (the "Developer Fee"). Consulting fees and guarantor fees are also considered part of the total Developer Fee calculation. A Developer Fee of up to fifteen percent (15 percent) of the HOME development costs, net of the development fee, prorated acquisition costs, and any prorated permanent financing costs may be charged as a project soft cost. The Developer Fee must be drawn in proportion to the expended hard costs of the Program and no more than eighty percent (80 percent) of the Developer Fee may be drawn prior to the final project draw. No portion of the Developer Fee may be drawn until all monitoring fees have been paid.

**8) ELIGIBLE ACTIVITIES**

HOME funds must be used for the new construction of or the acquisition and/or rehabilitation of existing affordable, permanent rental housing projects that consist of eleven (11) total units or less that address the needs of low-income households, families whose annual incomes do not exceed 80 percent of the area median income ("AMI"), as further defined at 24 CFR 92.2, The housing may be stick built or modular housing, as defined in Tennessee Code Annotated Title 68 -126-202 & 303, provided that the housing meets all of the applicable state and local codes. All HOME Units must be occupied by low-income families and meet the requirements of 24 CFR 92.252.

HOME funds may not be used for public housing units. HOME Units may not receive Operating Fund or Capital Fund assistance under section 9 of the 1937 Act during the HOME affordability period, except within the exceptions listed below.

a. Exception. HOME funds may be used for the development of public housing units, if the units are developed under section 24 of the 1937 Act (HOPE VI) and no Capital Fund assistance under section 9(d) of the Act is used for the development of the unit. Units developed with both HOME and HOPE VI may receive operating assistance under section 9 of the 1937 Act. Units developed with HOME and HOPE VI funds under this paragraph may subsequently receive Capital Funds for rehabilitation or modernization.

b. Using HOME funds in public housing projects. Consistent with § 92.205(d), HOME funds may be used for affordable housing units in a project that also contains public housing units, provided that the HOME funds are not used for the public housing units (except as provided in paragraph a. of this section) and HOME funds are used only for eligible costs.

c. The HOME funds must be used in accordance with the requirements throughout 24 CFR 92 and the project must meet the requirements of such, including rent requirements in 24 CFR 92.252.

**9) ELIGIBLE COSTS**

HOME funds may be used to pay the following eligible costs:

a. Development hard costs – defined in 24 CFR 92.206(a).

b. Acquisition costs of existing housing.

c. Related soft costs – defined in 24 CFR 92.206(d).

d. Relocation costs – as defined in 24 CFR 92.206(f), 24 CFR 92.353, and described in this Program Description.

**10) AFFORDABILITY PERIOD**

HOME Units are rent and income limited for an affordability period of 5 to 20 years, depending on the project activity type and total amount of HOME funds allocated to the project divided by the total amount of HOME Units, resulting in a per unit allocation, as described below (the "Affordability Period"). The Affordability Period begins on the date that THDA determines that the project has met the terms of "project completion" in the federal Integrated Disbursement and Information System (IDIS) as defined at 24 CFR 92.2.

| ACTIVITY | HOME FUNDS PER HOME UNIT | AFFORDABILITY PERIOD |
|---|---|---|
| Acquisition or rehabilitation of existing housing | Under $15,000 | 5 Years |
| Acquisition or rehabilitation of existing housing | $15,000 - $40,000 | 10 Years |
| Acquisition or rehabilitation of existing housing | Over $40,000 | 15 Years |
| New construction or acquisition of newly constructed housing | Regardless of cost | 20 Years |

**11) INCOME LIMITS & TARGETING**

a. HOME Units must be occupied by households who are low-income, meaning their annual incomes do not exceed 80 percent AMI, and must meet the requirements of 24 CFR 92.252 to qualify as affordable housing.

b. If a rental project has 5 or more HOME Units, at least 20 percent of the HOME Units must be occupied by very low-income families, families whose annual incomes do not exceed 50 percent AMI, and meet one of the following rent requirements (the "Low HOME Rents"):

   i. The rent does not exceed 30 percent AMI of a family whose income equals 50 percent AMI, as determined by the U.S. Department of Housing and Urban Development ("HUD"), with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions. However, if the rent determined under this paragraph is higher than the applicable rent under 24 CFR 92.252(a), then the maximum rent for units hereunder is that calculated under 24 CFR 92.252; or

   ii. The rent does not exceed 30 percent of the family's adjusted income. If the unit receives Federal or State project-based rental subsidy and the very low-income family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program; and

   iii. The remaining units can be rented at no more than the High HOME Rents, or the lesser of (i) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111 or (ii) a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent AMI, as determined by HUD, with adjustments for the number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

   iv. Note, very low-income households may occupy High HOME Rent units and pay High HOME Rents.

c. Further, at initial project lease up, at least 90 percent of the households assisted must have incomes that do not exceed 60% percent of AMI, as determined and made available by HUD. The balance of the assisted households must have incomes that do not exceed 80 percent of AMI.

**12) UNIT DESIGNATION**

The applicant must declare in the application the number of HOME Units in the project and whether the units are fixed or floating units. All designations must be included in the grant contract and legal documents. In a project containing HOME and other non-assisted units, fixed or floating HOME Units must be designated in accordance with 24 CFR 92.252(j). The project must maintain this unit mix throughout the Affordability Period.

**13) PROHIBITED ACTIVITIES**

a. Providing HOME funds to rental units that require reconstruction.

b. Using HOME funds to refinance existing debt.

c. Using HOME funds to create transitional housing.

~~c.~~d. Using HOME funds for the acquisition and rehabilitation or new construction of housing for sale to home buyers.

~~d.~~e. Providing non-federal matching contributions required under any other Federal program.

~~e.~~f. Providing assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing).

~~f.~~g. Carrying out activities authorized under 24 CFR Part 968 (Public Housing Modernization).

~~g.~~h. Providing assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low-Income Housing Mortgages).

~~h.~~i. Providing assistance to a project previously assisted with HOME funds during the period of affordability established by HUD and THDA in the written agreement with the Recipient as stated in § 93.205(a) except as permitted for renewal of funds committed to operating cost assistance.

Additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount as determined by THDA as defined by HUD. HUD has prescribed the use of the Section 234 – Condominium Housing Limits from the Annual Indexing of Basic Statutory Mortgage: Limits for Multi-Family Housing Programs as described in the Interim Rule.

~~i.~~j. Using HOME funds for political activities; advocacy; lobbying, whether directly or through other parties; counseling services; travel expenses; and preparing or providing advice on tax returns.

~~j.~~k. Using HOME funds for administrative, outreach, or other costs of the Recipient, or any other Recipient of such grant amounts, subject to the exception in Section 1338(c)(10)(D)(iii) of the Act,

~~k.~~l. Using HOME funds to refinance multifamily loans made or insured by any federal program, including CDBG.

~~l.~~m. Providing tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act.

~~m.~~n. Assisting or developing emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, dormitories, including those for farm workers or housing for students.

~~n.~~o. Providing HOME assistance to rental units that are Manufactured Housing, as defined in Tennessee Code Annotated Title 68 -126- 202 & 303, and/or Manufactured Housing lots.

~~o.~~p. Paying for any cost that is not eligible under 24 CFR 92.730 through 93.200 or is prohibited under 24 CFR 92.214.

**14) LAYERING**

Before THDA can commit HOME funds, it must evaluate the project proposed in the application to determine that the proposed amount of HOME funds needed to complete the project is necessary to provide a quality affordable housing project that meets the Program requirements and will remain financially viable throughout the Affordability Period. Layering is the combining of more than one governmental resource on a HOME-assisted project.

The applicant must disclose all government resources that have been utilized and/or that the applicant intends to utilize in the HOME project, especially THDA resources. Failure to disclose said information may result in cancellation of award and money due to THDA.

THDA will evaluate the project in accordance with its underwriting and subsidy layering guidelines and standards that require the following:

a. An in depth review of underlying project assumptions, development sources and uses, and projected operating income and expenses, and the project's long-term financial viability to determine the project's proposed costs and need for HOME funds are necessary and reasonable, while preventing over-subsidization of the project;

b. An assessment of the current market demand for the proposed budget;

c. Review of and determination that the applicant's experience and financial capacity are satisfactory based on the size and complexity of the project;

d. Firm written financial commitments for the project;

e. A careful review of the project's operating budget, including the basis for assumptions, projections of a project's net operating income, and reasonably expected changes in revenue and expenses during the Affordability Period to determine if any HOME-funded operating cost assistance is necessary and, if applicable, an operating cost assistance reserve is sized appropriately;

f. An assessment of the project's overall viability through the Affordability Period based on the households it will serve; and

g. THDA will require completion and submission of a development budget, operating budgets, and an operating proforma, as defined below, for the length of the Affordability Period in a format that will be included with the application

**15) PROFORMA**

A proforma is a cash flow projection for a specific period of time that takes into account expected income and expenses of a rental property and projects financial viability and affordability over the period ("Proforma").

a. All Applicants must complete a proforma included in the application in a term of 5, 10, 15 or 20 years depending on the project type and its Affordability Period. The applicant must demonstrate a need for the HOME funds. If the project development costs require additional financing, including other grant source funding, prior to making any HOME draws documentation must be provided by Recipient that all other financing or grant funding has been identified and secured.

A project may not incur more debt in the development than the operating budget and proforma indicate that the development can support. Documentation that final debt does not exceed the supportable debt as indicated on the operating budget will be a threshold requirement.

b. An updated final Development Budget, Operating Budget and Proforma package will be ~~ma~~required before any draw requests may be processed.

## 16) PROJECT COMPLETION AND INITIAL OCCUPANCY

HOME rental projects must meet the definition of project completion at 24 CFR 92.2. If the project fails to meet the project completion definition within 4 years of project commitment, the project must comply with the terminated project requirements at 24 CFR 92.205(e)(2). If the HOME Units are not occupied by eligible low-income households within six months following project completion, the Recipient must submit to THDA a report of its efforts to market the development to low income households and an updated marketing plan of new steps that will be taken to fill units by eligible low income populations. The Recipient must repay all HOME funds invested in any housing unit that is not rented to eligible low-income households within 18 months of project completion.

## 17) LEVERAGE

Leverage is a contribution of value in the form of cash, materials, or labor in a pre-approved form and method toward the hard development costs of a project. Leverage must be in the form of contributions to the project's hard development costs.

a. In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the applicant and grants from other sources. The value of land acquired through non-HOME resources may be counted as leverage when the appraised value is documented and proof of ownership at the time of application is demonstrated. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage when properly documented. Administrative funds, anticipated fund-raising revenues and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. All proposed leverage must be thoroughly supported by appropriate back-up documentation, including firm commitment letters, award letters, and warranty deeds.

b. The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the project. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.

## 18) MARKET

Applicants must document that neighborhood market conditions demonstrate a need for the project.

## 19) MIXED-USE PROJECTS

A "mixed-use" project contains, in addition to at least one residential unit, other non-residential space, which is available to the public. The following rules apply regarding mixed-use:

a. Laundry and/or community facilities for use exclusively by the project tenants and their guests do not constitute a mixed-use project.

b. The presence of a leasing office or a maintenance area does not constitute a mixed-use project either.

c. HOME funds may not be used to fund the commercial or non-residential portion of a mixed-use project. Therefore, if a HOME assisted project contains such commercial or non- residential space, other sources of funding must be used to finance that space.

d. HOME funds can only be used to fund the residential portion of a mixed-use project, which meets the HOME rent limits and income targeting requirements.

e. If the rental project will contain a model apartment that will be shown to potential renters, the model apartment will be considered a non-residential area, unless the model apartment will be rented in the event of high occupancy.

f. In order for a mixed-use project to be eligible to use HOME funds, the residential living space in the project must constitute at least fifty one percent (51 percent) of the total project space and each building in the project must contain residential living space.

## 20) RENT LEVELS AND UTILITY ALLOWANCES

HUD requires that the rent charged for HOME Units be affordable to low- and very low-income households for the duration of the Affordability Period. THDA must annually review and approve the rents for each HOME-assisted rental project.

HUD publishes HOME Rent Limits annually to define what is considered affordable. The HOME Rent Limits are adjusted for different localities and for each bedroom-size unit from zero (efficiency) to six bedrooms.

a. The HUD-published HOME Rent Limits include utilities. Therefore, when a tenant pays directly for utilities, the cost of utilities paid by the tenant must be subtracted (using the applicable utility allowances) from the published HOME rents to determine the maximum rent that can be charged for the HOME Unit.

b. The Recipient must determine individual utility allowances for each rental project either by using the HUD Utility Schedule Model or determining the utility allowance based on the specific utilities used at the project. Utility allowances must be reviewed and updated annually. Use of utility allowances provided by public housing authorities is not permitted.

c. HUD adjusts the HOME Rent Limits every year. If the rent limits go up and utility costs remain steady, the Recipient may raise rents accordingly, but if the rent limits decrease or the utility costs increase, the Recipient may be required to decrease rents. The Recipient is never required to decrease rents below the initial rents approved by the THDA at time of project commitment, although market conditions may make it necessary to do so.

d. Rent adjustments must be made in accordance with the tenant's lease. THDA must approve all rent schedules for a project prior to lease-up and throughout the Affordability Period.

e. Recipients must never charge rent amounts that exceed the published HOME rents, adjusted for utility arrangements and bedroom size.

f. If the HOME-assisted unit receives Section 8 or Tenant-Based Rental Assistance ("TBRA"), then the maximum rent for the HOME Unit cannot exceed the HUD-published HOME Rent Limit. Therefore, the subsidy payment plus the tenant's contribution towards rent cannot exceed the HUD-published High HOME rent limit for a High HOME Rent unit or the Low HOME rent limit for a Low HOME Rent unit.

   i. Rents charged to tenants with Section 8 or TBRA (subsidy plus tenant contribution) must be the same as the rents charged to other tenants without such assistance for comparable units. The Section 8 rules specifically prohibit an owner from charging a higher rent for a unit that is occupied by a voucher holder than the rent charged for a comparable unit not occupied by a voucher holder. This means that if the Recipient charges less than the maximum HOME rent for HOME Units that are not occupied by vouchers holders, it can only charge that rent to the voucher holder.

g. For the duration of the Affordability Period, the property must accept a Housing Choice Voucher if one is presented by a HOME eligible tenant for a non-PBRA/PBV covered HOME unit.

h. High HOME Rent Limits. The lesser of (i) the Section 8 Fair Market Rents for existing housing or (ii) 30 percent of the adjusted income of a family whose annual income exceeds 65 percent AMI. The High HOME Rents apply to HOME Units that are High HOME Rent units and are occupied by low-income tenants.

i. Low HOME Rent Limits. One of the following; (i) 30 percent of the tenant's monthly adjusted income; (ii) 30 percent of the annual income of a family whose income equals 50 percent AMI; or (iii) if a unit has a Federal or state project-based rental subsidy and the very low-income tenant pays no more than 30 percent of his or her adjusted income toward rent, then the maximum allowable rent for the HOME Unit is the rent allowable under the project-based rental subsidy program.

   ii. THDA determines which LOW HOME Rent limits apply at the property.

   iii. Low HOME Rents apply to at least 20 percent of the units in properties with five or more HOME Units that are occupied by very low-income tenants.

**21) OCCUPANCY REQUIREMENTS**

If a household's income increases above the allowable income limit for the HOME Unit during the Affordability Period, the HOME Unit will continue to qualify as affordable housing, despite the temporary noncompliance caused by the increase in income of the household, if steps are taken at the next available opportunity to restore compliance.

The requirements for correcting any noncompliance using vacancies or re-designation of units depends on whether the HOME Units are fixed or floating and whether other funding sources impose income or other restrictions on the units.

a. Fixed HOME Unit. When a tenant becomes over income in a Fixed HOME Unit, correction depends on whether the over-income tenant is occupying a High HOME Rent Unit or a Low HOME Rent Unit.

    i. High HOME Rent Unit. If the tenant is occupying a High HOME Rent Unit, the property is temporarily out of compliance until the unit is vacated and can be rented to another low-income household. The Recipient cannot terminate or fail to renew the household's lease because the household is over-income, but the household's' rent must be adjusted according to 92.252(i)(2). However, such over-income households are protected by the terms of their lease and such rent change can only go into effect at renewal or when the lease permits.

    ii. Low HOME Rent Unit, Income Increases within Low-Income Limit. The property is temporarily out of compliance and will continue to be out of compliance until either (i) a High HOME Rent Unit can be re-designated as a Low HOME Rent Unit or (ii) the Low HOME Rent Unit is vacated by the over-income tenant and can be rented to a very low-income tenant. The Recipient may not increase the tenant's rent above the Low HOME Rent Limit while the unit remains designated as a Low HOME Rent Unit. When a High HOME Rent Unit in the property is vacated, the unit must be re-designated as a Low HOME Rent Unit, regardless of bedroom size, and be rented to a very low-income tenant at no more than the Low HOME Rent. Once this happens, the unit occupied by the over-income tenant must be re-designated as a High HOME Rent Unit and the Recipient may then increase the tenant's rent up to the HIGH HOME Rent Limit, subject to the lease provisions.

    iii. Low HOME Rent Unit, Income Increases Above Low-Income Limit. The property is temporarily out of compliance until the unit is vacated and can be rented to another very low-income household. The Recipient cannot terminate or fail to renew the household's lease because the household is over-income, but the household's' rent must be adjusted according to 92.252(i)(2). However, such over-income households are protected by the terms of their lease and such rent change can only go into effect at renewal or when the lease permits. When a High HOME Rent unit becomes available, it must be re-designated as a Low HOME Rent Unit, regardless of bedroom size, and be rented to a very low-income tenant, at no more than the Low HOME Rent. The unit occupied by the over-income tenant must be re-designated as a High HOME Rent unit, but since the tenant is over the low-income limit, the property will continue to be temporarily out of compliance until the tenant vacates the unit.

b. Floating HOME Units. When a tenant becomes over income in a project with Floating HOME Units, correction depends on whether the over-income tenant is occupying a High HOME Rent Unit or a Low HOME Rent Unit.

    i) Floating High HOME Rent Unit. The Recipient must adjust the rent of the over income household so that it pays 30 percent of its month adjusted income as rent. The rent adjustment must be made as soon as the lease permits in accordance with the terms of the lease. In a property with floating HOME units, a household is not required to pay more than the market rent for a comparable, unassisted unit in the neighborhood. The next vacant comparable non-assisted unit must be designated as a High HOME Rent Unit. "Comparable" is defined as a unit that is equal to or greater in terms of size, number of bedrooms, amenities, etc. The Recipient may not make the replacement with a lesser unit unless doing so would preserve the original unit mix. Once the comparable non-assisted unit is designated as the new High HOME Rent Unit, the unit with the over income tenant is re-designated as a non-assisted unit. The new High HOME Rent Unit must be rented to a low-income tenant at a rent that does not exceed the High HOME Rent. Once the unit with the over-income tenant is re-designated as a non-assisted unit, the Recipient may adjust the tenant's rent without considering the HOME limits, subject to the lease term.

ii) Floating Low HOME Rent Unit, Income Increases Within Low-Income Limit. When a tenant's income increases to low-income and is no longer very low-income and occupies a floating Low HOME Rent Unit, the unit that is occupied by the over-income household keeps its designation as a Low HOME Rent Unit until a comparable unit can be substituted. The rent of the over-income tenant must not exceed the Low HOME Rent Limit while the unit is a Low HOME Rent Unit. When the next High HOME Rent Unit in the property is vacated, it must be re-designated as a Low HOME Rent Unit rented to a household whose income does not exceed the very low-income limit, at a rent that does not exceed the Low HOME Rent Limit. Once the new Low HOME Rent unit is designated, the unit with the over income household is re-designated as a High HOME Rent Unit and the households rent may be adjusted to no more than the High HOME Rent Limit, subject to the terms of the lease.

iii) Floating Low HOME Rent Unit, Income Increases Above Low-Income Limit. The next vacant, comparable, non-assisted unit must be designated as a Low HOME Rent Unit and rented to a tenant whose income does not exceed the very low-income limit at a rent that does not exceed the Low HOME Rent Limit. Comparable is defined as a unit that is equal to or greater in terms of size, number of bedrooms, amenities, etc. The Recipient may not make the replacement with a lesser unit unless doing so would preserve the original unit mix. Until a comparable Low HOME Rent Unit is designated, the unit that is occupied by the over-income tenant is considered a Low HOME Rent Unit that is temporarily out of compliance. The rent of the over-income tenant in the original Low HOME Rent Unit must be adjusted as soon as the terms of the lease permit it. The over-income tenant must pay 30 percent of the household's monthly adjusted income as rent until a comparable Low HOME Rent Unit is substituted, Once a comparable Low HOME Rent Unit is substituted, the unit with the over-income tenant must be re-designated as a non-assisted unit. The Recipient may adjust the tenant's rent without considering the HOME restrictions, subject to the terms of the lease.

