

TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUDIT & BUDGET COMMITTEE MEETING MINUTES

November 12, 2020

Pursuant to the call of the Chair, the Audit & Budget Committee (the "Committee") of the Tennessee Housing Development Agency ("THDA") Board of Directors (the "Board") met on Thursday, November 12, 2020, at 1:00 p.m., via a WebEx call. A number of staff members were physically present at the THDA offices located at 502 Deaderick Street, Andrew Jackson Building, 3<sup>rd</sup> Floor, Nashville, Tennessee 37243.

The following Committee members were present via WebEx: Treasurer David Lillard (Chair), Secretary of State Tre Hargett, Christine Rhea, Michael Hedges, Rick Neal, and Austin McMullen.

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

*"Certain Committee members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Committee today require timely action and the physical presence of a sufficient number of Committee members to constitute a quorum is not possible within the timeframe in which action is required and also because of COVID-19. Therefore, it is necessary for some members to participate via telephone. Committee members participating by telephone were sent documents relevant to today's meeting."*

Upon motion by Ms. Rhea and second by Mr. McMullen, a roll call vote with Lillard, Hargett, Hedges, McMillan, Neal, and Rhea voting "yes", six members voting yes, zero members voting no, zero member abstaining, the motion carried to conduct the Audit & Budget Committee meeting in this manner.

Chair Lillard called for consideration of the September 18, 2020, Committee minutes. Upon motion by Mr. Hedges, second by Ms. Rhea, and a roll call vote with Lillard, Rhea, McMillan, Hedges, Neal, and Hargett voting "yes", six members voting yes, zero members voting no, zero member abstaining, the motion carried to approve the minutes.

Chair Lillard recognized Gay Oliver, Director of Internal Audit, to present an update on the Enterprise Risk Management (ERM) analysis. Ms. Oliver pointed out that the Financial Integrity Act requires that a system of internal controls be established and maintained. She noted that the ERM Report documents whether THDA's system of accounting and administrative controls complies with the statute. She explained that each THDA division director conducted a self-assessment of the division, listing the objectives, identifying any risks and assessing the risks in terms of likelihood and magnitude of impact on THDA, if the risks were to occur. She also noted that if a control activity was not in place or not efficient, the division director developed a Management Action Plan to mitigate the risk and ensure controls operate effectively. She further explained that Internal Audit staff also conducted meetings with each THDA division director to

discuss their risk assessments and to assess any potential risks associated with future projects. She indicated that the Director of Internal Audit and the Executive Director reviewed each division's ERM. Ms. Oliver added that necessary documentation will be presented to the Commissioner of Finance and Administration and the Comptroller by December 31, 2020.

Chair Lillard recognized Trent Ridley, Chief Financial Officer, to present the THDA's FY21-25 Five Year Strategic Financial Plan). Mr. Ridley referenced the attachment in the ABC packet and noted that the Plan is developed using guiding principles established in THDA's enabling legislation as well as objectives established in the Debt Management Policy approved by the Board on November 29, 2011. The main objective of the Plan is to effectively balance the use of financial resources to fund mortgage programs and other initiatives that fulfill THDA's statutory purpose without compromising financial strength or credit ratings.

The Plan anticipates total bond issuance of approximately \$1.87 billion (\$60.6 million refunding) over the next five years all without the moral obligation of the State. Mortgage Revenue Bond annual loan production is assumed to be approximately \$500 million the first two years then decreasing to \$275 million by 2025, while Mortgage Backed Security production increases to \$382 million by 2025. Total net withdrawals and uses are estimated to be \$243 million.

The Plan anticipates future bond issuance under the 2013 General Resolution, which does not carry the "moral obligation" of the State and projects no bonds will carry the moral obligation of the State by June 2022. To support future bond issuance and maintain a strong PADR under the 2013 General Resolution, the Plan assumes a transfer of resources of approximately \$18 million from the 1985 General Resolution.

In summary, the Plan maintains an overall Weighted Average PADR above 1.12 and continues to set aside \$25 million as required by the Bond Finance Committee, while providing for new loan production and funding the various THDA housing initiatives and operations.

Mr. Ridley concluded that no action by the Board is required for this item.

Chair Lillard recognized Ms. Oliver, to discuss the disclosure analysis reports for THDA Board members and THDA staff. Ms. Oliver noted that THDA's enabling legislation, the THDA Conflict of Interest Policy, the Board Disclosure Policy and the Staff Disclosure Policy require Board members, their representatives and all THDA staff to disclose annually any direct or indirect involvement in activities that do or could involve THDA or THDA programs including the federally funded programs. She added that (1) disclosure forms were received from all Board members, Board designees and all THDA staff; (2) the original Board disclosure forms are located at THDA offices and are available for public inspection upon request; and (3) staff disclosures were completed electronically and are available for public inspection upon request.