**22) HOUSING SET-ASIDES FOR INDIVIDUALS WITH DISABILITIES**

Applications that propose housing in which more than twenty percent (20 percent) of the assisted units will be set-aside for individuals with disabilities must meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:

https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state- plan- home-and-community-based-services-5-year-period-for-waivers-provider.

a. THDA requires that all home and community-based settings meet certain qualifications, including:

i) Is integrated and supports full access to the greater community.

ii) Is selected by the individual from among setting options.

iii) Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint.

iv) Optimizes autonomy and independence in making life choices.

v) Facilitates choice regarding services and who provides them.

b. For provider owned or controlled residential settings, the following additional requirements apply:

i) The individual has a lease or other legally enforceable agreement providing similar protections.

ii) The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit.

iii) The individual controls his/her own schedule, including access to food at any time.

iv) The individual can have visitors at any time.

v) The setting is physically accessible.

**23) PROPERTY AND DESIGN STANDARDS**

a. Property standards must be met when HOME funds are used for a project. All rental housing constructed or rehabilitated with HOME funds must meet all THDA Design Standards, applicable local, county and state codes, rehabilitation standards, Uniform Physical Condition Standards (UPCS) or other Standard as defined by HUD, and zoning ordinances at the time of project completion. In the absence of a local code, new construction of single-family units for rental must meet the current, State-adopted edition of the International Residential Code for One- and Two- Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc. Rehabilitation of existing single-family units for rental must meet the current, State- adopted edition of the International Existing Building Code.

b. HOME funded units must also conform to the THDA Minimum Design Standards for New Construction and Rehabilitation of Single Family and Multifamily Units. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.

c. Additional design standards include:

i) Energy Code. New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.

ii) Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System ("HERS") rater.

iii) Broadband Infrastructure. THDA requires that newly constructed rental units and those which are substantially rehabilitated must be wired for broadband internet access or infrastructure for project wide wireless internet service.

iv) Modular Housing must be certified by the state of Tennessee

d. Section 504

i) Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.

ii) For new construction of Multifamily Housing (five or more units), a minimum of 5 percent of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and at a minimum, an additional two percent (2 percent) of the units (but not less than one unit) must be accessible to individuals with sensory impairments. The total number of units in a HOME-assisted project, regardless of whether all units are HOME-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.

iii) The Section 504 definition of substantial rehabilitation for Multifamily Housing includes construction in a project with eleven (11) or more units for which the rehabilitation costs will be seventy five percent (75 percent) or more of the replacement cost. In such projects, a minimum of five percent (5 percent) of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two (2 percent), at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the total number of units in a HOME-assisted, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all of the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.

iv) When rehabilitation less extensive than Substantial Rehabilitation is undertaken in projects of Eleven (11) or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with a disability, until a minimum of five percent (5 percent) of the units (but not less than one (1) unit) are accessible to people with mobility impairments. For this category of rehabilitation, the additional two percent (2 percent) of unit's requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible.

e. Fair Housing Act of 1968, as amended. In buildings that are ready for first occupancy after March 13, 1991, and that have an elevator and four or more units, the public and common areas must be accessible to persons with disabilities; doors and hallways must be wide enough for wheelchairs; and all units must have the following:

i) An accessible route into and through the unit.
ii) Accessible light switches, electrical outlets, thermostats and other environmental controls.

iii) Reinforced bathroom walls to allow later installation of grab bars; and kitchens and bathrooms that can be used by people in wheelchairs.

iv) If a building with four or more units has no elevator and will be ready for first occupancy after March 13, 1991, these standards apply to ground floor units.

v) These requirements for new construction do not replace any more stringent standards in State or local law.

f. Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131–12189) implemented at 28 CFR parts 35 and 36, as applicable.

**24) UNIVERSAL DESIGN AND VISITABILITY**

THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the units constructed or rehabilitated with federal HOME funds through the use of Universal Design and Visitability.

a. Universal Design

i) Universal Design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:

(1) Make the unit usable by the greatest number of people.
(2) Respond to the changing needs of the resident.
(3) Improve the marketability of the unit.

ii) The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:

(1) Stepless entrances. Minimum 5' x 5' level clear space inside and outside entry door.
(2) Broad blocking in walls around toilet, tub and shower for future placement of grab bars.
(3) Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
(4) Front mounted controls on all appliances.
(5) Lever door handles.
(6) Loop handle pulls on drawers and cabinet doors.

iii) More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: http://www.ncsu.edu/ncsu/design/cud/index.htm.

b. Visitability

i) Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:

(1) One zero-step entrance.
(2) Doors with thirty two (32) inches of clear passage space.
(3) One bathroom on the main floor that is accessible to a person using a wheelchair.

More information on Visitability can be found at: http://www.visitability.org.

**25) ENVIRONMENTAL REVIEW**

The environmental effects of each activity carried out with HOME Rental funds must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 ("NEPA") and the related authorities listed in HUD's regulations at 24 CFR 58.

Under the Program, THDA is responsible for carrying out environmental reviews. THDA may not commit any funds under the Program or any other program listed at 24 CFR 58.1(b) for an activity or project until the environmental review process is complete and the HOME funds have been released. The applicant is responsible for gathering the information required for the environmental review. THDA must make a request for the release of the funds ("RROF") from HUD for all projects.

Further, until the RROF and related certification have been approved, neither a Recipient nor any participant in the development process may commit non-HUD funds on or undertake an activity or project under a 24 CFR 58.1 program if the activity or project would have an adverse environmental impact or limit the choice of reasonable alternatives. This prohibition prohibits physical activity, including acquisition, rehabilitation, and construction, as well as contracting for or committing to any of these actions. ***As a result, an applicant may not take any choice limiting actions associated with the proposed site beginning with the submission of the HOME application to THDA.***

The restriction on undertaking or committing funds for choice-limiting actions does not apply to undertakings or commitments of non-federal funds before a project participant has applied for HUD funding. A party may begin a project in good faith as a private project and is not precluded from later deciding to apply for federal assistance. However, when the party applies for federal assistance, it will generally need to cease further actions on the project, using either federal or non-federal funds, until the environmental review process is complete.

Therefore, the Environmental Review covers the entire project, not just the portion funded by HOME funds. Except for the very limited exclusions listed under 24 CFR 58, any such prohibited action will make the entire project ineligible for funding under HOME.

**26) LEAD-BASED PAINT**

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323). Lead- based paint requirements apply to all units and common areas in the project.

## 27) FLOOD PLAINS

HOME funds may not be used to construct housing in an area identified by the Federal Emergency Management Agency ("FEMA") as having special flood hazards. In addition, THDA strongly discourages the rehabilitation of units located in special flood hazard areas, but in a few limited instances and with written permission from THDA, units located in a floodplain may be assisted if the flood plain is mitigated by construction design. In cases where construction in the flood plain are allowed the project must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

## 28) PROCUREMENT

It is important to keep the solicitation of bids for goods and services as well as professional services and construction contracts open and competitive.

a. At a minimum all Recipients must comply with 2 CFR 200.318 - 326.
b. All Recipients must have adopted procurement policies and procedures that meet state and federal requirements.
c. Recipients must seek to obtain three (3) to five (5) quotes or bids using formal advertising or requests for proposals for the procurement of professional or construction services.
d. There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

## 29) CONFLICT OF INTEREST

In the procurement of property and services, THDA and Recipients must adhere to the conflict of interest provisions at 24 CFR 92.356. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Recipients shall repay that portion of the HOME grant related to the conflict of interest or may have all or some portion of the HOME grant rescinded, all as determined by THDA in its sole discretion.

## 30) DEBARMENT AND SUSPENSION

On all HOME funded projects, Recipients shall certify that no vendor, its principals or managers are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction or listed on the "Excluded Parties List System" found at www.SAM.gov.

## 31) PROJECT SOFT COSTS

In planning their programs, applicants may include, as a project soft costs, the reasonable and customary costs for work write-up and inspections. In addition, the costs for inspections and work write-ups, the costs for lead-based paint inspections, environmental reviews, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. All project soft costs charged to the HOME grant will be calculated on a prorated basis of committed HOME Units to all buildings and units in the project and count toward the maximum per unit subsidy limit.

**32) MATCH**

All applications from nonprofit housing developers **MUST** provide a 25 percent match towards the proposed project.

HOME match is permanent, non-federal contributions to a project. Matching contributions may be in the form of one or more of the following:

a. Cash contributions not provided by an assisted household and not from a federal source, including the present value of the interest subsidy for loans made at rates below market.

b. The grant equivalent of a below-market interest rate loan to the project that is not repayable to the Tennessee Housing Development Agency or the State of Tennessee as outlined at 24 CFR 92.220(a)(1)(iii).

c. The cost, not paid with Federal resources, of on-site and off-site infrastructure that are directly required for the HOME-assisted project. The infrastructure must have been completed no earlier than 12 months before HOME funds are committed to the project.

d. Reasonable value of donated site-preparation and construction materials.

e. Reasonable rental value of the donated use of site preparation or construction equipment.

f. Waived fees and taxes.

g. Property donation or below-market sale. A copy of the appraisal and/or purchase contract must be submitted. The donor/seller of the property must also provide a statement certifying that the property was donated or sold for affordable housing purposes and an acknowledgment that the donor/seller received the URA Guide Form Notice Disclosure to Seller, as well as the HUD booklet entitled, "When a Public Agency Acquires Your Property." If the property was originally acquired with federal funds, the value of the property is not match eligible.

h. The direct cost of supportive services provided to families residing in HOME-assisted units during the period of affordability as defined at 24 CFR 92.220(a)(10).

i. The direct cost of donated, compliant home buyer counseling services provided to families that acquire properties with HOME funds under the provisions of 24 CFR §92.254, including on-going counseling services provided during the period of affordability. Counseling may not be valued at more than $40 per hour.

j. Reasonable value of donated or volunteer labor or professional services. Unskilled volunteer labor may not be valued at more than $10 per hour; skilled volunteer labor may be valued at the documented going rate.

k. Value of sweat equity may also be eligible if every assisted household under the HOME grant award is required to perform sweat equity. Sweat equity may not be valued at more than $10 per hour.

l. Other match sources as permitted under the HOME Final Rule.

THDA will monitor the contribution of match throughout the implementation of the grant.

### 33) REPLACEMENT RESERVE ACCOUNTS

All projects must maintain a replacement reserve account beginning at the time of project completion for the term of the HOME Rental period of affordability.

a. The replacement reserve requirement for all one-bedroom units is, initially, two hundred fifty dollars ($250) per unit, inflated at three percent (3 percent) annually.

b. The replacement reserve requirement for all units with two or more bedrooms is, initially, three hundred dollars ($300) per unit per year, inflated at three percent (3 percent) annually.

c. This account shall be used only for capital improvements and the replacement of long-lived capital assets, and not for routine maintenance and upkeep expenses.

d. The replacement reserve must be, and must remain, an asset of the project, and will not be distributed to the Recipient or any entity or person affiliated with the Recipient at any time during or after the Affordability Period.

e. Recipients shall provide THDA with a record of all activity associated with the replacement reserve account during the prior fiscal year in conjunction with submission of the project's annual compliance monitoring materials.

f. The replacement reserve account must be maintained in a separate account in a federally insured financial institution.

g. Reserve accounts must also be separate from the project's ordinary operating account.

### 34) OPERATING RESERVE ACCOUNT

All projects must establish and maintain, until the project has achieved a minimum of five (5) years of Stabilized Occupancy (occupancy of at least ninety percent (90 percent) of the units in the property for a continuous period of at least ninety (90) calendar days), an operating reserve equal to a minimum of six (6) months of projected operating expenses plus must-pay debt service payments and annual replacement reserve payments.

a. This requirement can be met with an up-front cash reserve; a guarantee from the owner with a surety bond to stand behind the guarantee; or partnership documents specifying satisfactory establishment of an operating reserve.

b. The operating reserve account must be maintained in a separate account in a federally insured financial institution.

c. For purposes of this paragraph, eligible operating costs are limited to insurance, utilities, real property taxes, maintenance, and replacement reserve payments.

### 35) NON-COMPLIANCE REPAYMENT & OTHER PENALTIES

All HOME awards will be structured as a grant to a Recipient with an Affordability Period of between five (5) and twenty (20) years, depending on the activity type and the amount of HOME investment per unit of HOME-assisted housing. (See Section 10 of this Program Description).

a. Construction begin within twelve (12) months of the date of the start date of the grant term. Failure to start construction within that timeframe may result in forfeiture of the award and require repayment of any HOME funds drawn.

b. Any HOME funds that are used for costs that are ineligible, invested in a project that is terminated before completion, either voluntarily or otherwise, or invested in HOME Units that do not meet all federal Program requirements and requirements outlined herein for the Affordability Period must be repaid.

c. Termination of the Restrictions on the project, including foreclosure or deed in lieu of foreclosure, do not terminate the repayment obligations under 24 CFR 503(b).

Failure to adhere to or maintain compliance with the requirements of a program administered through the Community ~~Programs~~ Housing Division will result, depending on the egregiousness of the noncompliance, in penalties being accessed in the scoring of future applications and/or the inability to participate in programs administered by THDA for a period to be determined in THDA's sole discretion.

**36) AFFORDABILITY PERIOD REVIEWS**

a. Prior to drawing down HOME funds, Recipients shall sign a grant note, deed of trust and a declaration of land use restrictive covenants to enforce the Affordability Period.

b. Once HOME funds are awarded to a Recipient, THDA will monitor compliance by reviewing certain records related to the HOME project. THDA will monitor compliance by conducting desk and/or on-site reviews of the project.

c. THDA will conduct an on-site inspection at project completion in order to confirm that the project meets THDA's Minimum Design Standards for New Construction and Rehabilitation of Single Family and Multifamily Housing.

d. At a minimum, THDA will conduct compliance reviews annually.

e. THDA will conduct on-site property inspections during the Affordability Period in order to determine compliance with income and rent requirements, tenant selection, affirmative marketing requirements, and property and design standards and to verify any information submitted by the Recipient to THDA.

   i. THDA will perform onsite inspection of all HOME assisted projects no less than every three (3) years during the Affordability Period.

   ii. For HOME projects of four (4) HOME Units or less, THDA will perform an on-site inspection of one hundred percent (100 percent) of the units no less than every three (3) years during the Affordability Period.

   iii. For HOME projects consisting of five (5) or more HOME Units, THDA will inspect a minimum of four (4) of the HOME Units no less than every three (3) years during the Affordability Period.

iv. The on-site inspection may include a review of records for all or a sample of the income and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations.

v. The on-site review may also include a review of any local health, safety, or building code violation reports or notices and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety, and building codes, applicable THDA Design Standards, and ~~UPCS~~ current standards as prescribed by HUD.

vi. Any reports made by state or local government units of violations, with documentation of correction, will be reviewed.

f. Each year during the Affordability Period, the Recipient shall submit to THDA, within one hundred twenty (120) days after the end of the project's fiscal year, each of the following:

i. Audited financial statements for the Owner.

ii. Audited financial statements for the project.

iii. Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.

iv. Proof of sufficient property and liability insurance coverage with THDA listed as mortgagee.

v. Documentation to show the current utility allowance is being used (i.e. a copy of the utility allowance table).

vi. For projects that received points at initial HOME application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project's population during the fiscal year must be provided by the provider(s) of such services.

vii. Compliance monitoring fees from previous years re-inspections if applicable.

viii. Such other information as may be requested in writing by THDA in its sole discretion.

**37) MONITORING FEES**

THDA charges a monitoring fee for all HOME assisted units. HOME Recipients shall pay the entire fee covering the Affordability Period as indicated in the current HOME Operating Manual - Schedule of Monitoring Fees; but no less than $300 per HOME Unit.

a. The monitoring fee must be paid prior to the Recipient making the request for Developer Fees to be drawn from the HOME grant.

b. Additional fees may be charged when follow-up is required due to non-compliance findings. Failure to pay these fees will be considered an administrative noncompliance issue.

   i) The fee will be the current approved fee as published in the HOME manual and the most current program description at the time the fee is incurred but no less than:

      (1) Re-inspection of a file or re-inspection of a 1-4 unit property: Two Hundred Dollars ($200) per unit inspected.
      (2) Re-inspection of a HOME project with five (5) or more units:
         (a) Two hundred dollars ($200) per unit inspected;
         (b) Standard mileage rate in effect under the current State of Tennessee travel regulations at the time of the re-inspection from Nashville to the property and back to Nashville;
         (c) Applicable state allowed per-diem for one staff person;
         (d) Lodging expenses as allowed under then current State of Tennessee travel regulations;
         (e) Any other expenses incurred by THDA relating to the project re-inspection.

c. Fees for re-inspections will be due to THDA prior to issuance of re-inspection results or release of any additional HOME-funded operating subsidy.

**38) RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN**

Recipients shall replace all occupied and vacant habitable low-income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with HOME Rental funds.

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a grant contract committing THDA to provide funds for a project that will directly result in the demolition or conversion, THDA will make public by and submit to the HUD/Knoxville HOME coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units shall submit the following information to THDA in connection with their application:

a. A description of the proposed assisted project;

b. The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project.

c. A time schedule for the commencement and completion of the demolition or conversion.

d. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided.

e. The source of funding and a time schedule for the provision of the replacement housing.

f. The basis for concluding that the replacement housing will remain lower income housing for at least fifteen (15) years from the date of initial occupancy.

g. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

**39) HOME RELOCATION REQUIREMENTS**

THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION of households. Prior to application, contact THDA if you are planning any project that may involve displacement or relocation.

HOME funds are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act ("URA") of 1970 ad section 104(d) of the Housing and Community Development Act of 1974, in addition to the Displacement, Relocation, and Acquisition regulatory requirements of 24 CFR 92.353.

a) URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between THDA and the Recipient and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or household; (3) has income above or below the Section 8 Lower Income Limit.

b) A Displaced Person is any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with HOME Rental funds. Relocation requirements apply to all occupants of a project/site for which HOME Rental assistance is sought even if less than one hundred percent (100 percent) of the units are HOME Rental assisted.

   i) Before application, displacement is triggered when a tenant moves permanently from the project before the applicant submits an application for HOME Rental assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the HOME Rental project. (e.g., THDA determines that the applicant displaced tenants in order to propose a vacant building for HOME Rental assistance.)

   ii) After application, displacement is triggered when a tenant moves permanently from the project after submission of the application, or, if the applicant does not have site control, the date THDA or the Recipient approves the site because:

      (1) The applicant requires the tenant to move permanently; or
      (2) The applicant fails to provide timely required notices to the tenant; or
      (3) The tenant is required to move temporarily and the applicant does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

   iii) After execution of the grant contract, displacement is triggered when a tenant moves permanently from the project after execution of the grant contract covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.

c) A Displaced person is not:

   i) A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations.
   ii) A person with no legal right to occupy the project under State or local law (e.g., squatter).
   iii) A tenant who moved in after the application was submitted but before signing a lease and

commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project.

iv) A person, after being fully informed of their rights, waives them by signing a Waiver Form.

d) URA and its implementing regulations at 49 CFR Part 24 require relocation assistance where acquisition has occurred under URA. In addition, URA coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition or private acquisition carried out under a federally assisted project or program.

e) Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with CDBG, UDAG, HOME, or HOME Rental funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non- residential (commercial/industrial) relocation is involved, contact THDA.

f) Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME Rental program decisions. Concerns about relocation may cause a Recipient to consider establishing a preference for vacant buildings. However, Recipients should also consider that vacant buildings are often in various states of deterioration. Rehabilitating an occupied building, even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, Recipients must consider whether occupants will be able to return after rehabilitation and whether Section 8 assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the Recipient must consider whether the owner removed the tenants in order to apply for HOME Rental assistance for a vacant building. If so, these tenants are displaced persons.

g) Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for HOME Rental and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

**40) SITE AND NEIGHBORHOOD STANDARDS**

Housing provided through the HOME program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities. All projects must meet the site and neighborhood standards as codified at 24 CFR § 891.125 - Site and neighborhood standards.

a) New Construction Rental Housing. In carrying out the site and neighborhood requirements for new construction, the Recipient shall provide documentation as THDA may require, in THDA's sole discretion, to determine that proposed sites for new construction meet the requirements in 24 CFR 93.150 with cross reference to 983.6(b) which places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas.
b) Rehabilitation of Rental Housing. Site and neighborhood standards do not general apply to rehabilitation projects funded under HOME unless project-based vouchers are used in an HOME rehabilitation unit. In such case, the site and neighborhood standards for project- based vouchers will apply as determined by the issuing authority for the project-based vouchers.

**41) EQUAL OPPORTUNITY AND FAIR HOUSING**

No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds.

a) The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:

   i) Fair Housing Act (24 CFR Part 100)

   ii) Executive Order 11063, as amended (24 CFR Part 107 - Equal Opportunity in Housing)

   iii) Title VI of the Civil Rights Act of 1964 (24 CFR Part 1 - Nondiscrimination in Federal programs)

   iv) Age Discrimination Act of 1975 (24 CFR Part 146)

   v) Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8)
   vi) Section 109 of Title I of the Housing and Community Development Act of 1974 (24 CFR Part 6)

   vii) Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.

   viii) Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity 24 CRF Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982

   ix) Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135

      (1) Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward
      low-income persons, particularly those who are recipients of government assistance for

housing.

x) Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)

xi) Executive Order 11625, as amended (Minority Business Enterprises)

xii) Executive Order 12432, as amended (Minority Business Enterprise Development)

xiii) Executive Order 12138, as amended (Women's Business Enterprise)

xiv) Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that Recipients prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Recipients must also develop acceptable policies and procedures if their application is approved by THDA.

b) The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:

i) Architectural Barriers Act of 1968 42 U.S.C. §4151 et seq.

ii) Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)

iii) Executive Order 12898

iv) Executive Order 13166 (Limited English Proficiency)

v) Executive Order 13217 (Community-based living arrangements for persons with disabilities)

c) In addition to the above requirements, the Recipient must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with the State's current Consolidated Plan.

**42) AFFIRMATIVE MARKETING**

Prior to beginning a HOME project, Recipients must adopt affirmative marketing procedures and requirements for all HOME rental projects with five (5) or more units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. The Recipient must also identify and take steps to attract populations who are least likely to apply for the housing to be created. Requirements and procedures must include:

a) Methods for informing the public, owners and potential tenants about fair housing laws and the Recipient's policies;

b) A description of what the Recipient will do to affirmatively market housing assisted with HOME funds;

c) A description of what the Recipient will do to inform persons not likely to apply for housing without special outreach;

d) Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and

e) Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

f) All projects that receive HOME grants must advertise all vacant units on the www.TNhousingsearch.org website.

**43) APPLICATION AND EVALUATION PROCEDURE**

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria include:

a) Submission by an eligible applicant of a complete application, including any documentation required to be submitted through THDA's Participant Management System (PIMS).

b) The applicant's financial statements and audit indicate a healthy financial position and include diverse funding sources.

c) Application demonstrates a market need for the project.

d) Proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements outlines herein and under 24 CFR Part 92, as amended.

e) Submission of a Proforma based on the required Affordability Period demonstrating a need for the HOME funds.

f) All projects must meet the site and neighborhood standards as codified at 24 CFR § 891.125 - Site and neighborhood standards.

g) All applications must demonstrate a minimum match contribution equal to 25 percent of the total HOME funds requested for the project.

h) Applicants must have met all spend down requirements for other THDA rental development grants and be in good standing with all THDA programs on August 31, 2023.

i) Proposals that will set-aside more than 20 percent of the units for individuals with disabilities must demonstrate that the project will meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:

https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid- program-state-plan-home-and-community-based-services-5-year-period-for- waivers-provider.

j) Receipt of a score that equals at least 60 percent of the total points available.

Applications meeting the threshold requirements will be scored and ranked by Grand Division, as defined in Tennessee Code Annotated Title 4, Chapter 1, Part 2, in descending numerical order based on the scoring matrix provided on page 35, Section 44 of this Program Description.

THDA will first select the highest scoring application from each Grand Division of Tennessee.

If additional funding is available, THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than the need for the next highest scoring application.

Given the limited funding available statewide and in order to distribute HOME funding across Tennessee, THDA reserves the right to limit funding to only one award per county.

When the amount of funds available is less than the request for funding identified in the application, THDA reserves the right to offer partial funding pending the applicant's ability to secure additional financing within a timeframe established by THDA or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant.

1. When the applicant is not able to secure additional financing within THDA's identified timeline, THDA, subsequently and at its sole discretion, may move to the next lower scoring application(s) in order to meet its commitment obligations under the HOME program.

2. When THDA opts to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant, THDA may move to the next lower scoring project(s) in order to meet its commitment obligations under the HOME program.

In the event of a tie score between applications, THDA will prioritize that application with the highest combined total of the Need and Opportunity Score. In the event that a tie still remains, the application with the highest Opportunity Score will be selected. If a tie still exists after the first two (2) tie breakers, THDA will prioritize the application with the highest percentage of Match.

THDA reserves the right to transfer unused funding to other HOME activities.

**44) HOME RENTAL HOUSING SCORING MATRIX - Up to 100~~00~~ Points**

**P~~ROJECT~~ROGRAM DESIGN AND PLANNING- Up to 35~~30~~ points**

a) The proposed project demonstrates appropriate~~exceptional~~ planning, readiness to proceed, and administrative capability. All necessary components to accomplish the project have been ~~identified~~identified in the application including all necessary funding to complete the project. The applicant has site control of the proposed site to be developed.
b) Firm financial commitments for non-HOME resources have been secured, are current, and are demonstrated within the application.
c) The extent to which the project has a binding commitment for Federal, State, or local project-based rental assistance so rents are affordable to extremely low and very low income families and sufficient funds support the project's operation.
   i) Projects with committed project based VASH vouchers, Continuum of Care rental assistance, or project-based Section 8 vouchers are preferred.
   ii) Projects that preserve existing housing with project-based rental assistance also are encouraged.
d) The project's proforma demonstrates sufficient cash flow to supports the project's operation without a contribution of HOME funds by THDA to an operating reserve account for the project.
e) The extent to which the proposed project fills the need demonstrated by the neighborhood market conditions.
f) The extent to which the design of the proposed project is appropriate and meets the needs of the targeted population to be served.
g) The extent to which formal partnerships have been established and demonstrated within the application to provide voluntary and appropriate support services for the targeted population.
h) The extent to which the proposed project provides easy access to community living, including retail, employment, transportation, medical, education, recreation, and government services.
i) The extent to which Universal Design and Visitability features will be included in the design of the projects.
j) The extent to which energy efficiency features exceed the requirements of THDA's Design Standards for New Construction or Rehabilitation, as applicable.

**APPLICANT'S CAPACITY AND EXPERIENCE - Up to 30 points**

a) The applicant's experience with owning, developing and managing rental units of similar size and scope serving the intended population proposed.
b) The capacity of the applicant and its development and management team to carry out the proposed project within the schedule proposed.
c) The past experience of the applicant and its development and management team to successfully develop or manage rental housing in compliance with all Federal, state or local program requirements.
d) The past experience of the applicant and its development and management team to undertake THDA rental development projects in a timely manner.
e) The past history of the applicant in serving the community in which the proposed project is to be located.
f) The past history of the applicant and its development and management team to comply with THDA funding requirements and processes.
g) The applicant is a qualified Community Housing Development Organization.

**NEED - Up to 10 points**

THDA has determined rental housing need factors for households ~~who~~whose annual incomes ~~are extremely low income~~do not exceed 80% of the current published area median income. ~~Extremely low income households are defined as households whose income does not exceed 30 percent AMI, adjusted for household size.~~ The county need factors are the percentage of ~~extremely~~ low income tenant households that are cost burdened; projected 10-year population growth rate; county's projected 10-year population growth as a percent of the state's overall growth; prior allocation amount per ~~extremely~~ low income household; prior allocation; rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the LIHC Program under construction and in lease-up. Scores to be used in the evaluation of rental projects are available HERE

**AREAS OF OPPORTUNITY SCORE - Up to 10 Points**

THDA has determined factors which indicate census tracts of high opportunity. These factors include areas of high median gross rent, high cost burden, proximity to employment, high workforce participation, low levels of abandoned housing, rental market (LIHC) vacancy rate, and the pipeline of rental housing financed under the LIHC Program under construction and in lease-up. Scores to be used in the evaluation of areas of opportunity are available HERE

**CHDO DESIGNATION – Up to 5~~5~~ points**

THDA will award 5 points for applications where the applicant meets the requirements of a CHDO under the HOME program.

**RURAL DESIGNATION– Up to 5~~10~~ points**

THDA will award 10 points for applications with projects located in designated rural areas of Tennessee. For this program description, "rural" is defined as all Tennessee counties except the following: Anderson, Blount, Bradley, Carter, Coffee, Davidson, Dyer, Gibson, Hamilton, Hamblen, Haywood, Knox, Loudon, Madison, Maury, Montgomery, Putnam, Roane, Rutherford, Shelby, Sumner, Unicoi, Williamson and Wilson. All other counties are considered Rural.

THDA will award an additional 5 points if the applicant is a Tennessee Public Housing Authority in one of the above identified rural counties.

**PROJECTS LOCATED OUTSIDE OF A LOCAL PJ – 5 points**

HUD has awarded HOME funds directly to Local Participating Jurisdictions (Local PJs). The Local PJs are Clarksville, Chattanooga, Jackson, Knoxville, Memphis, Nashville/Davidson County, Knox County, Shelby County, and the Northeast Tennessee/Virginia Consortium (the cities of Bristol, Kingsport, Johnson City, Bluff City, Sullivan County, and Washington County, excluding the Town of Jonesborough). Projects that are located outside the jurisdictional limits of a Local PJ will receive points under this criteria.

**DESIGNATED DISTRESSED COUNTIES – 5 points Bonus**

~~Governor Bill Lee issued an executive order~~Distressed counties rank among the 10 percent most economically distressed counties in the nation. Each year the Appalachian Regional Commission prepares an index of county economic status for every county in the United States. The counties currently designated in Tennessee are: ~~designating eightten counties in Tennessee as distressed, including:~~ Bledsoe, Clay, Cocke, Hancock, Hardeman, Lake, Perry, and Scott. THDA will award 5 bonus points for applications with projects in these designated counties.

**MATCH EXCEEDING 25% MINIMUM – 5 points bonus**

For ~~project~~applications that provide a match contribution in excess of 40%, THDA will award a 5 point bonus.

# 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: Bill Lord, Director of Community Programs
Don Watt, Chief Programs Officer

DATE: July 10, 2023

SUBJ: 2023 HOME CHDO Homeownership Development Round

## Recommendation:

Staff recommends the Board approve the following:

- Adoption of the attached proposed 2023 HOME CHDO Homeownership Development Round Program Description ("Program Description");
- Authorize the Executive Director or a designee to award 2023 HOME CHDO 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;
- Authorize staff to retroactively apply changes to the maximum soft second mortgage amount to those open grants in which THDA and the grantee have not yet entered into an agreement at a specific address to allow construction start;
- Allow the Chief Legal Counsel or Assistant Chief Legal Counsel to make non-substantial changes and substantial changes if needed to comply with federal requirements; and
- Allow staff to reallocate any unawarded funds to qualified future HOME activities.

Staff will provide information to the Committee and Board regarding associated funding awards at the meeting that immediately follows the date of the awards.

## Background:

THDA is setting aside approximately $2.75 million in HOME funds to implement the 2023 HOME CHDO Homeownership Development Program Description to encourage the construction of affordable homes for sale to low and moderate income households across the State. This activity is funded though an award of the States annually allocated HOME funds. This program description will open the HOME funding to all eligible nonprofit Community Housing Development Organizations (CHDO).

THDA will open the program for application September 11, 2023, with applications due on October 19, 2023. Funding awards will be announced on or about December 8, 2023, with the Grant award period beginning on January 1, 2024.

The following modifications should be noted:

1. The program description clarifies that the costs associated with unit development may exceed the appraised value of the unit after development. While not a change in program operation, the language adds clarity to encourage single family production in areas of where appraised values remain low compared to development costs.

2. Increased the maximum amount of the soft second mortgage from $14,999 to $39,999. The soft second mortgage is designed to provide an amount that is necessary to qualify the household for permanent financing. Nonprofit partners are increasingly finding the $14,999 limit is often not feasible to qualify a HOME eligible borrower to purchase a unit given the higher sales prices of constructed units. This change is requested to be applied retroactively to past program descriptions under which a grantee and THDA have not yet implemented an agreement to allow construction start at as specific address.

3. Adjusted the Universal Design scoring category to allow for each of the design features, except for a zero-step entry, to be worth two points in scoring. This change will allow rehabilitation projects to maximize the scoring category without installation of a zero step entry or other design features which may be cost prohibitive.

To view full documentation, please click here.

**TENNESSEE HOUSING DEVELOPMENT AGENCY**

**~~2022~~**

**2023 HOME CHDO HOMEOWNERSHIP DEVELOPMENT ROUND PROGRAM DESCRIPTION**

The Tennessee Housing Development Agency ("THDA") administers the federally-funded HOME Investment Partnerships Program ("HOME") to promote the production, preservation, and rehabilitation of single-family housing in single-unit buildings for low-income households. The purpose of this Program Description is to explain the requirements and the application process to fund the development of housing for sale to low-~~ and moderate~~income households.

THDA will make HOME funds available to non-profit organizations that meet the designation of a Community Housing Development Organization ("CHDO") through a competitive application process. An applicant must apply for a HOME grant of at least $250,000 for program costs, but may apply for a maximum HOME grant of $1,000,000 for program costs, and may apply for operating assistance up to an amount equal to 7% of program costs.

THDA will start accepting applications for the 2023 HOME CHDO Homeownership Development Round on September 11, 2023. Applicants must submit their applications electronically through THDA's Grants Management System ("GMS"). THDA will stop accepting applications at 11:59:59 PM CDT on ~~Friday, December 2, 2022~~Thursday, October 19, 2023. THDA anticipates notifying successful applicants on or around December ~~31, 2022. HOME~~8, 2023 and issuing Reservation of Funds with a term commencing January 1, 2024 and ending December 31, 2026.

This Program Description and the application link are available at www.thda.org. Once on the THDA website, click on PROGRAMS and the HOME Program will be listed under the PROGRAMS FOR LOCAL GOVERNMENT & NON PROFITS. Click on HOME for the link to the 2023 HOME CHDO Homeownership Development Program Description. If you have questions, please call Aaron Toran at (615) 815-2037.

**THE HOME PROGRAM**

HOME is governed by Title 24 of the Code of Federal Regulations, Part 92, as amended. Those regulations are incorporated in this Program Description by this reference. In cases of conflicting requirements, the more stringent requirement will apply, unless the more stringent requirement would violate a state or federal law.

**A. ELIGIBLE APPLICANTS.**

~~The State of Tennessee, through THDA, will accept applications for the HOME Program from private, non-profit organizations that also qualify as a Community Housing Development Organization (CHDO).~~

To be eligible, a non-profit organization ~~seeking CHDO status~~ must:

1. Meet one of the two following criteria:

   a. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

   OR

   b. Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of State dated no more than thirty (30) days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

2. Demonstrate at least two (2) years of experience providing affordable housing or affordable housing related services in the state of Tennessee satisfactory to THDA, in its sole discretion.

3. Propose a budget that includes at least a 10% contingency for the hard costs of the project to anticipate possible cost overruns over the grant term.

4. Be deemed a CHDO by THDA and meet the following requirements:

   a. Have no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

   b. Have among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws,

   c. Experience in the provision of housing to low-income households;

   d. Have standards of financial accountability that conform to 2 CFR Part 200, *Uniform Administrative Requirements, Audit Requirements and Cost Principles*; and

   e. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status.

   f. Not be controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the CHDO. If a CHDO is sponsored or created by a for-profit entity, all of the following must apply:

      (1) The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm;

      (2) The for-profit entity may not have the right to appoint more than one-third of the membership of the CHDO's governing body. CHDO board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;

(3) The CHDO must be free to contract for goods and services from vendors of its own choosing;

(4) The officers, directors, owners (stockholders, managers, members, etc.), or employees of the for-profit entity cannot be officers, directors, owners (stockholders, managers, members, etc.), or employees of the CHDO.

g. Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO, however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of recipient governmental entity. Board members appointed by the State or local government may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers of the Board or employees of a CHDO.

h. Maintain accountability to low-income community residents by:

(1) Including residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in at least one-third of the CHDO's governing board's membership. For urban areas, "community" may be a neighborhood or neighborhoods, city, county, or metropolitan area. For rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and

(2) Having a formal process for low-income program beneficiaries to advise the CHDO in its decisions regarding the design, site selection, development, and management of affordable housing. The process must be clearly established in the by-laws or through an adopted board resolution. Meeting the board requirement of 4.h.(1) above does not satisfy this requirement.

i. Have a demonstrated capacity to successfully carry out housing projects assisted with HOME funds. A CHDO undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with HOME funds. Paid staffing may be documented by providing copies of the most recent W-2, as applicable, issued by the nonprofit entity for each staff member. For its first year of funding as a CHDO, a CHDO may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key CHDO staff.

(1) A CHDO that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of 24 CFR 92.300(a)(2).

(2) A CHDO does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated or cost allocated by another organization, or by hiring a consultant.

j. Have a history of serving the community within which the housing to be assisted with HOME funds is to be located. In general, a CHDO must be able to show at least one year of serving the community through housing activities benefiting low-income persons or families before HOME funds may be awarded to that CHDO. However, a newly created CHDO formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least one year of serving the community through housing activities benefiting low-income persons or families.

5. CHDOs that have generated CHDO proceeds must demonstrate the use of or plan to use previous CHDO proceeds and a need for additional HOME funds.

6. Must also provide documentation that neighborhood market conditions demonstrate a need for the project or projects to be eligible.

7. Must only apply for HOME funding for projects in which the CHDO is the owner and developer.

8. Submit a completed application that includes the Non-Profit Checklist/CHDO Designation as provided in GMS with supporting documentation.

9. All applicants with prior HOME grants from THDA must meet both the Commitment and Spend-Down Requirements as noted below for the funding round under which the entity received a prior grant award:

   a. To meet the Commitment Requirement, THDA must have entered into a legally binding agreement with the organization for specific site addresses for the percentage of development funds specified by grant year.

   b. To meet the Spend-Down Requirement, the organization must have either expended or submitted by ~~November~~September 30, ~~2022~~2023, an officially authorized Request for Payment with supporting documentation for the percentage of development and operating assistance funds specified by grant year:

| HOME PROGRAM DESCRIPTION | COMMITMENT REQUIREMENT | SPEND-DOWN REQUIREMENT |
|---|---|---|
| ~~2018~~2019 CHDO ~~Round or CHDO Mini~~ Rounds ~~1 or 2~~ | 100% | 90% |
| ~~2019~~2020 CHDO ~~Round~~Rounds | 100% | 90% |
| ~~2020~~2021 CHDO ~~Round or CHDO Mini Round~~Rounds | 100% | 50% |
| ~~2021 Homeownership~~2022 CHDO Round | ~~50~~25% | 25% |

~~These spending requirements apply to applications from CHDOs that have received THDA HOME grant awards under previous program descriptions. In addition, CHDOs that were funded for homeownership programs that generate CHDO proceeds will have to demonstrate a need for additional HOME funds and documentation that neighborhood market conditions demonstrate a need for the project to be eligible.~~

~~15. CHDOs with a closed grant from years 2019~~c. CHDOs with a closed grant from years 2020 and earlier that met spend down requirements, but failed to commit or expend 100% of their grant funds, will be eligible to apply. However, such CHDOs will be subject to point deductions, as detailed in the CHDO Matrix.

10. Must be in compliance with all other THDA programs in which they have an active, open grant or a grant that has been closed and must have no unresolved performance issues, as determined by THDA.

## B. ALLOCATION OF FUNDS.

HOME funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. THDA will use funds available from prior-year HOME Program allocations to fund the program. The total amount of funding available for this round is *up to* $~~3,200,000~~2,752,623 for program costs and *up to* $~~224,000~~192,684 for CHDO operating assistance. Additionally, THDA may make available any returned or leftover funds from other ~~2022~~2023 or earlier funding rounds, to be determined at the time of award.

1. Commitment Requirement~~: Beginning with the 2015 HOME allocation, HUD no longer considers a PJ as meeting its 24-month CHDO commitment through a cumulative total of CHDO commitments since 1992, and each grant year must meet its own 24-month commitment deadline. In addition, the execution of a HOME Reservation of Funds and the establishment of a CHDO sub-grant in IDIS is insufficient to meet this requirement. Thus, a~~. A successful CHDO that receives an allocation of funds ("Grant Recipient") must commit those funds to specific units by the anticipated milestones to be established within the Reservation of Funds: (1) 50% of the funds by December 31, ~~2023~~2024; (2) 75% of the funds by August 31, ~~2024~~2025; and (3) 100% of the funds by ~~December~~October 31, ~~2024. CHDO applicants~~2025. Applicants need to be aware of these dates and have a pipeline of eligible homebuyers so they can begin their projects as soon as the environmental reviews have been completed. Failure to meet a particular deadline may result in a reduction of the grant award to the amount of funding committed at such deadline.

2. Lack of Ability to Comply. If, in the opinion of THDA, all applicants lack the organizational potential to comply with all HOME affordability requirements, THDA may choose not to award any of the funds set-aside for CHDOs in the ~~2022~~2023 HOME CHDO Homeownership Development Program or to award a lesser amount than outlined herein, in its sole discretion.

3. Funding Requirements. HOME awards will be in the form of a reimbursement grant, secured by a note, deed of trust, and restrictive covenants. Grant Recipients may be required to repay any HOME funds expended on projects that are not completed and ready for occupancy by the term end date of the HOME Grant Contract executed between the Grantee and THDA, or as otherwise specified in the Grant Contract, the federal rules, regulations, and notices for HOME, and this Program Description. Required deeds of trust and restrictive covenants must be recorded prior to any other financing documents.