Ms. Oliver noted that she and Bruce Balcom THDA Assistant Chief Legal Counsel, reviewed all Board and staff disclosures and their analysis revealed incidental and indirect interests, but no prohibited interests or prohibited conflicts of interest. Ms. Oliver explained that even if no conflict of interest exists, the Code of Conduct applies and Board members and THDA staff should refrain from any activity that would give the appearance of impropriety or a conflict of interest. The consensus of the Committee was to accept the reports and recommend that the Board approve them for inclusion into the minutes.

Chair Lillard called for consideration of the annual performance evaluation for the Director of Internal Audit, Gay Oliver. (*Ms. Oliver left the Webex call.*) Chair Lillard reviewed the procedure and noted that the Committee is charged with determining the employment and salary of THDA's Director of Internal Audit. Chair Lillard noted that Ms. Oliver's average overall evaluation was advanced performance for the period October 21, 2019 to September 30, 2020, and that she is to receive an increase in salary and an associated bonus, which will be the same as provided to THDA staff who received the same rating, effective January 1, 2021.

*Secretary Hargett noted that he would be leaving the meeting.*

Upon motion by Chair Lillard and second by Mr. McMullen, a roll call vote with Rummel (proxy for Secretary Hargett), Hedges, McMullen, Neal, Rhea, and Lillard voting "yes", six members voting yes, zero members voting no and zero members abstaining; the motion carried to approve Ms. Oliver's performance rating, any increase in salary, and associated bonus. No action by the Board is required as annual evaluation of the Director of Internal Audit is within the sole purview of the Audit and Budget Committee.

Chair Lillard called for consideration of the annual performance evaluation for the Executive Director of THDA, Mr. Ralph Perrey. (*Mr. Perrey left the WebEx call.*) Chair Lillard reviewed the evaluation procedure. Upon motion by Chair Lillard, second by Mr. McMullen, a roll call vote with Rummel, Hedges, McMullen, Neal, Rhea, and Lillard voting "yes", six members voting yes, zero members voting no, zero members abstaining, the motion carried to recommend an advanced performance rating for Mr. Perrey with a recurring salary adjustment and one-time bonus to be the same as provided to THDA staff who received the same rating, effective January 1, 2021.

With no other issues or business to come before the Committee, the meeting adjourned.

Respectfully submitted,



Gathelyn Oliver  
Director of Internal Audit

Approved the 27<sup>th</sup> day of July, 2021

**The Bond Finance Committee did not meet this month.**

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

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

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

"Certain Committee members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Committee today require timely action and the physical presence of a sufficient number of Committee members to constitute a quorum is not possible within the timeframe in which action is required and also because of COVID-19. Therefore, it is necessary for some members to participate via telephone. Committee members participating by telephone were sent documents relevant to today's meeting."

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

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

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

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

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

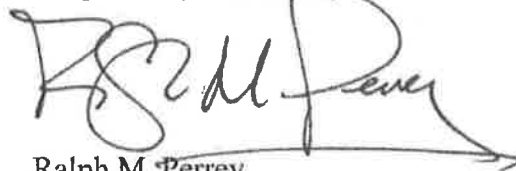
Chair McMullen next called for consideration of the 2020 HOME CHDO Mini-Round Program Description and recognized Ms. Peraza. Ms. Peraza referenced her memorandum dated October 28, 2020, and stated THDA previously awarded more than \$13 million in 2020 HOME Program funding, however, insufficient applications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

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ralph M. Perrey". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ralph M. Perrey  
Executive Director

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

**The Lending Committee did not meet this month.**



**The Rental Assistance Committee did not meet this month.**

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

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Thursday, November 12, 2020, at 1:03 p.m. CST via WebEx call with certain staff members being at the THDA offices located at 502 Deaderick Street; Andrew Jackson Building, 3rd Floor; Nashville, Tennessee 37243.

The following Committee members were present via WebEx: John Snodderly (Chair), Doree Hicks (for Commissioner of Finance & Administration Butch Eley), Jonathan Rummel (for Secretary of State Tre Hargett), Mike Hedges, State Treasurer David Lillard, Joann Massey, Matt McGauley, and Erin Merrick. Other Board members present were: Austin McMullen, Rick Neal, and Katie Armstrong (for Comptroller Justin Wilson). Chair Snodderly recognized Bruce Balcom, Assistant Chief Legal Counsel, who read the following statement:

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

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

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

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

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

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

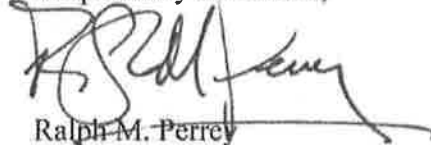
Chair Snodderly again recognized Mr. King to present the request for exchange of Low-Income Housing Credit (“LIHC”) for Forest Creek Townhomes (TN17-901) in Memphis (“Forest Creek”). Mr. King referenced his memo with the subject “TN17-901 Forest Creek Townhomes, Memphis, Shelby County” dated October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

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

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

With no further business, the meeting was adjourned.

Respectfully submitted,



Ralph M. Perrey  
Executive Director

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