~~To be funded, an application must receive a minimum threshold score of 60, an amount equal to at least 50% of the total points available.~~

## C. ELIGIBLE ACTIVITIES.

Eligible housing activities under the ~~2022~~2023 HOME CHDO Homeownership Development Program ~~Description that must address the housing needs of low-income households. Manufactured housing and manufactured housing lots are not eligible for HOME CHDO Homeownership Development Program round. Eligible housing activities~~ include:

1. Homeownership Programs. THDA expects that the Grant Recipients will not only shepherd the homebuyer through the home buying process, but also work toward fostering an on-going relationship with the homebuyer. This responsibility includes facilitating additional homeowner counseling, verifying homeowner occupancy requirements on an annual basis, and monitoring mortgage loan default issues.

a. Costs to Develop Units. HOME funds must be used to develop single-family units for homeownership, including new construction or acquisition and substantial rehabilitation of substandard dwellings. Duplexes, Triplexes, and Quadplexes are not eligible. Successful Grant Recipients must be the owner and developer of all units at the time the units are constructed or rehabilitated. When units are sold to eligible homebuyers, the HOME funds must be repaid to the Grant Recipient and the Grant Recipient must use the repaid funds to develop additional single-family units for homeownership in compliance with the HOME regulations.

   HOME funds may only be used to cover the development costs necessary to develop modest single family housing in accordance with 92.254(a), including those costs necessary for producing the unit that will exceed the market value of the property upon construction completion, i.e. the development subsidy.

   Before construction or acquisition and rehabilitation can begin, Grant Recipients must demonstrate a pipeline of eligible buyers pre-qualified for a permanent loan. Although speculative construction or acquisition is not generally allowed, under certain circumstances THDA will allow an applicant to apply for an exception to this policy on a project-by-project basis. To be considered for an exception, the applicant must meet certain criteria, including:

   (1) Experience and capacity to manage an affordable rental housing program;

   (2) Success during the last three (3) years in managing affordable rental housing in the area of the proposed project with an average list to lease-up term of no more than 180 days;

   (3) A current average market time of list to contract for sale for similarly priced, comparable homes in the area of the proposed project of no more than 120 days;

   (4) Extenuating circumstances that prevent the applicant from having a pipeline of pre-qualified homebuyers to support their development activity.

b. Soft Second Mortgages. Grant Recipients must allow an amount of HOME funds to remain with the unit as a soft second mortgage that is equal to or more than $1,000 and is equal to or less than $39,999, with the amount determined by the amount necessary for the household to qualify for permanent financing. THDA requires that a subsidy remain in the financing when the unit is sold, so affordability is based on the less restrictive recapture provision of the HOME regulations. All Grant Recipients using HOME funds for soft second mortgages must use the THDA single-family underwriting template to determine the appropriate amount of HOME assistance and must submit the determination to THDA for review and final approval. If the underwriting template indicates that the homebuyer does not have an unmet need for the soft second mortgage, the Grant Recipient may not provide direct HOME assistance to that homebuyer. The amount of the soft second mortgage is the "direct HOME subsidy" provided to the homebuyer and is subject to an affordability period and recapture, as defined subsequently herein.

   The soft second mortgages may not be combined with other THDA-funded "second mortgage" assistance programs, including Great Choice Loan Plus assistance, or with funding available through the New Start program, and any subsequent or similar programs operated by THDA. The THDA HOME funded soft second mortgage may be combined with a THDA Great Choice first mortgage loan.

c. Sales Price. All units must be sold for an amount that is not any lower than the appraised value of the unit.

d. Sales Price Limits. The sales price limit for homeownership programs are the Property Value Limits. Current limits are available at https://thda.org/business-partners/home.

e. Underwriting. Front and back end ratios may not exceed twenty-nine (29%) and forty-one percent (41%), respectively. Lower ratios are encouraged.

f. Permanent Financing. THDA expects the use of THDA mortgage loans whenever suitable. Other financing may be used if it is comparable to a THDA mortgage loan. Permanent financing is considered comparable if the interest rate does not exceed the prevailing THDA Great Choice interest rate by more than one percentage point and when it is demonstrated that the homebuyer represents a commensurate underwriting risk to the lender. All loans must have a fixed interest rate fully amortizing over the 30-year term of the loan. There can be no pre-payment penalty for early payoffs.

g. Homebuyer Contribution. The homebuyer must make a contribution from their own funds equal to one percent (1%) of the purchase price of the property.

h. Homebuyer Education. All homebuyers must complete a homebuyer education program from a THDA-qualified homebuyer education provider prior to purchase.

i. Neighborhood Market Conditions. Applicants proposing homeownership projects must document that neighborhood market conditions demonstrate a need for the project and must complete a market study.

j. Deadline for Sale. Units must be sold to an eligible homebuyer within nine (9) months of the issuance of a Certificate of Occupancy. If a unit is not sold within that period, the unit must be converted to rental housing for the appropriate rental affordability period or the HOME funds must be repaid by the Grant Recipient to THDA. A lease-purchase program may be permitted if the Grant Recipient can demonstrate that the Grant Recipient operates an existing, active lease purchase program.

2. CHDO Operating Expenses, Developer Fees and CHDO Proceeds.

a. CHDO Operating Expenses.

(1) Operating expenses are separate from project funds.

(2) As long as a Grant Recipient does not have an existing operating assistance grant award from THDA where less than 75% of the total operating assistance grant award has been expended as of September 30, 2023, then the Grant Recipient may request an amount up to 7% of the funds awarded for the acquisition and rehabilitation and/or new construction of housing for sale to low-income homebuyers as CHDO operating expenses to help with the operating costs of the organization.

~~b. Operating expenses are separate from project funds and are funded from the 5% set-aside for CHDO operating expenses from the annual HOME allocation.~~

~~(3) The CHDO must not have an existing operating assistance grant award from THDA with less than 75% of the total operating assistance grant award has not been expended as of November 30, 2022.~~

~~c.~~b. Developer Fees. A Grant Recipient may also request an 8% developer fee if the Grant Recipient is acting as a developer of housing. The developer fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit. The developer fee is a project soft cost and counts against the maximum per unit subsidy limit applicable to a project.

~~d.~~c. CHDO Proceeds.

(1) CHDO proceeds are the HOME funds returned to a Grant Recipient upon the sale of a unit to a homebuyer. Grant Recipients must use CHDO Proceeds to develop more housing for homeownership.

(2) A Grant Recipient may use 15% of the CHDO Proceeds for operating expenses, divided as follows: Maximum of 7% for administration and Maximum of 8% for developer's fees. Once the CHDO Proceeds are used a second time to develop more housing for homeownership, the HOME restrictions on the use of proceeds are eliminated.

(3) The prior 25% cap on the amount of CHDO Proceeds that can be used for operating or administrative expenses has been eliminated. This policy applies retroactively to current, active CHDO grants.

3. Project Soft Costs.

In planning their programs, applicants may include the actual costs paid to third parties for progress inspections and work write-ups as a project-related soft cost where necessary. The costs for plans, progress inspections, and work write-ups are capped at 2.5% of the Hard Project Costs. In addition to the costs for plans, inspections, and work write-ups, the costs for lead-based paint inspections, risk assessments, and clearance testing, and other architectural and engineering fees are also paid as project soft costs and limited to the actual billed charge from a third-party vendor. All project soft costs count toward the HUD maximum per-unit subsidy limit.

## D. PROHIBITED ACTIVITIES.

1. Purchase and installation of manufactured housing on lots.
2. Provision of project reserve accounts, or operating subsidies;
3. Provision of tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;
4. Provision of non-federal matching contributions required under any other Federal program;
5. Provision of assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);
6. Carrying out activities authorized under 24 CFR Part 968 (Public Housing Modernization);
7. Provision of assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages;

8. Provision of assistance (other than assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by HUD or THDA in the Grant Contract. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the HUD maximum per-unit subsidy amount;

9. Paying for any cost that is not eligible under 24 CFR 92.206 through 92.209;

10. Use of HOME funds for rental housing projects;

11. Provision of assistance for a homeowner rehabilitation project by a CHDO from the 15% CHDO set-aside. A CHDO funded through the 15% CHDO set-aside can only participate in the HOME program if they are the owner and developer of a project.

12. Provision assistance for emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and dormitories, including those for farm workers or housing for students.

**E. LAYERING.**

Layering is the combining of other federal resources on a HOME-assisted project that results in an excessive amount of subsidy for the project. Such activity is prohibited. Grant Recipients must analyze each project to ensure that only the minimum amount of assistance is allocated to the project. In no case may the amount of HOME funds exceed the HUD Maximum per Unit Subsidy Limit.

**F. MATCH.**

THDA will not require applicants to provide match towards funded projects. Although no local match is required, THDA will award points based on the contribution of eligible match reflected in an application as specified in the scoring matrix. THDA will count any qualifying non-federal project funds or other resources reflected in successful applications that qualify as match under the HOME rule toward the match requirement.

HOME match is permanent, non-federal contributions to a project. THDA will monitor the contribution of match throughout the implementation of the grant. Matching contributions may be in the form of one or more of the following:

1. Cash contributions not provided by the assisted household and not from a federal source, including the present value of the interest subsidy for loans made at rates below market.

2. Reasonable value of donated site-preparation and construction materials.

3. Reasonable rental value of the donated use of site preparation or construction equipment.

4. Waived fees and taxes.

5. Property donation or below-market sale. A copy of the appraisal and/or purchase contract must be submitted. The donor/seller of the property must also provide a statement certifying that the property was donated or sold for affordable housing purposes and an acknowledgment that the donor/seller received the URA Guide Form Notice Disclosure to Seller, as well as the HUD booklet entitled, "When

a Public Agency Acquires Your Property." If the property was originally acquired with federal funds, the value of the property is not match eligible.

6. The direct cost of donated, compliant homebuyer counseling services provided to families that acquire properties with HOME funds under the provisions of 24 CFR §92.254, including on-going counseling services provided during the period of affordability. Counseling may not be valued at more than $40 per hour.

7. Reasonable value of donated or volunteer labor or professional services. Unskilled volunteer labor may not be valued at more than $10 per hour; skilled volunteer labor may be valued at the documented going rate.

8. Value of sweat equity may also be eligible if every assisted household under the HOME grant award is required to perform sweat equity. Sweat equity may not be valued at more than $10 per hour.

9. Other match sources as permitted under the HOME Final Rule.

**G. LEVERAGE.**

In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by local governments, grants from other sources and cash from program beneficiaries. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage. Administrative funds, *anticipated* fund-raising revenues, other THDA funds, and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years.

The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the program. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.

**H. PUBLIC PRIVATE PARTNERSHIPS FOR NEIGHBORHOOD REDEVELOPMENT.**

THDA encourages Grant Recipients to undertake housing development activities in concert with a local government or local quasi-governmental entity in order to both fulfill the need for housing in these communities as well as larger community redevelopment goals beyond the housing efforts of the Grant Recipient itself.

The Grant Recipient must have a strategy approved by its Board to redevelop an area that ties into a larger strategic plan of a City or County's efforts to stabilize a focused area that requires revitalization. Unit development must occur only in the identified target area.

In order to receive points under this scoring criteria, the Grant Recipient must partner with a local unit of government or a local quasi-governmental entity by means of a Memorandum of Understanding (MOU) or other partnership agreement for the purpose of the development of affordable housing for sale to low-income home buyers effective for the full-term of the grant period. As part of the effort, the local unit of government or the local quasi-governmental entity must provide eligible HOME match contributions to the housing development effort. The MOU must outline the responsibilities of all parties to the program implementation, including, but not limited to:

1. The targeted neighborhood area(s) in which all units will be rehabilitated and/or constructed for sale to low income home buyers under the MOU.

2. The number of units to be rehabilitated or constructed for sale to low income home buyers.

3. A description of the match contributions to be provided. At minimum, match contributions must meet the following requirements:

    a. Donation or sale of a suitable parcel of land for home development, without encumbrance of any kind with all taxes and other fees current and meeting all requirements of Section F 5 of this program description and the following additional requirements:

        (1) The sale price to the Grant Recipient shall be no more than $100.

        (2) All taxes must be clear through the time of sale to the low income homebuyer.

    b. The donated cost of demolition and disposal of any existing structures on the building parcel including all landfill fees if unit demolition is a required part of lot development.

    c. Fees controlled by the local government such as building permits, impact fees or other development fees must be waived by the local government and provided as a donated match to the project. To the extent, the local government controls utility connection and tap fees these fees must be waived or significantly discounted in order to meet the match eligibility requirements of the HOME program.

## I. HOME PROGRAM REQUIREMENTS.

1. Income Limits.

    HOME funds may only be used to benefit low-income households. "Low-income households" means an individual or household whose income does not exceed 80% of the area median income, adjusted for household size.

    ~~"Very low income household" means a household whose income does not exceed 50% of the area median income, adjusted for household size.~~

    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 household 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.

    Current limits are available at https://thda.org/business-partners/home. Median income for an area or the state shall be that median income estimate made by HUD. Median incomes change when HUD makes revised estimates.

Forms of Assistance. As described above, at the time of the sale of the unit to an eligible homebuyer, the Grant Recipient must leave HOME funds in the unit as a soft second mortgage loan equal to the lesser of $~~14~~39,999 or the amount necessary to qualify the household for permanent financing~~ which are forgiven at the end of five (5) years.~~

~~3. AFFORDABILITY PERIOD~~

2. ~~*a.* At the time of the sale of the unit to an eligible homebuyer, the CHDO must leave HOME funds in the unit as a soft second mortgage loan in an amount equal to the lesser of $14,999 or the amount of HOME funds necessary to qualify a household for permanent financing~~, ~~but not less than $1,000~~. ~~There will be an affordability period of five years .~~.

3. Affordability Period. The soft second mortgage loan is subject to an "Affordability Period" and recapture and will be secured by a Note and Deed of Trust between the Grant Recipient and the homebuyer.

    a. The Affordability Period will be five years if the ~~loan~~ second mortgage is ~~forgiven at the end of~~no more than $14,999 and 10 years if the ~~fifth~~~~loan~~second mortgage is between $15,000 and $39,999. The amount subject to recapture due to a sale will reduce by a certain percentage each year~~ if the~~, as outlined on the chart below, as long as the unit remains in compliance~~ with HOME requirements. This means that the property~~, i.e., the unit remains the ~~primary~~permanent residence of the initial ~~homebuyer~~buyer and is not leased or vacated~~; and if the property is sold or transferred at the end of the affordability period, the homebuyer has complied with these recapture provisions. If the unit is sold or transferred~~ during the ~~affordability period, the amount of HOME subsidy subject to recapture will be reduced by twenty percent (20%) per year of occupancy by the initial homebuyer.~~Affordability Period. If the unit is leased or vacated during the ~~affordability period~~Affordability Period, the entire HOME subsidy must be repaid to THDA.

| Soft Second Mortgage Amount | Affordability Period | Annual Recapture Reduction Per Year of Occupancy |
|---|---|---|
| $1,000 - $14,999 | 5 Years | 20% |
| $15,000 - $39,999 | 10 Years | 10% |

    b. Sale or Transfer of the Property. The HOME-assisted homebuyer may sell or otherwise transfer the unit on or before the end of the affordability period to any willing buyer at any price, and the amount of the HOME subsidy subject to recapture will be reduced ~~by 20% per year of occupancy by the initial homebuyer.~~as described above. The amount subject to recapture is limited by the availability of net proceeds. The net proceeds are the sales price minus superior non-HOME loan repayments minus closing costs. If the net proceeds are not sufficient to recapture the remaining outstanding principal balance of the HOME Note plus the amount of the down payment made by the homeowner, if any, plus the amount of any capital improvement investment made by the homeowner, then the grant recipient shall recapture a pro rata share of the net proceeds of the sale in lieu of the full remaining outstanding principal balance of the HOME Note. "Capital improvement investment" means the improvements to the property made at the homebuyer's expense (and not through some other form of subsidy), as evidenced by receipts or cancelled checks detailing the capital improvements made. Capital improvements do not include items of maintenance, deferred

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maintenance or cosmetic improvements. The pro rata amount to be recaptured shall be calculated in accordance with the HOME Program Regulations at 24 CFR 92.254(a)(5)(ii)(A)(3) as follows:

If the net proceeds are not sufficient to recapture the full HOME investment (or a reduced amount) plus enable the homeowner to recover the amount of the homeowner's down payment and any capital improvement investment made by the home owner since purchase, the grant recipient shall share the net proceeds according to the following formulas:

$$\frac{\text{HOME Subsidy}}{\text{HOME Subsidy + Homeowner Investment}} \times \text{Net Proceeds = HOME Amount to Recapture}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Subsidy + Homeowner Investment}} \times \text{Net Proceeds = HOME Amount to Recapture}$$

The new proceeds may be divided proportionately as set forth in these steps:

(1) Application of Forgiveness Feature. Once the net proceeds are determined from the sale of the property, the grant recipient shall reduce the amount due based on the length of time the homebuyer has occupied the home in relation to the affordability period. ~~Soft second mortgages up to $14,999 have a five year affordability period and a forgiveness feature of 20% per year.~~

(2) Amount subject to recapture. The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the homebuyer to buy the housing unit. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e., the development subsidy).

(3) After the full HOME investment has been repaid, any excess profits will belong to the homeowner.

c. Construction Financing-Homeownership. For Grant Recipients using HOME for construction financing to develop homeownership units, the initial affordability period will be based on the amount of HOME funding invested in the development of the unit under the resale provisions of the HOME regulations. In order to enforce the provisions of the Working Agreement with the CHDO, THDA will require that a Restrictive Covenant and Deed of Trust be recorded against the property prior to drawing down HOME funds for construction. When the unit is sold to an eligible homebuyer, THDA will provide the closing agent a copy of the release for Restrictive Covenant and Deed of Trust. The CHDO must provide the closing agent with a Grant Note and Deed of Trust between the CHDO and the homebuyer for the soft second mortgage loan under the recapture provisions. Upon receipt by THDA of a copy of the Grant Note, the recorded Deed of Trust between the homebuyer and the CHDO, the recorded deed from the seller to the homebuyer, and the fully executed final TILA-RESPA Integrated Disclosure (TRID) Settlement Statement, the original Release of Lien is forwarded to the closing agent for recording.

4. Level of Subsidy.

The current maximum HOME investment per unit, effective 4/7/2023, is provided below:

| MINIMUM HOME DOLLARS | $ 1,000 | PER UNIT |
|---|---|---|
| MAXIMUM HOME DOLLARS | $~~119,815~~129,758 | 0-BEDROOM (EFFICIENCY) LIMIT |
| | $~~137,349~~148,748 | 1-BEDROOM LIMIT |
| | $~~167,020~~180,882 | 2-BEDROOM LIMIT |
| | $~~216,250~~234,004 | 3-BEDROOM LIMIT |
| | $~~237,177~~256,862 | 4-BEDROOM OR MORE LIMIT |

Periodically, THDA may update these limits pending approval from HUD. Updated limits will be effective for all activities in which the written agreement for the activity is entered into after the effective date for the limits issued by HUD. These updates will be posted on THDA's web site at https://thda.org/business-partners/home.

5. Property Standards. Property Standards must be met when HOME funds are used for a project. Any housing constructed or rehabilitated with THDA HOME funds must meet all applicable local, county, and state codes, rehabilitation standards, Uniform Property Condition Standards (UPCS) or other standard as prescribed by HUD, 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-adopted edition of the International Residential Code for One- and Two-Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc.

   In the absence of a local code, rehabilitation of existing homeowner units must meet the current, State-adopted edition of the Existing Building Code of the International Code Council (ICC).

   THDA will not make any funding awards for units in a jurisdiction where the unit cannot be inspected by a state certified building inspector or by a provider as permitted under State law.

   HOME-funded units must also conform, as applicable, to the THDA Minimum Design Standards for New Construction of Single Family and Multifamily Housing Units and with THDA's Minimum Design Standards for Rehabilitation of Single Family and Multi-family Housing Units. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.

   The International Code books are available at: www.iccsafe.org

   a. Disaster Mitigation. All new construction should be built in a method and/or location that would attempt to protect all new construction from possible disaster due to either a man-made issue, or an act of God that may cause physical or structural damage to the home. The methods should include any items that may be recommended, or required by either local, state, or federal agencies dealing with disasters.

   b. Energy Code. New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.

c. Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (HERS) rater or achieve a HERS index of 85 or less when tested by a certified rater.

d. Section 504. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.

6. After Rehabilitation Property Value. For rehabilitation projects, the maximum after rehabilitation value permitted may not exceed 95% of the median purchase price for the area as established by HUD for Existing Units that are one-unit buildings. Current limits are available at https://thda.org/government-nonprofit-partners/home-program .

7. Sales Price Limits.

a. Rehabilitation Projects: The sales price limit are the same as the After-Rehabilitation Property Value Limits. All homes developed using HOME funds must be sold at the appraised value or the Maximum HUD Property Value limit for Existing Homes that are one-unit buildings, whichever is lower. Current limits are available at https://thda.org/government-nonprofit-partners/home-program .

b. New Construction Projects: All homes newly constructed using HOME funds must be sold at the appraised value or the Maximum HUD Property Value Limit for New Homes that are one-unit buildings. Current limits are available at https://thda.org/government-nonprofit-partners/home-program.

## J. UNIVERSAL DESIGN/VISITABILITY.

THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the housing that is constructed or rehabilitated with federal HOME funds.

Universal design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:

- Make the unit usable by the greatest number of people;
- Respond to the changing needs of the resident; and
- Improve the marketability of the unit

The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:

- Stepless entrances.
- Minimum 5' x 5' level clear space inside and outside entry door.
- Broad blocking in walls around toilet, tub and shower for future placement of grab bars.

- Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
- Front mounted controls on all appliances.
- Lever door handles.
- Loop handle pulls on drawers and cabinet doors.

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: http://www.ncsu.edu/ncsu/design/cud/index.htm.

Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:

- One zero-step entrance.
- Doors with 32 inches of clear passage space.
- One bathroom on the main floor that is accessible to a person using a wheelchair.

More information on Visitability can be found at: http://www.visitability.org.

## K. HOME RELOCATION REQUIREMENTS.

***THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION OF HOUSEHOLDS. PRIOR TO APPLICATION, CONTACT THDA IF YOU ARE PLANNING ANY PROJECT THAT MAY INVOLVE DISPLACEMENT OR RELOCATION.***

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations, 49 CFR Part 24, requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition, or private acquisition carried out under a federally-assisted project or program.

Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with Community Development Block Grant (CDBG) or HOME funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.

Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME program decisions. Concerns about relocation may cause an administrator to consider establishing a preference for vacant buildings. However, administrators should also consider that vacant buildings are often much deteriorated. Rehabilitating an occupied building even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, program administrators must consider whether occupants will be able to return after rehabilitation and whether Housing Choice Voucher (Section 8) assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the program administrator must consider whether the owner removed the tenants in order to apply for HOME assistance for a vacant building. If so, these tenants are displaced persons.

Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for HOME and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

Uniform Relocation Act (URA) requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between the owner and the grantee and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or household; or (3) has income above or below the Section 8 Lower Income Limit.

**WHO IS A DISPLACED PERSON? -** Any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with HOME funds. Relocation requirements apply to all occupants of a project/site for which HOME assistance is sought even if less than 100% of the units are HOME assisted.

**WHO IS NOT A DISPLACED PERSON?** - A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations. A person with no legal right to occupy the property under State or local law (e.g., squatter). A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project. A person, after being fully informed of their rights, waives them by signing a Waiver Form.

**HOW IS DISPLACEMENT TRIGGERED?**

*Before Application.* A tenant moves permanently from the property before the owner submits an application for HOME assistance **if** THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the HOME project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for HOME assistance.)

*After Application.* A tenant moves permanently from the property after submission of the application, or, if the applicant does not have site control, the date THDA or the local program administrator approves the site because: (1) the owner requires the tenant to move permanently; or (2) the owner fails to provide timely required notices to the tenant; or (3) the tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

*After Execution of Agreement.* A tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.

## L. HOME RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN.

THDA will require grant recipients to replace all occupied and vacant habitable lower income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with funds provided under the HOME Investment Partnership Act

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a working agreement committing THDA to provide funds for a project that will directly result in the demolition or conversion, THDA will make public by and submit to the HUD/Knoxville HOME coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units must submit the following information to THDA:

1. A description of the proposed assisted project;

2. The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project;

3. A time schedule for the commencement and completion of the demolition or conversion;

4. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided;

5. The source of funding and a time schedule for the provision of the replacement housing;

6. The basis for concluding that the replacement housing will remain lower income housing for at least 10 years from the date of initial occupancy; and

7. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

**M. EQUAL OPPORTUNITY AND FAIR HOUSING.**

No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:

| | |
|---|---|
| Fair Housing Act | 24 CFR Part 100 |
| Executive Order 11063, as amended (Equal Opportunity in Housing) | 24 CFR Part 107 |
| Title VI of the Civil Rights Act of 1964 (Nondiscrimination in Federal programs) | 24 CFR Part 1 |
| Age Discrimination Act of 1975 | 24 CFR Part 146 |
| Section 504 of the Rehabilitation Act of 1973 | 24 CFR Part 8 |
| Section 109 of Title I of the Housing and Community Development Act of 1974 | 24 CFR Part 6 |
| Title II of the Americans with Disabilities Act | 42 U.S.C. §12101 *et seq*. |

| | |
|---|---|
| Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity | 24 CRF Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982 |
| Section 3 of the Housing & Urban Development Act of 1968 | 24 CFR 135 |

- Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.

| | |
|---|---|
| Executive Order 11246, as amended (Equal Employment Opportunity Programs) | 41 CFR 60 |

Executive Order 11625, as amended (Minority Business Enterprises)

Executive Order 12432, as amended (Minority Business Enterprise Development)

Executive Order 12138, as amended (Women's Business Enterprise)

- Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA.

The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:

Architectural Barriers Act of 1968 at 42 U.S.C. §4151 *et seq.*

Executive Order 12892, as amended
(Affirmatively Furthering Fair Housing)

Executive Order 12898

Executive Order 13166
(Limited English Proficiency)

Executive Order 13217
(Community-based living arrangements for persons with disabilities)

In addition to the above requirements, the PJ and local programs must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with its current Consolidated Plan.

## N. SITE AND NEIGHBORHOOD STANDARDS.

Housing provided through the HOME program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities. Grant Recipients must ensure that the proposed activity does not allow or promote segregation on the basis of race, disability or income.

## O. AFFIRMATIVE MARKETING.

Prior to beginning a HOME project, grant recipients must adopt affirmative marketing procedures and requirements for all HOME-funded homebuyer projects with five or more units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. These must be approved by THDA prior to any HOME funds being committed to a project. Requirements and procedures must include:

1. Methods for informing the public, owners and potential tenants about fair housing laws and the local program's policies;

2. A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME funds;

3. A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;

4. Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and

5. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

## P. ENVIRONMENTAL REVIEW.

In implementing the HOME program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58.

THDA, as the Participating Jurisdiction, will be responsible for carrying out environmental reviews. THDA must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews.

HUD's regulations at 24 CFR 58.22 prohibit applicants from committing or spending HUD or non-HUD funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives prior to completion of an environment review once a project has become "federal." This prohibition on "choice-limiting actions" prohibits physical activity, including acquisition, rehabilitation, and construction, as well as contracting for or committing to any of these actions.

The restriction on undertaking or committing funds for choice-limiting actions does not apply to undertakings or commitments of non-federal funds before a project participant has applied for HUD funding. A party may begin a project in good faith as a private project and is not precluded from later deciding to apply for federal assistance. **However, when the party applies for federal assistance, it will generally need to cease further**

**choice-limiting actions on the project, using either federal or non-federal funds, until the environmental review process is complete through issuance of the release of funds.**

Therefore, the Environmental Review covers the entire project, not just the portion funded by HOME. ***Except under very limited circumstances, no funds, including both HOME and non-HOME resources, may be committed or expended on a project prior to the release of funds under the Environmental Review process. Any such expenditure will make the entire project ineligible for funding under the HOME program.***

**Q. LEAD-BASED PAINT.**

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323).

**R. LABOR STANDARDS.**

Davis-Bacon wage compliance and other Federal laws and regulations pertaining to labor standards apply to all contracts for rehabilitating or constructing 12 or more units assisted with HOME funds. The contract for construction must contain the applicable wage provisions and labor standards. Davis-Bacon does not apply to projects using volunteer labor or to sweat equity projects.

**S. DEBARMENT AND SUSPENSION.**

Local programs must require participants in lower-tier transactions covered by 24 CFR 24 to certify that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

**T. FLOOD PLAINS.**

HOME funds may not be used to construct housing in an area identified by the Federal Emergency Management Agency as having special flood hazards. In addition, THDA discourages the rehabilitation of units located in special flood hazard areas, but in a few instances and with written permission from THDA, houses located in a floodplain may be assisted. The community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

**U. CONFLICT OF INTEREST.**

In the procurement of property and services, the conflict of interest provisions at 2 CFR 200.112, apply. In all cases not governed by 2 CFR 200.112, the conflict of interest provisions of the HOME Rule as stated below apply:

The HOME conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, a State recipient or subrecipient receiving HOME funds. No person listed above who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a HOME-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the HOME-assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

No owner, developer or sponsor of a project assisted with HOME funds (or officer, employee, agent, elected or appointed official, or consultant of the owner, developer or sponsor or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, or consultant of the owner, developer or sponsor) whether private, for profit or non-profit (including a CHDO when acting as an owner, developer or sponsor) may occupy a HOME-assisted affordable housing unit in a project during the required period of affordability specified in 92.252(e) or 92.254(a)(4). This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

Grant Recipients should avoid conflicts of interest and the appearance of conflicts of interest in administering their HOME programs as THDA does not routinely consider requesting exceptions to the conflict of interest provisions from HUD. The existence of a conflict of interest or the appearance of a conflict of interest, as determined by THDA in its sole discretion, may be grounds for requiring repayment of HOME funding and limitations on future program participation.

**V. PROCUREMENT.**

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties, and non-profit organizations must follow their procurement policies and meet all state and federal requirements. At a minimum, applicants must comply with 2 CFR 200.318 - General Procurement Standards.

Prior to solicitation of bids, the Grant Recipient should develop a comprehensive scope of work and perform an independent cost estimate. Grant Recipients should make every effort to obtain a minimum of 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections, and work write-ups. There must be an established, well-documented selection procedure and a written rationale for selecting the successful bid or proposal.

**W. APPLICATION EVALUATION PROCEDURE.**

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially, and administratively feasible; and the proposal of a project that meets the requirements of 24 CFR Part 92, as amended.

All non-profit applicants must submit the most current version of the following required documentation in accordance with the application instructions. Items identified as "THRESHOLD" must be submitted with the application for funding consideration. All other items are required and any funding consideration will be conditional until their receipt and THDA's subsequent review and approval of the item:

1. Evidence that the applicant is organized and existing under the laws of Tennessee or, if organized and existing under the laws of another state, evidence that applicant is organized and existing in that state and authorized to do business in Tennessee. (THRESHOLD)

2. Documentation of an IRS designation under Section 501(c)(3) or 501(c)(4) of the federal tax code. A 501(c)(3) non-profit organization may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary material with the IRS and received a response from the IRS demonstrating 501(c)(4) status. (THRESHOLD)

3. Copy of Organizational Charter (THRESHOLD)

4. Copy of Organizational By-laws (THRESHOLD)

5. List of Board members including: names; home address; occupation; a description of their primary contribution; length of service; phone #; email address; and date the term of service expires. (THRESHOLD)

6. Business plan or strategic management plan that demonstrates the agency's short term and long term goals, objectives, and plans to achieve them.

7. The most recent financial audit or audited financial statements of the organization. (THRESHOLD)

8. Applicant Board Member and Corporate Disclosure Forms *completed, signed by the organization's Executive Director and each Board Member and notarized.*

9. Applicant/Board Member and Corporate Disclosure Form completed, *signed by the Chairman of the Board or Executive Director on behalf of the organization and notarized*.

10. One page explanation of how the Board of Directors is involved in the operation of the agency, including how often the Board meets, how the Board monitors and provides oversight for the agency's programs.

11. Resolution by the Board of Directors authorizing the submission of this application. (THRESHOLD)

12. List of staff members employed by the organization, including how many are full-time or part-time, their specific responsibilities related to housing programs, and how many years of experience each staff member has in housing development. (THRESHOLD)

13. Documentation of agency operating funds from other sources, including how much annually and from what sources.

14. Explanation of any other programs operated by the organization, including the program(s) and its funding source(s).

15. Explanation of the agency's experience in housing, particularly in providing housing to low and very low income households in Tennessee. (THRESHOLD)

Applicants must upload all organizational information required to be submitted through THDA's Participant Information Management System (PIMS). Copies of organizational documents that are required to be submitted through PIMS, but that are submitted through another means, will not be considered.

Documentation must be submitted to demonstrate that the organization meets threshold requirements and has the capacity to provide affordable housing for low-income households, including the administration of the proposed project.

To be eligible for funding, an application must receive a minimum threshold score of 60, an amount equal to at least 50% of the total points available.

Applications meeting the threshold criteria will be scored and ranked in descending numerical order within the CHDO matrix, based on the criteria provided below. In the event of a tie score, THDA first will select the application with the highest capacity score and then, if a tie still remains, the lowest prior year unexpended funds deduction. If a tie still remains, THDA will select the application with the highest percentage of Match.

| CHDO MATRIX | Up to 120 points |
|---|---|

## 1. PROGRAM DESIGN, PLANNING AND CAPACITY — Up to 60 points

The proposed project demonstrates exceptional project planning and readiness. Up to 30 points

- The program design is complete and all necessary components to accomplish the project are identified in the application.
- Sites have been identified and CHDO has site control. NOTE: THDA will not be able to issue a Working Agreement unless there are specific addresses or a legal description for the property.
- CHDO has a pipeline of potential homebuyers ready to purchase or working toward readiness to purchase. NOTE: Commitment of CHDO funds must be to a specific address and homebuyer to meet HUD's definition of CHDO commitment by the 24-month deadline.
- CHDO has completed an examination of neighborhood market conditions demonstrating a need for the proposed housing and the anticipated housing types, as well at the target locations or neighborhoods for which the housing is intended.
- CHDO has secured other funding for the project. Commitment letters are included in the application.

The CHDO demonstrates sufficient capacity beyond threshold. Up to 30 points

- The CHDO has produced successful affordable housing projects of similar size, scope and complexity.
- The CHDO has a demonstrated capacity to manage homeownership programs.
- The CHDO has paid staff with demonstrated housing development experience as documented by W-2 forms.
- The organization operating budget reflects multiple sources of funding.
- If previous experience under HOME:
- ➢ Has the demonstrated ability to conform to the timeframe of Attachment B: Implementation Plan of the HOME Working Agreement;
- ➢ Has demonstrated its ability to commit and draw down funds in a timely manner;
- ➢ Has demonstrated the ability to complete a project within the contract term;
- ➢ Has a lack of monitoring findings; and
- ➢ Appropriately responds to client concerns or complaints and to THDA staff.

3. **CHDO SERVICE AREA NOT IN A PJ** **5 points**

THDA shall award up to 5 points to applications submitted from CHDOs where 100% of the ~~Homes~~units to be developed with the initial use of the grant funds are not in an area designated as a PJ by HUD.

4. **PUBLIC PRIVATE PARTNERSHIP FOR NEIGHBORHOOD REDEVELOPMENT** **10 points**

To receive points under this criteria, the CHDO must partner with a local unit of government or a local quasi-governmental entity by means of a MOU or other partnership agreement, outside of THDA's contract, for the purpose of the development of affordable housing.

The MOU must meet the requirements listed in Section H of this program description.

a. The CHDO must have a strategy approved by its Board to redevelop an area that ties into a larger strategic plan of a City or County's efforts to stabilize a focused area that requires revitalization.

b. The targeted neighborhood area(s) in which all units will be rehabilitated and/or constructed is clearly identified in the MOU.

c. The units to be rehabilitated or constructed must be for sale to eligible low income homebuyers, as defined in Section I of this program description.

d. Match contributions, at minimum, must meet the following requirements:

1) Donation or sale of a suitable parcel of land for home development, without encumbrance of any kind and with all taxes paid current, as defined in Section F of this program description.

2) The donated cost of demolition and disposal of any existing structures on the building parcel including all landfill fees, if unit demolition is a required part of lot development.

3) Fees controlled by the local government such as building permits, impact fees or other development fees must be waived by the local government and provided as a donated match to the project. To the extent, the local government controls utility connection and tap fees, these fees must be waived or significantly discounted in order to meet the match eligibility requirements of the HOME program.

5. **MATCH** **Up to 15 points**

THDA shall award up to 15 points to applications that include a committed contribution of eligible match resources towards the project implementation. A commitment of eligible match contribution from an external source must be documented in the application from the source providing the contribution. To determine the points awarded, THDA will not round the percentage calculated.

- The project's sources include an eligible HOME match contribution that is equal to or greater than 15% of the proposed HOME funds to be used for project costs; 15 points

  OR

- The project's sources include an eligible HOME match contribution that is equal to or greater than 5% and less than 15% of the proposed HOME funds to be used for project costs; — 10 points

  OR

- The project's sources include an eligible HOME match contribution that is equal to or greater than 1% and less than 5% of the proposed HOME funds to be used for project costs; — 5 points

  OR

- The project's sources include an eligible HOME match contribution that is less than 1% of the proposed HOME funds to be used for project costs.

6. **LEVERAGE** — **Up to 10 points**

THDA shall award up to 10 points to applications that include the use of funds from other sources. THDA will award points in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. In order to receive points, there must be written documentation for the leveraged funds in the application.

7. **ENERGY CONSERVATION** — **Up to 10 points**

   a. For acquisition/rehabilitation and sale type homeownership projects, THDA shall award up to 10 points to applications that, to the extent feasible, include at least three energy conservation measures beyond that required by THDA's Design Standards for Rehabilitation in the rehabilitation of each unit.

   b. For new construction homeownership projects, THDA shall award up to 10 points to applications that include at least three energy conservation measures beyond that required by THDA's Design Standards for New Construction.

8. **UNIVERSAL DESIGN** — **Up to 10 points**

For new construction or acquisition/rehabilitation type homeownership projects, THDA shall award **up to 10 total points** to applications that include additional identified universal design features in each unit. Points will be awarded based on the schedule below.

Item "a" is worth (4) points. All other items are worth (2) points each. **The maximum number of points that can be awarded under this category is 10.**

   a. One entrance door that is on an accessible route served by a ramp or no-step entrance and which also has a 36" door.
   b. All Interior Doors a minimum of 32 inches of clear passage space except closets of less than 15 square feet.

c. All hallways have a clear passage of at least 36 inches, is level with ramped or beveled changes at each threshold.
d. Each electrical panel, breaker box, light switch or thermostat is no higher than 48 inches above the floor.
e. Each electrical plug or receptacle is at least 15” above the floor.
f. Minimum 5’ x 5’ level clear space inside and outside entry door.
g. Broad blocking in walls around each toilet, tub and shower for future placement of grab bars.
h. Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
i. Front mounted controls on all appliances.
j. Lever door handles on all doors.
k. Loop handle pulls on drawers and cabinet doors.
l. One bathroom on the main floor you can get into in a wheelchair.

9. **PRIOR YEAR UNEXPENDED HOME FUNDS DEDUCTIONS** **Up to -5 Points**

CHDOs that administered a HOME grant years ~~2017-2021~~in 2019-2022 and have successfully closed their HOME grant are eligible for application if the spend down requirement is met, as detailed under Eligible Applicants, Item 8 of this program description. Any grant that successfully closed, but did not expend 100% of the HOME grant funds awarded will be subject to a point deduction. The maximum number of points that can be deducted under this category is 5. The amount of points deducted is contingent upon the balance of HOME grant funds left unspent.

The balance of unspent HOME funds will be subject to the following deductions:

- Over $50,000.00 -5 Points
- $30,000 - $49,999.99 -4 Points
- $20,000 - $29,999.99 -3 Points
- $10,000 - $19,999 .99 -2 Points
- $~~0~~1 - $9,999.99 -1 Point

# 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:** Bill Lord, Director of Community Housing
Don Watt, Chief Programs Officer

**SUBJECT:** 2020 Challenge Grant - Extension Request

**DATE:** July 5, 2023

**Recommendation**
Staff recommends the approval of an extension request for a 2020 Challenge Grant awarded to the Knoxville Habitat for Humanity (KHFH) for a period of twenty (20) months, extending the contract end date from September 30, 2023, to May 31, 2025, as further described below.

**Background**
Tennessee Housing Development Agency (THDA) awarded KHFH a grant in the amount of $500,000 to assist with the construction of 35 homes to be sold to income-qualified families in the Knoxville area. THDA's grant only constitutes a small portion of the total project costs. The grant requires a match of no less than 300%, which has been fulfilled and documented. KHFH has drawn 100% of the THDA funds at this point. This extension is necessary to complete the project in compliance with all grant contract requirements.

The original grant contract term was from October 1, 2019 to September 30, 2022. A first extension was granted through September 30, 2023 due to COVID-related issues. This second extension is necessary due to a significant delay caused by the project hitting rock during the infrastructure phase.

Current Status:

- All 35 families who will build in Ellen's Glen are enrolled in or have completed the homeowner education program and are actively completing their sweat-equity hours.
- 8 of the 35 homes are completed, new homeowners have closed on each property and are living in the home.
- 5 of the 35 homes are ready for final inspection and issuance of certificate of occupancy to proceed towards closing.

- 1 of the 35 homes is on a rent-to-own basis due to a family situation, but closing is still expected to take place.
- 7 of the 35 homes are under construction.
- 7 of the 35 homes are scheduled to begin construction between July and December 2023.
- 7 of the 35 homes are scheduled to begin construction between February and July 2024.

If approved for the extension, the KHFH expects to complete construction by May 31, 2025.

Knoxville Habitat for Humanity®

June 7, 2023

Mr. Ralph Perry, Executive Director
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Nashville, TN 37243

**<u>VIA EMAIL & U.S. MAIL</u>**

Dear ~~Mr. Perry~~, Ralph

This letter is to formally request an extension for the completion of our 2020 Tennessee Housing Trust Fund Challenge Grant.

As you may recall from your recent visit to our Ellen's Glen neighborhood, this grant helped fund the infrastructure development in the neighborhood. Once completed, Ellen's Glen will be comprised of 35 affordably priced, single-family homes.

The development of Ellen's Glen is well underway, as is noted in our June 2023 progress report, but a myriad of delays dating back to the delayed start on the infrastructure development in 2021 (vs. 2020 has originally planned) have caused us to have to revise our timeline for completion.

Delays were initially caused by the erratic issues related to the COVID-19 pandemic in 2020 and in 2021. Once infrastructure finally began in March 2021 (rather than 2020 as we originally planned), we hit rock causing an additional three-month delay to accommodate the rock removal. Slow and unreliable material deliveries in 2021, 2022 and even somewhat still today, has caused scheduled construction days to be postponed and rescheduled. As with any large development project, a delay on one day's work causes a domino effect of more delays on future workdays, causing both sub-contractors and volunteer labor groups to have to be continuously rescheduled. A more recent development in a change with our title company has caused another unexpected delay, as we can only count on them to complete two closings a month.

So, while the project is progressing, we know that we cannot meet the original completion date of Fall 2023.

PO Box 27478 • Knoxville, TN 37927 • 865.523.3539 • 865.522.8081 (f)

KnoxvilleHabitatforHumanity.com • facebook.com/KnoxvilleHabitatforHumanity • twitter.com/KnoxHabitat

Summary of Progress to Date:

- 8 families have completed their purchase and moved into homes
- 1 family is facing a personal matter causing them to delay their purchase, but they are living in the home on a rent-to-own basis. They will close before the grant ends
- 5 more families are awaiting a certificate of occupancy and appraisals in order to move forward with closings
- 7 homes are under construction
- 13 homes have been placed on the build schedule
- 1 home has regrettably been removed from the building plans due to lot line adjustments that were necessitated by underground rock.

Therefore, we respectfully request permission for the THDA board to extend our completion date to May 2025, allowing us ample time to complete the building of the homes and ensure the closings are completed in a timely manner without having to request additional time.

We deeply appreciate the opportunity the Challenge Grant afforded us, as it was the catalyst to kicking off a successful $5M capital campaign. With this money we have purchased additional acreage for more affordable homes for housing challenged families in Knox County. This would not have been possible without this capacity building grant opportunity.

Thank you for taking this request to the THDA board of directors and please do not hesitate to call me if you have any questions.

Sincerely,

Kelle R. Shultz
President & CEO

Tennessee Housing Development Agency

# Tennessee Housing Trust Fund Challenge Grant Program
## Working Agreement Extension Request

The Tennessee Housing Development Agency (THDA) administers the Tennessee Housing Trust Fund (THTF) Challenge Grant Program to support the private fundraising efforts of nonprofit organizations across Tennessee to implement housing and related activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day-to-day activities of the organization.

The Challenge Grant Program requires Grantees to complete all projects, and have the projects ready for occupancy, within the 3 year grant term established in the Challenge Grant Program Working Agreement. Failure to complete all activities authorized under the Working Agreement within the 3 year grant term may render the grantee ineligible to draw down grant funds. A Grantee may request a Challenge Grant Program grant Extension at any time during the grant period.

**Extension Request Requirements:**

In order to be considered for a Challenge Grant Program grant extension, the Grantee must be in good standing in all THDA administered programs and meet one (1) of the following conditions:

- [x] Delay in expending program funds was due to a State or Federal declared natural disaster, which occurred after the start of the Grant Term;
- [ ] Delay in project was due to significant issues encountered outside of Grantee's control, which have been previously communicated by the Grantee to THDA.

- If one (1) box was checked above, please proceed to page 2
- If no boxes were checked above, please do not proceed. THDA will not be able to consider your THTF Challenge Grant Program extension request at this time.

Grantee Name: Knoxville Habitat for Humanity Date: 6/7/2023

THTF Challenge Grant Program - Grant Year/Round: 2020

1. Provide a timeline of the grant activity that includes:
   a. For projects involving acquisition, date of site identification: n/a
      (If all sites have not been identified, explain under # 5 below)
   b. For projects involving acquisition, the date of the sales contract(s): n/a
   c. For projects involving acquisition, the closing date(s): n/a
   d. The date plans & specs or work write up completed: 9/10/2020
   e. The date project was put out to bid: 10/29/2020
   f. The date contract signed with contractor: 1/6/2021
   g. The date construction or rehabilitation began: 3/1/2021

2. The total amount of the grant that has been expended: $ 500,000
3. A list of all draws, and the dates they were drawn:

   Amount: $ 500,000 Date: 4/30/2021

   Amount: $________ Date: ________

   Amount: $________ Date: ________

   Amount: $________ Date: ________

   Amount: $________ Date: ________

   Amount: $________ Date: ________

   Amount: $________ Date: ________

   (Attach an additional form if more room is necessary)

4. Indicate Length of extension request: 20 months to 5/2025 All closings completed

5. If there were extenuating circumstances, please provide a letter of explanation to include the specific circumstance, when it was discovered and what efforts were made to resolve it prior to asking for the extension:

☑ Explanation Letter is attached

6. If you have any documents to support any of the above requested information, please send along with this document. Please indicate if documentation is attached.

☐ Additional documentation is attached

Please answer all of the questions above and submit this information to THDA no later than 4 months prior to the end of the Challenge Grant Program Working Agreement.

Name of Requestor: Kelle R. Shultz

Title: President + CEO

Signature: ____________________ Date: 6/7/2023

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**For THDA Use Only:**

Date Received: ____________________

Reviewed by: ____________________ Date: ____________________

Length of Approval: ☐ 6 Months ☐ 12 Months

Community Housing Director's Determination ☐ Approval ☐ Denial

Extension Request Approved By Executive Director ☐ Yes ☐ No

Signature: ____________________ Date: ____________________

Explanation of Determination:

# 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:** Bill Lord, Director of Community Housing
Don Watt, Chief Programs Officer

**SUBJECT:** Spring 2019 Competitive Grant Extension

**DATE:** July 5, 2023

**Recommendation**

Staff recommends the approval of an extension request for the Spring 2019 Competitive Grant awarded to the Gallatin Housing Authority (GHA) for a period of thirteen (13) months, extending the contract end date from September 30, 2023, to October 31, 2024, as further described below.

**Background**

Tennessee Housing Development Agency (THDA) awarded GHA a grant in the amount of $500,000 to assist with the construction of eight (8) duplexes located in Gallatin, Tennessee, which will provide sixteen (16) one-bedroom units designated as permanent residential rental dwellings for the elderly (62 years or older) with incomes equal to or less than 80% of the Area Median Income. Two of the eight duplexes will be designed for elderly persons with disabilities and will be compliant with the Americans with Disabilities Act.

The grant only constitutes 25% of the total project costs. The grant requires a match of no less than 50%, which has been fulfilled and documented. GHA has not currently drawn any of the grant funds, however, it has incurred eligible expenses. This recommended extension is necessary to complete the project in compliance with all grant contract requirements.

The original grant contract term was from July 1, 2019 to June 30, 2022. A first extension was granted through December 31, 2022 due to COVID-related issues. A second extension request was granted through September 30, 2023 due to procurement issues and the availability of qualified general contractors. In addition, the project faced a significant gap in development resources due to escalating material and labors costs experienced during the last two years. Funding has now been identified to complete the project.

Current Status:

- Phase I, all infrastructure will be completed by July 31, 2023.
- Notice to proceed with Phase II is set for July 31, 2023 for the initial 4 duplexes (8 units), with completion by March 2024.
- Phase III, construction of the final 4 duplexes (8 units), is anticipated to begin January 2024, with completion in October 2024.

If approved for the extension, GHA expects final inspections and issuance of a Certificate of Occupancy for all 8 duplexes by October 31, 2024.

GALLATIN HOUSING AUTHORITY
401 N. BOYERS AVE. • GALLATIN, TN 37066

TEL: (615) 452-1661 • http://www.gallatinha.com

June 29, 2023

Mr. Bill Lord, Director of Community Housing
Tennessee Housing Development Agency
Community Programs Division
Andrew Jackson Building
502 Deaderick St., Third Floor
Nashville, TN. 37243

RE: **Request for Time Extension: THDA Housing Trust Fund Grant HTF-19S-03**

ID: **62-6002559, Gallatin Housing Authority**

Dear Mr. Lord:

The Gallatin Housing Authority "GHA" wishes to request a twelve-month time extension to complete the infrastructure site work, Phase II 4-buildings/8-units, and Phase III 4 buildings/8 units which include the certificate of occupancy for the above grant. GHA is committed to constructing and completing all eight duplex buildings which will include sixteen one-bedroom apartments by October 2024. Due to the unprecedentedly increased cost of materials, subcontractors' premium labor prices, federal grants obligation deadlines, and funding challenges necessitated separate contracts by phases to expedite and attract competitive bidders. Herein are the known complications and unforeseen issues encountered by the Red River Court project.

***History and Particulars:***

In 2019, the architect of records established the total development cost for all eight buildings including the infrastructure project budget at $2 mil. Source of funds for development included:

1. ***HUD Litigation Proceed @ $950K.***
2. ***HUD Capital Funds Monies @ $550K***
3. ***State Funds @ $500K***

This project budget was prior to the COVID-19 pandemic. GHA was not exempted from an unstable pricing environment for construction. In April 2020 GHA received two bids for the total Red River Road Duplex Development. The lowest bid recorded an amount of $3,602,053. This far exceeded the updated estimated construction budget of $2.5 mil. We deliberated intensely before deciding to re-advertise in July 2021, hoping for a more stable market. A strategic decision was made to separate the infrastructure from the buildings acknowledging the urgency for GHA to begin obligating and spending down capital funds and Tennessee Housing Trust Funds. In August 2022, Lubin Enterprise, Inc. was awarded the Infrastructure Site Work for a total budget cost of $2,551,905.00 twenty-nine percent higher than estimated. We received HUD approval to award the contract given the unprecedented and extenuating circumstances.

***Phase I Infrastructure Site Work:***

Red River Court's infrastructure site work is roughly fifty-one percent completed. Excessive seasonal rain delays and encountering difficulties scheduling progress inspections from the City's Inspection Department have caused delays. Red River Court's infrastructure completion date is now July 2023, from March 2023. Lubin Enterprise, Inc, is the general contractor for this portion of the project. GHA is allowing Lubin to work weekends to help close the gap from days lost due to rain and sporadic city inspections. Following the submission of all required forms GHA wants to begin submitting payment requests starting with #10 from Lubin Enterprises. The infrastructure site contract award is $2.5 mill of which $1.2 million was paid from Capital Fund Grants. Most sources to complete this project will include multiple capital fund grants and funds from the original $500,000 HTF grant.

***Phase II 4-Buildings/8-units:***

On April 18, 2023, GHA received two bids for four duplex buildings out of a total of eight. Community Construction Group, LLC, was the lowest bidder with a base-bid amount of $1,787,969.00 and their notice to proceed date is July 31, 2023. The social commitment, economic market, and financial limitations necessitated breaking Red River Court into three phases. A senior management budget meeting was called, and management agreed by phasing this project GHA could designate annual capital fund grants as the main source of funds. Phase II sources of funds, therefore, include an HTF grant of $247,000 and HUD Capital Funds. The first four duplex buildings are scheduled for completion in March 2024.

***Phase III 4-Buildings/8-units:***

The last or final phase will include the remaining four buildings and eight units. We project a bid date for Phase III on December 1, 2023; a contract signed date in January 2024; and construction completed in October 2024. Based on the cost for the first four buildings GHA anticipates Phase III to be lower (a more stable market) or equal to Phase II. From the Management Budget meeting, we have identified some startup funding sources. Capital Fund grants FY2024 and FY2025 have line items for funding Red River Court as part of the agency's 5-Year Action Plan, which has been approved. Over 1.2 mil has been set aside. The opportunity to receive any additional HTF grant funds as gap funds we humbly ask for consideration.

The requested twelve-month time extension will follow along with the completion of the Infrastructure, Phase II, and Phase III. Should you need any additional information you may reach me at 615-452-1661 ext-4.

Your consideration regarding the above time extension is appreciated.

Sincerely,

Michael A. Bates, MPSM, HDFP, EDEP
Executive Director, Gallatin Housing Authority/
South Carthage Housing Authority

**SOURCES AND USES RED RIVER COURT DEVELOPMENT INFRASTRUCTURE, PHASE II 4-BUILDINGS & PHASE III 4-BUILDINGS GALLATIN HOUSING AUTHORITY NO: TN0290000001 TOTAL PROJECT BUDGET**

| Funding Source | Rental New Construction | Gap Funding | TOTAL |
|---|---|---|---|
| THTF FUNDS | $ 500,000.00 | $ 247,047.00 | $ 747,047.00 |
| Local Gov't or Agency Funds | $ 0.00 | $ 0.00 | $ 0.00 |
| Federal Funds | $ 5,292,827.00 | $ | $ 5,292,827.00 |
| Other | $ | $ | $ |
| TOTAL | $ 5,792,827.00 | $ 247,047.00 | $ 6,039,874.00 |
| | | | |

**Phase I: Infrastructure Site Work: ($2,551,905.00)**

$500,000.00 (HTF)

$2,051,905.00 (Federal Funds)

**Phase II 4-Buildings/8-Units: ($1,787,969.00)**

$247,047.00 (HTF)

$1,540,922.00 (Federal Funds)

**Phase III 4-Buildings/8-Units: (Estimate Only-$1,700,000.00)**

$1,700,000.00 (Federal Funds)

$ Others based on availability.

# CHANGE ORDER

**HOUSING AUTHORITY:**
Gallatin Housing Authority
401 North Boyers Avenue
Gallatin Tennessee 37066

**CONTRACTOR:**
Lubin Enterprises, Inc.
8111 Walnut Run Road Suite 208
Cordova, Tennessee 38018

**ARCHITECT:**
Cauthen & Associates, LLC
2908 Elm Hill Pike
Nashville, Tennessee 37214

**CHANGE ORDER NO.:**
Five (5)

**CFP PROJECT NO.:**
TN43P02950119/50120

**DATE:**
05/15/23

**CONTRACT NO.:**
One (1)

**CONTRACT NAME:**
Red River Courts Infrastructure

**CONTRACT DATE:** 08/08/22
**NTP DATE** 9/6/2022

**A/E PROJECT NO.:**
2448-08-03

The Contractor is authorized to execute the following changes to the Contract:

**See attached supporting documents adding 21 days to the Contract time**

**Approved By:**

Owner — Date:

Contractor — Date: 5/15/23

Architect/Engineer Representative — Date: 5/15/23

**Contract Status:**

| | | |
|---|---|---|
| Original Contract Amount: | $ | 2,551,905.00 |
| Net change by previous Change Orders: | $ | 4,232.21 |
| Contract Amount prior to this change: | $ | 2,556,137.21 |
| Amount of this Change Order: | $ | 0.00 |
| New Contract Amount as of this Change Order: | $ | 2,556,137.21 |
| Previous Contract completion date: | | 06/10/23 |
| Days added to Contract Time by this Change Order: | | 21 |
| New Contract completion date: | | 07/01/23 |

# LUBIN ENTERPRISES, INC.

CHANGE ORDER PROPOSAL #5

| | |
|---|---|
| DATE: | 5/12/2023 |
| TO: | Rick James (Cauthen and Associates) |
| | Michael Bates (Executive Director, Gallatin H.A.) |
| OWNER: | Gallatin Housing Authority |
| CHANGE ORDER PROPOSAL# | #5 |
| LOCATION: | Site |
| ITEM: | ***Scheduling Delays*** |

**Additional day(s) needed: 21**

***Please see attached supporting documentation***

8111 Walnut Run Rd., Ste 208 Cordova, TN 38018
Phone: 901.485.4478 Fax: 901.685.6129
nlubin@lubentinc.com

Rick,

Per our conversation in the field at your last visit, by email, and as stated in your field report to Mr Bates at Gallatin Housing Authority we need to request an extension of time to current schedule for an additional 21 days due to City of Gallatin inspection scheduling delays which have moved our sewer inspection date to 5/25/23

Causes and Current Status:
1- Sewer is in place and ready for pressure testing inspection; this has turned into quite an ordeal as the city has changed methods twice now. First we were allowed to install the laterals to beyond the parking lots (change order #4) and test as a whole, but then once completed a week later they returned stating that "oh by the way our supervisor says we cannot inspect the lines until the laterals are disconnected and the main line sealed to be tested separately."
2- The storm system is in place but we are facing delays there as well. However,this time period will fall within the requested extension of project days for the sewer.
3- We need a minimum of 18 days to complete the paving activities alone which would have run concurrently with other activities, but is going to have to sit until inspections are completed.
4- We will of course continue with all possible other site activities while awaiting the inspection.
5- We are requesting no additional money

To put it simply, we cannot install or even begin paving activities until the sewer passes inspection, laterals connected and tested, and all backfill & compacting completed as it is all under the paving, and add to our plight the laterals have to remain disconnected until the main line is tested and passed.

Request: 21 additional days
Attached
1- supporting email doc from Jimmy Shroud of the City of Gallatin Utilities
2- Rick James field report to Mr Bates @ GHA dated 5/8/23

# 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:** Cynthia Peraza, Director of Community Services
Don Watt, Chief Programs Officer

**SUBJECT:** 2022 Tennessee Housing Trust Fund Eviction Prevention Pilot Program – Program Description Revision

**DATE:** July 10, 2023

**Recommendation:**

Staff requests Board approval to increase the award to the Chattanooga Regional Homeless Coalition ("Coalition") to help them continue to provide eviction prevention services through their Eviction Prevention Initiative Program between grant terms.

Staff is recommending the Board:

- Authorize staff to set-aside and award an additional $150,000 to the Coalition from the Tennessee Housing Trust Fund ("THTF") Program;
- Adopt the attached revised 2022 Tennessee Housing Trust Fund Eviction Prevention Pilot Program Description ("Program Description"); and
- Allow the Chief Legal Counsel or Assistant Chief Legal Counsel to make non-substantial changes and substantial changes if needed to comply with THTF requirements.

**Key Changes:**

The revisions proposed to the Program Description include:

- An additional award of $150,000;
- A revision to the required match language; and
- A revision to the poverty level language.

**Background:**

In March 2023, the Board approved the Tennessee Housing Development Agency ("THDA") to set aside $100,000 of THTF funds to create a partnership between THDA and the Coalition by awarding the Coalition a grant to supplement their existing Eviction Prevention Initiative to help prevent evictions and reduce homelessness in Hamilton County.

THDA intended to provide funds leftover from the COVID-19 Rental Relief Program ("CVRR") to nonprofits partners to support their existing eviction prevention programs across the state. We projected to provide the CVRR funds to the nonprofits earlier in the year. We have since been informed by U.S. Treasury that certain conditions must apply. Modifying the program contracts and guidelines have added unexpected delays to the program launch and will likely delay the contract start date until mid-August.

At least one partner, the Homeless Coalition of Greater Chattanooga, will run out of funds prior to August. In an effort to prevent a disruption in payments and assistance, staff is recommending an amendment to the Program Description and contract with the Coalition to provide it with additional funds from THDA's THTF in order to keep its program operational until THDA's CVRR funds can be disbursed.

**2022 TENNESSEE HOUSING TRUST FUND**

**EVICTION PREVENTION PILOT PROGRAM**

## INTRODUCTION

The Eviction Prevention Pilot Program ("Pilot Program") is a partnership between the Tennessee Housing Development Agency ("THDA") and the Chattanooga Regional Homeless Coalition (the "Coalition") to award a grant from the Tennessee Housing Trust Fund ("THTF") to provide funding for an Eviction Prevention Initiative ("EPI") in Hamilton County. The Pilot Program funds will be made available to all eligible residents of Hamilton County, subject to funding limitations.

## ADMINISTRATION

The EPI is an existing program that uses local and other grant funds, donations, and organizational resources to assist low-income households that are facing eviction or homelessness and live within Hamilton County by providing legal assistance and/or case management to support legal negotiations and to increase a household's likelihood of housing stability. The THTF funds provided under this Pilot Program would expand the financial capacity of the existing EPI.

The Grant Term will begin on October 1, 2022 and run through September 30, 2025. All unexpended funds must be returned to THDA within 45 calendar days of the end of the grant term.

## PROGRAM FUNDING

1. $100,000 grant from THDA on March 7, 2023.

2. The grant required the Coalition to~~will~~ match 50% of the initial $100,000~~THDA~~ grant through an existing budget allocation from the City of Chattanooga in the amount of $50,000 before September 30, 2022, which the Coalition fulfilled.

~~2.~~3. An additional disbursement of $150,000 in July 2023, as approved by THDA's Board of Directors

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**PROGRAM GOALS:**

1. Strengthen housing stability through legal representation and case management;

2. Collect and share data to gauge the scope of the current eviction crisis to inform in the creation of policy solutions; and

3. Build community education and awareness around housing issues and affordability in our community.

**PROGRAM REQUIREMENTS**

1. **Income Limits**

The Pilot Program will assist households at or below 200% of the ~~2022~~ Federal Poverty Level for the year in which the applicant applies. In cases of fluctuating and/or changed income, a household's average income may be established based on the three (3) months of income prior to the household's EPI intake.

2. **Eligible Applicants**

a. The Coalition will use its current application and process for the EPI;

b. Applicants must be income-qualified residents of Hamilton County; and

c. There must be an opportunity for stability. EPI project attorneys and social workers will utilize their professional discretion to determine whether the assistance funds will actually increase a household's likelihood of housing stability and will only submit a request if they can answer in the affirmative. This discretion is based on their assessment of each household's specific situation and all records of such decision must be maintained in the EPI case notes for review and analysis.

3. **Subsidy Limit**

A household is eligible for multiple submissions, as needed, but only up to $3,000 within an 18-month period. If a household receives the maximum benefit of $3,000 within any 18-month period, then that household is ineligible for more funding until 18 months after the last submission that put them at the maximum benefit.

4. **Eligible Costs**

Eligible costs include those costs that are deemed necessary to prevent eviction or homelessness or to provide housing stability, all within the discretion of the EPI project attorneys or social workers.

**5. Form of Assistance**

Only an EPI project attorney or social worker may request an EPI Check Request, which will be paid to landlords and third parties as needed.

## 6. **Marketing**

The Coalition will utilize community and non-profit resources and networks, local media, and other earned media resources to promote the Pilot Program.

## 7. **Reporting**

The Foundation will provide status reports to THDA in an agreed upon format at scheduled interims as determined by THDA. This reporting will include, but is not limited to, the following components:

- Beneficiary name, physical address of residence, and contact information
- Beneficiary household size and income
- Date of application approval
- Description of assistance provided to Beneficiary
- Amount of assistance provided to Beneficiary
- Final outcome
- Final activity report
- Reconciliation of program funds provided in this grant

# Tennessee Housing Development Agency

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

**Bill Lee**
Governor

**Ralph M. Perrey**
Executive Director


**M E M O R A N D U M**

**DATE:** June 15, 2023

**TO:** THDA Board of Directors

**FROM:** Dr. Hulya Arik, Economist

**SUBJECT:** Single Family Mortgage Loan Program Income Limits, 2023

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Recommendation

Staff recommends the adoption of the "Proposed Calculation" method for increasing income limits, under the THDA single family mortgage loan program for all counties to be effective as of July 25, 2023. As shown in the attached chart, this proposed methodology would yield higher income limits in all counties.

Background

Determination of income limits for THDA's single family Mortgage Revenue Bond (MRB) loan program using the high housing cost adjustment requires two pieces of information:

- Area Gross Median Family Income (AGMFI), which is released by HUD
- Average Area Purchase Prices (AAPP), which is released by the IRS.

An issuer is required to use the purchase price and income numbers from the same year. Therefore, calculating 2023 income limits with high cost area adjustment requires using FY23 income and FY23 national purchase price and average area purchase price figures. HUD released the FY23 AGMFI figures on May 15, 2023. Revenue Procedure 2023-22 updated AAPP and purchase prices for the MRB and Mortgage Credit Certificate programs nationwide.

Rev. Proc. 2021-19 provided permanent safe harbor guidance regarding safe harbor MRB income limit calculations stating that every year the single family MRB area median income will either be calculated with the current HUD publication of AGMFI numbers or the previous year's. Therefore THDA has the choice to continue with the "current" income limits and make no change or to use the FY23 income and purchase price figures and calculate "proposed" limits.

THDA staff calculated the "Proposed" 2023 income limits using the 2023 AGMFI and 2023 AAPP. Staff then compared the resulting limits with the current limits. The column in the attached chart titled "Proposed" yields higher income limits in all counties. The "Proposed" 2023 Income Limits create the best opportunity to increase income limits across the state.

These calculations were reviewed by THDA bond counsel, Kutak Rock.



THDA.org – (615) 815-2200 – Toll Free: 800-228-THDA

## Possible Income Limits for 2023

| | Current | | Proposed | | Difference between Current and Proposed Limits | |
|---|---|---|---|---|---|---|
| County | 1-2 person | 3+ person | 1-2 person | 3+ person | 1-2 person | 3+ person |
| Anderson | $81,600 | $93,840 | $86,400 | $99,360 | $4,800 | $5,520 |
| Bedford | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Benton | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Bledsoe | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Blount | $81,600 | $93,840 | $86,400 | $99,360 | $4,800 | $5,520 |
| Bradley | $78,360 | $91,420 | $83,800 | $96,740 | $5,440 | $5,320 |
| Campbell | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Cannon | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Carroll | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Carter | $80,880 | $93,576 | $85,560 | $99,820 | $4,680 | $6,244 |
| Cheatham | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Chester | $77,800 | $90,580 | $83,800 | $96,370 | $6,000 | $5,790 |
| Claiborne | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Clay | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Cocke | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Coffee | $81,110 | $93,277 | $87,000 | $100,843 | $5,890 | $7,566 |
| Crockett | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Cumberland | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Davidson | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Decatur | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| DeKalb | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Dickson | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Dyer | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Fayette | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Fentress | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Franklin | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Gibson | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Giles | $80,640 | $93,622 | $85,320 | $99,540 | $4,680 | $5,918 |
| Grainger | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Greene | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Grundy | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Hamblen | $78,000 | $91,000 | $83,800 | $96,370 | $5,800 | $5,370 |
| Hamilton | $79,810 | $91,782 | $86,270 | $99,210 | $6,460 | $7,428 |
| Hancock | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Hardeman | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Hardin | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Hawkins | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Haywood | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |

| | Current | | Proposed | | Difference between Current and Proposed Limits | |
|---|---|---|---|---|---|---|
| County | 1-2 person | 3+ person | 1-2 person | 3+ person | 1-2 person | 3+ person |
| Henderson | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Henry | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Hickman | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Houston | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Humphreys | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Jackson | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Jefferson | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Johnson | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Knox | $81,600 | $93,840 | $86,400 | $99,360 | $4,800 | $5,520 |
| Lake | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Lauderdale | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Lawrence | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Lewis | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Lincoln | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Loudon | $81,600 | $93,840 | $86,400 | $99,360 | $4,800 | $5,520 |
| Macon | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Madison | $77,800 | $90,580 | $83,800 | $96,370 | $6,000 | $5,790 |
| Marion | $79,810 | $91,782 | $86,270 | $99,210 | $6,460 | $7,428 |
| Marshall | $79,320 | $92,540 | $84,000 | $98,000 | $4,680 | $5,460 |
| Maury | $89,040 | $103,880 | $94,200 | $109,900 | $5,160 | $6,020 |
| McMinn | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| McNairy | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Meigs | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Monroe | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Montgomery | $80,750 | $92,863 | $87,590 | $100,728 | $6,840 | $7,865 |
| Moore | $79,750 | $91,713 | $86,210 | $99,141 | $6,460 | $7,428 |
| Morgan | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Obion | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Overton | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Perry | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Pickett | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Polk | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Putnam | $79,560 | $92,820 | $84,240 | $98,280 | $4,680 | $5,460 |
| Rhea | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Roane | $80,010 | $92,012 | $86,490 | $99,463 | $6,480 | $7,451 |
| Robertson | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Rutherford | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Scott | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Sequatchie | $79,810 | $91,782 | $86,270 | $99,210 | $6,460 | $7,428 |
| Sevier | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |

| | Current | | Proposed | | Difference between Current and Proposed Limits | |
|---|---|---|---|---|---|---|
| County | 1-2 person | 3+ person | 1-2 person | 3+ person | 1-2 person | 3+ person |
| Shelby | $79,490 | $91,414 | $85,990 | $98,888 | $6,500 | $7,474 |
| Smith | $78,840 | $91,980 | $83,800 | $97,300 | $4,960 | $5,320 |
| Stewart | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Sullivan | $79,920 | $93,240 | $84,600 | $98,700 | $4,680 | $5,460 |
| Sumner | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Tipton | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Trousdale | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Unicoi | $80,880 | $93,576 | $85,560 | $99,820 | $4,680 | $6,244 |
| Union | $97,920 | $114,240 | $103,680 | $120,960 | $5,760 | $6,720 |
| Van Buren | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Warren | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Washington | $80,880 | $93,576 | $85,560 | $99,820 | $4,680 | $6,244 |
| Wayne | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| Weakley | $77,800 | $89,470 | $83,800 | $96,370 | $6,000 | $6,900 |
| White | $93,360 | $108,920 | $100,560 | $117,320 | $7,200 | $8,400 |
| Williamson | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |
| Wilson | $113,160 | $132,020 | $119,760 | $139,720 | $6,600 | $7,700 |

# 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:** Lindsay Hall, Chief Operating Officer of Single Family Programs
Rhonda Ronnow, Director of Single Family Loan Operations

**SUBJECT:** Increase in Acquisition Cost Limits

**DATE:** July 7, 2023

**Recommendation**

THDA staff is recommending an increase in the maximum acquisition cost (sales price) statewide to $400,000. Since 2015 THDA's maximum acquisition cost limit has been $375,000 in the middle Tennessee region with other counties limited to $300,000. By increasing the THDA acquisition cost limit to $400,000 statewide it will better keep pace with the rapid appreciation in home values that have out priced many first time homebuyers.

**Key Points**

- Home values in TN have appreciated 70.56% from Q1 2018 to Q1 2023. This rapid increase is attributed to the continued low inventory of homes on the market.
- From April 1 – June 30, 2023 there have been 47 loan locks between 350-375k and 147 locks for 300-349k.
- THDA's average loan amount has increased 61% since 2018
- By comparison, in most counties in Tennessee the maximum FHA loan limit is $472,030 for a single family home and up to $890,100 for the middle Tennessee region.

**Background**

THDA's Mortgage Loan Program has made the most significant changes to its mortgage loan execution in the past 5 years. In 2020 THDA became a Freddie Mac seller/servicer and in 2022 a Ginnie Mae seller/servicer. In addition, THDA has begun the Fannie Mae seller/servicer application process. The meaningful purpose of adding these options to the existing mortgage revenue bond program is not only to give THDA as much flexibility in its earnings generated through the mortgage program but to also expand its mortgage offerings to first time homebuyers. The increase in the maximum acquisition cost to $400,000 will open up additional buying opportunities for Tennesseans.

In January every year THDA is required to calculate the housing cost index for the state of Tennessee. This measures if the average Tennessean is burden with excessive housing costs. In



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January of 2023 that Housing Cost Index had risen to 38%. Mortgage industry standards accept that a homebuyer's housing ratio should be less than 29%. For example, when calculating payment ratio to income based on the 2023 maximum income limits presented today; a two earner household (Firefighter and a Nurse), in Dickson County (a family of 3+) can earn up to $139,720. Estimating an acquisition cost of $400,000, an interest rate of 6% fixed, and a 30 year term; the housing payment ratio is 23.6%. Likewise in Cannon County a two earner household (Deputy Sherriff and a Teacher) family of 1-2 persons can earn up to $119,760. Using the same 6% rate on a 30 year term with an acquisition costs of $400,000; the housing payment ratio is 27.6%.

Navigating the volatile mortgage market for the past several years has been challenging. Adding to that the rapid appreciation of homes has made it difficult for qualified borrowers, especially in the middle TN region, to find sound affordable homes. By increasing the sales price limit statewide to $400,000 this will offer some additional leverage in buying power to those qualified borrowers that look to THDA for downpayment assistance. Based on the maximum income limits proposed for 2023, potential homeowners meeting those income limits should be eligible for a THDA loan.

# Tennessee Housing Development Agency - Board of Directors

# Board Briefing Items

# 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:** Bill Lord, Director of Community Housing
Don Watt, Chief Programs Officer

**SUBJECT:** 2022 HOME Rental Funding Matrix

**DATE:** July 10, 2023

Tennessee Housing Development Agency ("THDA") made $6 million available to award under the 2022 HOME Rental Development Program Description and received two (2) applications requesting over $2.4 million in Program funds. Staff is recommending the approval of one (1) application that passed the threshold and scoring criteria for the program funding, as detailed in the attached Funding Matrix.

| HOME Applications Passing Threshold | Project Name | Region | Score | Funds Requested | Number of HOME Units |
|---|---|---|---|---|---|
| Franklin Housing Authority | Natchez Street | M | 71 | $1,063,724 | 8 |

THDA did not award funding to the second applicant as the application did not meet the program threshold or scoring requirement.

| Not Eligible/ Failed Threshold | Project Name | Region | Score | Funds Requested | Reason |
|---|---|---|---|---|---|
| Promise Development Corporation | Sunset Square | W | 55 | $1,400,000 | Did not pass non-profit threshold; Did not meet scoring threshold (60); as well as pro forma related issues. |

Funding decisions were announced on March 30, 2023.

# 2022 HOME Rental Matrix

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Funds Available: | $6,000,000.00 | | |
| HOME Applications Passing Threshold | Project Name | Region | Score | Funds Requested | Funds Conditionally Awarded | Remaining Balance | Total Units | HOME Units |
| Franklin Housing Authority | Natchez Street | M | 71 | $1,063,724 | $1,063,724 | $4,936,276 | 8 | 8 |
| | | Total Funds Awarded: | | $1,063,724 | | | | |

| Not Eligible/ Failed Threshold | Project Name | Region | Score | Funds Requested | Reason | Total Units | HOME Units |
|---|---|---|---|---|---|---|---|
| Promise Development Corporation | Sunset Square | W | 55 | $1,400,000 | Did not pass non-profit threshold; Did not meet scoring threshold (60); Proforma related issues: Match does not equal 25% of the project cost. | 8 | 6 |

| | | |
|---|---|---|
| Funds Available: | $6,000,000.00 | Total of HOME Units |
| Funds Requested: | $2,463,724.00 | 14 |
| Total Awarded: | $1,063,724.00 | 8 |
| Funds Not Awarded: | $4,936,276.00 | |

Approved by:

3/30/22

Ralph M. Perrey, Executive Director

Date

# 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:** Bill Lord, Director of Community Housing
Don Watt, Chief Program Officer

**SUBJECT:** 2023 HOME Urban and Rural Program – Funding Recommendations

**DATE:** July 10, 2023

Attached are the funding matrices associated with the award of funds under the 2023 HOME Urban and Rural Program Descriptions. THDA had approximately $5 million available in program funds and an additional $325,000 in administrative funds for award between the two program iterations. Below is a summary of each program iteration. Further details are available within the funding matrices.

**<u>2023 HOME Urban - Funding Recommendation</u>**

THDA received seven (7) applications requesting $3.56 million in HOME Program funds. All applications were eligible for scoring. THDA awarded funding to five (5) of the eligible applications, in the amount of $2,250,000 in program funds and $135,000 in administrative funds that will help rehabilitate 25 homes in the East, Middle and West regions of the state. One (1) applicant, Westmoreland, was offered a partial award based on remaining funding availability. One application, Cleveland, was ineligible due to failure to meet the 60 point scoring threshold.

Below are the applicants that received awards:

- Appalachia Service Project - East
- Unicoi - East
- Unicoi County - East
- Brownsville - West
- Westmoreland - Middle

Below are the list of applicants that did not receive an award:

- Habitat, Jackson Area - West
- Cleveland - East

**2023 HOME Rural - Funding Recommendation**

THDA received eighteen (18) applications requesting $10.37 million in HOME Program funds. All of the applications were eligible for scoring. THDA awarded funding to six (6) of the eligible applications in the amount of $2,692,000 in program funds and $161,520 in administrative funds that will help rehabilitate 29 homes in the East and West regions of the state.

Below are the applicants who received awards:

- Bolivar - West
- Whiteville - West
- LaFollette - East
- Surgoinsville - East
- Luttrell - East
- Mount Carmel - East

Below are applicants that were not awarded funds:

- Plainview - East
- Overton County - Middle
- Jackson County - Middle
- Lawrence County - Middle
- Franklin County - Middle
- Parsons - West
- Hickman County - Middle
- Centerville - Middle
- Hartsville/Trousdale Metro - Middle
- Pickett County - Middle
- Byrdstown - Middle
- Milledgeville - West

**2023 HOME Rural Funding Matrix - Homeowner Rehabilitation** **Project Available: $2,750,000.00** **Admin Available: $165,000.00**

| Applicant | County | Grand Div | Project Funds Requested | Admin Funds Requested | Total Funds Requested | # of Units | Program Design | Growth Policy Act | Unexpended Funds Deduction | Need | Disaster | Match | Leverage | Not Prop. Served | Energy | Total Score | Project Funds Awarded | Project Remaining | Admin Awarded | Admin Remaining |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bolivar | Hardeman | W | $665,000 | $35,000 | $700,000 | 7 | 38 | 10 | 0 | 10 | 10 | 0 | 0 | 8 | 5 | 81 | $500,000 | $2,250,000 | $30,000 | $135,000 |
| Whiteville | Hardeman | W | $665,000 | $35,000 | $700,000 | 7 | 35 | 10 | 0 | 10 | 10 | 0 | 0 | 8 | 5 | 78 | $500,000 | $1,750,000 | $30,000 | $105,000 |
| LaFollette | Campbell | E | $564,000 | $36,000 | $600,000 | 4 | 48 | 10 | -1 | 9 | 0 | 0 | 0 | 5 | 5 | 76 | $564,000 | $1,186,000 | $33,840 | $71,160 |
| Surgoinsville | Hawkins | E | $235,000 | $15,000 | $249,100 | 3 | 47 | 10 | 0 | 7 | 0 | 0 | 0 | 7 | 5 | 76 | $235,000 | $951,000 | $14,100 | $57,060 |
| Luttrell | Union | E | $658,000 | $42,000 | $697,480 | 5 | 46 | 10 | 0 | 10 | 0 | 0 | 0 | 3 | 5 | 75 | $658,000 | $293,000 | $39,480 | $17,580 |
| Mount Carmel | Hawkins | E | $235,000 | $15,000 | $250,000 | 3 | 47 | 10 | -1 | 7 | 0 | 0 | 0 | 7 | 5 | 75 | $235,000 | $58,000 | $14,100 | $3,480 |
| Plainview | Union | E | $658,000 | $42,000 | $700,000 | 5 | 46 | 10 | 0 | 10 | 0 | 0 | 0 | 3 | 5 | 74 | $0 | $58,000 | $0 | $3,480 |
| Overton County | Overton | M | $658,000 | $42,000 | $700,000 | 4 | 47 | 10 | 0 | 6 | 0 | 0 | 0 | 6 | 5 | 74 | $0 | $58,000 | $0 | $3,480 |
| Jackson County | Jackson | M | $658,000 | $42,000 | $700,000 | 5 | 47 | 10 | 0 | 9 | 0 | 0 | 0 | 2 | 5 | 73 | $0 | $58,000 | $0 | $3,480 |
| Lawrence County | Lawrence | M | $470,000 | $30,000 | $500,000 | 5 | 47 | 10 | 0 | 7 | 0 | 0 | 0 | 6 | 2 | 72 | $0 | $58,000 | $0 | $3,480 |
| Franklin County | Franklin | M | $658,000 | $42,000 | $700,000 | 8 | 49 | 10 | 0 | 2 | 0 | 0 | 0 | 8 | 2 | 71 | $0 | $58,000 | $0 | $3,480 |
| Parsons | Decatur | W | $665,000 | $35,000 | $700,000 | 7 | 37 | 10 | 0 | 9 | 0 | 1 | 0 | 8 | 5 | 70 | $0 | $58,000 | $0 | $3,480 |
| Hickman County | Hickman | M | $470,000 | $30,000 | $500,000 | 5 | 48 | 10 | 0 | 4 | 0 | 0 | 0 | 5 | 2 | 69 | $0 | $58,000 | $0 | $3,480 |
| Centerville | Hickman | M | $470,000 | $30,000 | $500,000 | 5 | 48 | 10 | -1 | 4 | 0 | 0 | 0 | 5 | 2 | 68 | $0 | $58,000 | $0 | $3,480 |
| Hartsville/Trousdale Metro | Trousdale | M | $658,000 | $42,000 | $700,000 | 5 | 45 | 10 | -7 | 10 | 0 | 0 | 0 | 2 | 5 | 65 | $0 | $58,000 | $0 | $3,480 |
| Pickett County | Pickett | M | $658,000 | $42,000 | $700,000 | 4 | 47 | 10 | 0 | 2 | 0 | 0 | 0 | 1 | 5 | 65 | $0 | $58,000 | $0 | $3,480 |
| Byrdstown | Pickett | M | $658,000 | $42,000 | $700,000 | 5 | 47 | 10 | 0 | 2 | 0 | 0 | 0 | 1 | 5 | 65 | $0 | $58,000 | $0 | $3,480 |
| Milledgeville | Chester | W | $665,000 | $35,000 | $700,000 | 7 | 35 | 10 | 0 | 1 | 0 | 0 | 0 | 10 | 5 | 61 | $0 | $58,000 | $0 | $3,480 |

| | | | | |
|---|---|---|---|---|
| Requested All Applicants: | 18 Applications | $10,368,000 | $632,000 | $11,000,000 |
| **Total Awarded:** | **6 Applications** | **$2,692,000** | **$161,520** | **$2,853,520** |

*** Non-Awarded Funds to carry into future HOME rounds.**

**Approved By:**

6/9/23

**Ralph M. Perrey, Executive Director** **Date**

**2023 HOME Urban Funding Matrix - Homeowner Rehabilitation** **Project Available: $2,250,000.00** **Admin Available: $135,000.00**

| Applicant | County | Grand Div | Project Funds Requested | Admin Funds Requested | Total Funds Requested | # of Units | Program Design | Growth Policy Act | Unexpended Funds Deduction | Need | Disaster | Match | Leverage | Not Prop. Served | Energy | Total Score | Project Funds Awarded | Project Remaining | Admin Awarded | Admin Remaining |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Appalachia Service Project | Carter, Hancock, Unicoi | E | $658,000 | $42,000 | $697,480 | 8 | 48 | 0 | 0 | 9 | 0 | 15 | 15 | 3 | 3 | 93 | $658,000 | $1,592,000 | $39,480 | $95,520 |
| Unicoi | Unicoi | E | $235,000 | $15,000 | $249,100 | 3 | 48 | 10 | 0 | 8 | 0 | 0 | 0 | 5 | 5 | 76 | $235,000 | $1,357,000 | $14,100 | $81,420 |
| Unicoi County | Unicoi | E | $376,000 | $24,000 | $398,560 | 3 | 48 | 10 | 0 | 8 | 0 | 0 | 0 | 5 | 5 | 76 | $376,000 | $981,000 | $22,560 | $58,860 |
| Brownsville | Haywood | W | $665,000 | $35,000 | $700,000 | 7 | 38 | 10 | 0 | 10 | 10 | 0 | 0 | 3 | 4 | 75 | $660,377 | $320,623 | $39,623 | $19,237 |
| Westmoreland | Sumner | M | $658,000 | $42,000 | $700,000 | 8 | 50 | 10 | 0 | 1 | 0 | 0 | 0 | 9 | 5 | 75 | $320,623 | $0 | $19,237 | $0 |
| Habitat Jackson, TN | Haywood, Madison | W | $500,000 | $50,000 | $550,000 | 50 | 27 | 0 | 0 | 6 | 10 | 0 | 15 | 2 | 2 | 62 | $0 | $0 | $0 | $0 |
| **Cleveland** | Bradley | E | $470,000 | $30,000 | $500,000 | 7 | 36 | 10 | 0 | 2 | 0 | 0 | 0 | 9 | 2 | 59 | $0 | $0 | $0 | $0 |

| | | | | |
|---|---|---|---|---|
| Requested All Applicants: | 7 Applications | $3,562,000 | $238,000 | $3,800,000 |
| **Total Awarded:** | **5 Applications** | **$2,250,000** | **$135,000** | **$2,385,000** |

*** Non-Awarded Funds to carry into future HOME rounds.**

*** Ineligible**

**Approved By:**

6/9/23

**Ralph M. Perrey, Executive Director** **Date**

# Tennessee Housing Development Agency

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

**Bill Lee**
**Governor**

**Ralph M. Perrey**
**Executive Director**


**M E M O R A N D U M**

**TO:** THDA Board of Directors

**FROM:** Bill Lord, Director, Community Housing

Don Watt, Chief Program Officer

**SUBJECT:** 2023 National Housing Trust Fund Award Recommendation

**DATE:** July 10, 2023

Attached is the funding matrix associated with the award of funds under the 2023 National Housing Trust Fund (NHTF) Program Description. THDA made available nearly $5.3 million to award and received six applications requesting over $7.5 million in program funds. Applications received represented all three Grand Divisions. Three applications passed threshold, including the minimum score to be funded.

As shown on the accompanying matrix, THDA awarded $4,402,278 in NHTF funds to the three eligible applications that will create 69 new affordable housing units for extremely low income Tennesseans. Listed below are the applicants and the project name proposed for award, with their respective Grand Division noted.

- Highland Residential Services, Redbud Village, Middle Tennessee
- Maryville Housing Authority, Maryville Towers, East Tennessee
- Lebanon Housing Authority, Upton Heights Phase I, Middle Tennessee

Listed below are the applicants that did not pass threshold eligibility, with the project name and the respective Grand Division noted.

- Kingsport Housing and Redevelopment Authority, Tennessee & Boone Homes, East Tennessee
- RoseAnne Coleman Ministries, Inc., McMinn Village, East Tennessee
- EHF Memphis, LLC; The Memphian, West Tennessee

These funding decisions were announced on June 30, 2023.

# 2023 National Housing Trust Fund Scoring Matrix

| | | | Funds Available | | $5,290,023.00 | | |
|---|---|---|---|---|---|---|---|
| **Applications Received Passing Threshold** | **Grand Division** | **Score** | **Funds Requested** | **Funds Awarded** | **Remaining Balance** | **Total Units** | **NHTF Units** |
| Maryville Housing Authority | E | 67 | $1,437,758 | $1,437,758 | $3,852,265 | 118 | 42 |
| Highland Residential Services | M | 65 | $1,500,000 | $1,500,000 | $2,352,265 | 20 | 20 |
| Lebanon Housing Authority | M | 60 | $1,464,520 | $1,464,520 | $887,745 | 60 | 7 |
| | | | **Total Funds Awarded:** | **$4,402,278** | | | |

| Applications Received Not Eligible/Failed Threshold | Grand Division | Score | Funds Requested | Reason | Total Units | NHTF Units |
|---|---|---|---|---|---|---|
| Kingsport Housing and Redevelopment Authority | E | 61 | $915,851.90 | Request exceeds subsidy limit, sources and uses do not match resulting in inaccurate proforma. | 4 | 2 |
| EHF Memphis, LLC. | W | 55 | $1,500,000 | Did not pass threshold; debt term and service not properly stated, minimum 60 point scoring requirement was not met. | 157 | 15 |
| RoseAnne Coleman Ministries, Inc. | E | 37 | $749,999.28 | The minimum 60 point scoring requirement was not met. | 100 | 20 |

| | | |
|---|---|---|
| Funds Available: | $5,290,023.00 | Total of NHTF Units |
| Funds Requested: | $7,568,129.18 | 106 |
| Total Awarded: | $4,402,278.00 | 69 |
| | | |
| Funds Not Awarded: | $887,745.00 | |

**Approved by:**

Ralph M. Perrey, Executive Director

7/5/23

Date

# Tennessee Housing Development Agency

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

**Bill Lee**
**Governor**

**Ralph M. Perrey**
**Executive Director**

**M E M O R A N D U M**

**TO:** THDA Board of Directors

**FROM:** Eric Alexander, Director of Multifamily Programs

Don Watt, Chief Program Officer

**SUBJECT:** Round One Preliminary Ranking under the 2023 Multifamily Tax Exempt Bond Authority (MTBA) Program Description

**DATE:** July 10, 2023

Attached is the Round One Preliminary Ranking under the 2023 MTBA Program Description announced on June 9, 2023. THDA made available $423,080,500 in Multifamily Bond Authority under Round 1 and made preliminary commitments totaling $398,295,180. Remaining funds will be carried forward for allocation under Round 2 of the MTBA Program, pending availability of additional bond authority to THDA.

# 2023 MTBA Round One Preliminary Ranking

| Development Group | THDA # | Previous TN # | Development Name | City | County | Grand Division | Type of Construction | Tiebreaker for New Construction | Amt MTBA Requested | Amt 42M Requested | Final PD Score | Total Units | LIHTC Units | MKT Units | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Tursky-Holloway | 23-235 | 95-008 | Bluebird Manor Apartments | Brownsville | Haywood | West | Acq-Rehab | NA | $2,800,000 | $193,155 | **13.5736** | 36 | 36 | 0 | Eligible |
| Tursky-Holloway | 23-236 | | Covington Village Apartments | Covington | Tipton | West | Acq-Rehab | NA | $3,850,000 | $254,654 | **13.7844** | 48 | 48 | 0 | Eligible |
| Tursky-Holloway | 23-237 | 88-010 | Henning Village Apartments | Henning | Lauderdale | West | Acq-Rehab | NA | $2,800,000 | $208,840 | **13.2404** | 32 | 32 | 0 | Eligible |
| Tursky-Holloway | 23-238 | 01-005 | Lake Street Apartments | Somerville | Fayette | West | Acq-Rehab | NA | $2,100,000 | $145,587 | **13.3231** | 23 | 23 | 0 | Eligible |
| Tursky-Holloway | 23-239 | 89-052 | Oakland Apartments | Oakland | Fayette | West | Acq-Rehab | NA | $1,250,000 | $103,710 | **13.5454** | 16 | 16 | 0 | Eligible |
| Tursky-Holloway | 23-240 | 95-007 | Stanton Village | Stanton | Haywood | West | Acq-Rehab | NA | $3,025,000 | $214,463 | **13.7120** | 40 | 40 | 0 | Eligible |
| Tursky-Holloway | 23-241 | 89-031 | Tipton Village Apartments | Covingotn | Tipton | West | Acq-Rehab | NA | $3,700,000 | $254,576 | **13.6674** | 48 | 48 | 0 | Eligible |
| Tursky-Holloway | 23-242 | | Trenton Holiday House | Trenton | Gibson | West | Acq-Rehab | NA | $3,775,000 | $247,570 | **14.1423** | 52 | 52 | 0 | Eligible |
| Alco | 23-230 | 06-213 | Greenbriar Apartments | Memphis | Shelby | West | Acq-Rehab | NA | $15,750,000 | $1,265,704 | **14.2548** | 208 | 208 | 0 | Eligible |
| Millenia | 23-209 | | The Memphian Apartments (f.k.a. Serenity Towers) | Memphis | Shelby | West | Acq-Rehab | NA | $23,000,000 | $2,046,068 | **10.3445** | 134 | 134 | 0 | Waiver Approved w/ Conditions |
| Memphis Housing and Pennrose | 23-203 | | Edgeview at Legends Park | Memphis | Shelby | West | New | 91.25 | $13,800,000 | $1,270,075 | **1.7200** | 99 | 99 | 0 | Waiver Approved w/ Conditions |
| Bluff City Development | 23-233 | | Gardens of Forest Hill Irene Apartments | Memphis | Shelby | West | New | 59.49 | $16,343,488 | $1,079,566 | **10.0000** | 120 | 120 | 0 | Ineligible |
| Tursky-Holloway | 23-210 | 88-008 | Dickson Village | Dickson | Dickson | Middle | Acq-Rehab | NA | $3,500,000 | $286,396 | **13.9029** | 48 | 48 | 0 | Eligible |
| Tursky-Holloway | 23-211 | 93-001 | Pleasant Valley Village | Dickson | Dickson | Middle | Acq-Rehab | NA | $3,500,000 | $288,363 | **13.8855** | 48 | 48 | 0 | Eligible |
| Tursky-Holloway | 23-212 | | Holiday House of Springfield | Springfield | Robertson | Middle | Acq-Rehab | NA | $3,500,000 | $236,238 | **14.7760** | 60 | 60 | 0 | Eligible |
| Tursky-Holloway | 23-214 | 89-053 | Spring Creek | Chapel Hill | Marshall | Middle | Acq-Rehab | NA | $1,850,000 | $153,437 | **13.6970** | 24 | 24 | 0 | Eligible |
| Elmington Captial | 22-601 | | HV Land Co | Nashville | Davidson | Middle | New | NA | $6,000,000 | NA | **0.0000** | | | | Eligible |
| Envolve | 23-234 | | Nashville Christian Towers | Nashville | Davidson | Middle | Acq-Rehab | NA | $26,000,000 | $2,080,332 | **11.6395** | 177 | 176 | 1 | Waiver Approved with Conditions |
| Related | 23-228 | 07-206 | Charter Village | Madison | Davidson | Middle | Acq-Rehab | NA | $34,600,000 | $2,969,978 | **11.6144** | 250 | 250 | 0 | Eligible |
| SDG | 23-207 | 06-212 | Hickory Forest Apartments | Nashville | Davidson | Middle | Acq-Rehab | NA | $16,707,300 | $1,469,469 | **10.9584** | 90 | 90 | 0 | Waiver Denied |
| MDHA | 23-217 | | Park Point East | Nashville | Davidson | Middle | New | 99.00 | $43,000,000 | $2,153,190 | **14.5941** | 203 | 105 | 98 | Waiver Approved w/ Conditions |
| LDG and Urban League of MT | 23-246 | | Madison Station Phase 1 | Madison | Davidson | Middle | New | 95.35 | $43,000,000 | $2,987,354 | **10.3497** | 240 | 240 | 0 | Wavier Approved but Ineligible |
| Holladay Ventures and Urban League of MT | 23-245 | | Joseph Ave Partners | Nashville | Davidson | Middle | New | 57.04 | $25,000,000 | $1,992,856 | **10.0000** | 140 | 140 | 0 | Waiver Approved |
| Sam Weldon | 23-227 | | Sojourn Nolensville Apartments | Nashville | Davidson | Middle | New | 85.25 | $33,178,000 | $2,564,508 | **10.3194** | 170 | 170 | 0 | Eligible |
| Mcspadden-Rosemark | 23-208 | 87-047 | Bicentennial Apartments | Union | Union | East | Acq-Rehab | NA | $1,430,000 | $70,496 | **13.7284** | 24 | 24 | 0 | Ineligble |
| Mcspadden-Rosemark | 23-219 | 89-056 | Blue Ridge Apts | Scott | Scott | East | Acq-Rehab | NA | $1,187,976 | $106,294 | **13.1521** | 24 | 24 | 0 | Ineligible |
| Mcspadden-Rosemark | 23-220 | 87-002 | Clinch View Apts | Grainger | Grainger | East | Acq-Rehab | NA | $2,205,000 | $113,456 | **13.6986** | 36 | 36 | 0 | Ineligible |
| Mcspadden-Rosemark | 23-221 | | Coopertown Apts | Scott | Scott | East | Acq-Rehab | NA | $3,095,851 | $181,315 | **13.6986** | 50 | 50 | 0 | Ineligible |
| Mcspadden-Rosemark | 23-222 | | Grant Townhouses | Blount | Blount | East | Acq-Rehab | NA | $3,274,000 | $187,436 | **13.7825** | 52 | 52 | 0 | Ineligible |
| Mcspadden-Rosemark | 23-223 | 88-048 | Mountain View Apts | Sevier | Sevier | East | Acq-Rehab | NA | $2,900,000 | $179,459 | **13.6986** | 48 | 48 | 0 | Ineligible |
| Mcspadden-Rosemark | 23-224 | | Oak Park Apts | Scott | Scott | East | Acq-Rehab | NA | $3,710,356 | $241,967 | **13.6986** | 60 | 60 | 0 | Ineligible |
| Mcspadden-Rosemark | 23-225 | | Oak Park Addition | Scott | Scott | East | Acq-Rehab | NA | $2,248,160 | $138,608 | **13.6986** | 40 | 40 | 0 | Ineligible |
| Mcspadden-Rosemark | 23-226 | | South Fork Apts | Scott | Scott | East | Acq-Rehab | NA | $1,829,887 | $107,621 | **13.6986** | 30 | 30 | 0 | Ineligible |
| Knoxville Leadership | 22-603 | | Callahan Flats | Knox | Knox | East | New | NA | $3,000,000 | NA | **0.0000** | | | | Eligible |
| Vitus Group | 23-201 | | Tyler Apartments | Washington | Washington | East | Acq-Rehab | NA | $11,775,000 | $731,103 | **12.7713** | 101 | 100 | 1 | Ineligible |
| Evergreen | 23-218 | 08-211 | Lynnwood Apartments | Carter | Carter | East | Acq-Rehab | NA | $15,000,000 | $1,162,516 | **12.5021** | 100 | 100 | 0 | Waiver Approved |
| SDG | 23-206 | 07-207 | Ridgebrook Apartments | Knox | Knox | East | Acq-Rehab | NA | $27,996,000 | $2,256,152 | **11.7983** | 144 | 144 | 0 | Waiver Approved |
| Vencino Group and Chattanooga Housing | 23-229 | | Espero Chattanooga | Hamilton | Hamilton | East | New | 65.42 | $10,700,000 | $724,960 | **12.8334** | 60 | 60 | 0 | Waiver Approved with Conditions |

# 2023 MTBA Round One Preliminary Ranking

| Development Group | THDA # | Previous TN # | Development Name | City | County | Grand Division | Type of Construction | Tiebreaker for New Construction | Amt MTBA Requested | Amt 42M Requested | Final PD Score | Total Units | LIHTC Units | MKT Units | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Domunium and Chattanooga Housing | 23-216 | | Shallowford Pointe | Hamilton | Hamilton | East | New | 85.62 | $14,835,000 | $1,075,015 | **10.0000** | 96 | 96 | 0 | Eligible |
| Elmington and KCDC | 23-243 | 06-010, 98-042 | Sutherland 1 | Knox | Knox | East | Acq-Rehab | NA | $24,726,180 | $1,799,168 | **11.6365** | 166 | 166 | 0 | Eligible |
| Elmington and KCDC | 23-244 | 04-033 | Sutherland 2 | Knox | Knox | East | Acq-Rehab | NA | $19,000,000 | $1,394,207 | **11.5339** | 120 | 120 | 0 | Eligible |
| Hopeful Housing | 23-204 | | The Village at Inskip | Knox | Knox | East | New | 95.75 | $15,060,000 | $1,261,761 | **10.0742** | 98 | 98 | 0 | Eligible |
| LHP Captial | 23-202 | | Tapestry at Roan Hill | Washington | Washington | East | New | 56.61 | $25,000,000 | $2,141,847 | **10.0000** | 145 | 145 | 0 | Waiver Approved with Conditions |
| | | | | | | | | | | | | | | | |
| **MTBA for East Division Available** | $143,847,370 | | | **MTBA for Middle Available** | **$186,155,420** | | | | **MTBA for West Available** | **$93,077,710** | | | | | |
| TN ID | MTBA Requests | Tracker | | TN ID | MTBA Requests | Tracker | | | TN ID | MTBA Requests | Tracker | | | | |
| 22-603 | $3,000,000 | $140,847,370 | | 23-210 | $3,500,000 | $182,655,420 | | | 23-235 | $2,800,000 | $90,277,710 | | | | |
| 23-218 | $15,000,000 | $125,847,370 | | 23-211 | $3,500,000 | $179,155,420 | | | 23-236 | $3,850,000 | $86,427,710 | | | | |
| 23-206 | $27,996,000 | $97,851,370 | | 23-212 | $3,500,000 | $175,655,420 | | | 23-237 | $2,800,000 | $83,627,710 | | | | |
| 23-229* | $10,700,000 | $87,151,370 | | 23-214 | $1,850,000 | $173,805,420 | | | 23-238 | $2,100,000 | $81,527,710 | | | | |
| 23-215 | $12,000,000 | $75,151,370 | | 22-601 | $6,000,000 | $167,805,420 | | | 23-239 | $1,250,000 | $80,277,710 | | | | |
| 23-216 | $14,835,000 | $60,316,370 | | 23-234* | $26,000,000 | $141,805,420 | | | 23-240 | $3,025,000 | $77,252,710 | | | | |
| 23-243 | $24,726,180 | $35,590,190 | | 23-228 | $34,600,000 | $107,205,420 | | | 23-241 | $3,700,000 | $73,552,710 | | | | |
| 23-244 | $19,000,000 | $16,590,190 | | 23-217* | $43,000,000 | $64,205,420 | | | 23-242 | $3,775,000 | $69,777,710 | | | | |
| 23-204 | $15,060,000 | $1,530,190 | Remaining Authority | 23-245 | $25,000,000 | $39,205,420 | | | 23-230 | $15,750,000 | $54,027,710 | | | | |
| **Total Firm Approved** | **$142,317,180** | | | 23-227 | $33,178,000 | **$6,027,420** | Remaining Authority | | 23-203* | $13,800,000 | $40,227,710 | | | | |
| | | | | **Total Firm Approved** | **$180,128,000** | | | | 23-209* | $23,000,000 | **$17,227,710** | Remaining Authority | | | |
| | | | | | | | | | **Total Firm Approved** | **$75,850,000** | | | | | |
| | | | **Total Authority** | **$423,080,500** | | | | | | | | | | | |
| | | | **East Commitments** | **$142,317,180** | | | | | | | | | | | |
| | | | **Middle Commitments** | **$180,128,000** | | | | | | | | | | | |
| | | | **West Commitments** | **$75,850,000** | | | | | | | | | | | |
| | | | **Remaining for Statewide** | **$24,785,320** | | | | | | | | | | | |
| | | | **Carryforward** | **$24,785,320** | | | | | | | | | | | |

*THDA has approved some commitments with conditions

**The last remaining eligible development could not be funded fully so the balance will be carried into Round Two.

***23-231 Samuel's Peak and 23-213 Holiday House of Woodbury were withdrawn