



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

**Meeting Materials
September 28, 2021**



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

THDA Board of Directors Meeting

**Tuesday, September 28, 2021 at 1:00 p.m. CT
Tennessee Tower
Conference Rooms A & C
312 Rosa L. Parks Avenue, Third Floor
Nashville, TN 37243**

AGENDA

- A. Approval of Minutes from July 27, 2021 meeting**
- B. Executive Director's Report**
- C. THDA Board Action Items**
 - 1. Code of Conduct Revisions
 - 2. Budget Proposal
 - 3. 2021-3 Bond Issue
 - 4. 2022 Winter Round Competitive Grants Program Description
 - 5. PBCA Subcontract
 - 6. Public Notice Allocation – TN21-801 Flats at Mooreland
 - 7. Public Notice Allocation – TN21-802 Hill Place
 - 8. 2022 Low Income Housing Credit Qualified Allocation Plan

APPENDIX

- 2021 Emergency Solutions Grants Program Funding Awards
- 2022 Summer Round of the THTF Competitive Grants Program Funding Awards
- Tax Credit 2021 Competitive Allocations



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors

FROM: Ralph M. Perrey, Executive Director

SUBJECT: September 28, 2021 THDA Board of Directors Meeting

DATE: September 8, 2021

THDA Board Members,

We look forward to hosting you at our Board and Committee meetings September 28, 2021. Several action items await your review this month, among them:

- Adoption of THDA's proposed budget for Fiscal Year 2023, which begins July 1, 2022. Your review and approval is the first step in a process that will also involve review by the Department of Finance & Administration and the Tennessee General Assembly. The budget may be found among the Audit & Budget Committee materials in your packet, and we will have a presentation ready for the committee meeting itself.
- Adoption of the 2022 Qualified Allocation Plan, the governing document for the Housing Tax Credit Program. This may be found among the Tax Credit Committee materials. We will have a full presentation for the committee, as well. We propose two important changes – a revised location/need score based on census tracts rather than counties, and allowing new development within Qualified Census Tracts. In addition, you will note that, in response to public comments, we have revised and clarified a number of items in the original draft. Please see the memo from Multifamily Programs Director Josie Kotsioris that accompanies the QAP.
- Authorization of Issue 2021-3 is before the Bond Finance Committee. Of note, this issue will include a Convertible Option Bond (COB), a mechanism that allows us to “preserve” volume cap from 2018 that would otherwise expire at year-end. A fuller explanation is provided among the Bond Finance Committee materials, and we will be prepared to discuss this and other aspects of the next bond issue. We will also ask the Bond Finance Committee to approve a process to select the Underwriting group that will handle THDA bond issuances beginning in 2022.
- Grants Committee will be asked to approve the program description for the 2022 Winter Round of competitive Tennessee Housing Trust Fund grants.

THDA Board of Directors
September 8, 2021
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- We will also ask your support for a short-term extension of our contract with HUD on Project Based Contract Administration until HUD is able to transfer this contract to another entity and approval to subcontract that work in the meantime.
- In addition, the Audit & Budget Committee will take up revisions to THDA's Code of Conduct and outline the Board's evaluation process for the Executive Director and Director of Internal Audit.

Please feel free to contact me or Chief of Staff, Stephanie Bounds with any questions or concerns about the agenda items or informational materials in your board packet. Please contact Cindy Ripley for any assistance with travel logistics.

See you on the 28th.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R M Perrey', with a long horizontal flourish extending to the right.

Ralph M. Perrey
Executive Director

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
July 27, 2021

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the “Board”) met in regular session on Tuesday, July 27, 2021 at 1:00 p.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Board members were present: Doree Hicks (for Commissioner of Finance & Administration Butch Eley), Chris Mustain (for Secretary of State Tre Hargett), State Treasurer David Lillard; Matt McGauley; Austin McMullen; Erin Merrick; Rick Neal; John Snodderly; and Katie Armstrong (for Comptroller Jason Mumpower). Those absent were: Mike Hedges, Chair; Mike Hardwick; Joann Massey, Tennion Reed and Chrissi Rhea.

In the absence of Board Chair Mike Hedges, Vice Chair Rick Neal presided over the meeting.

Seeing a physical quorum present, Vice-Chair Neal called the meeting to order, and then called for consideration of the minutes from the May 25, 2021 meeting. Upon motion by Mr. Lillard, second by Mr. Snodderly, and with all Board members identified as present voting yes, the minutes were approved.

Vice Chair Neal recognized Ralph M. Perrey, Executive Director to present his report:

- We have our THDA Leadership Academy class of 2021 with us. This the sixth group to go through the program. Over the course of the year, they attend symposiums where they learn about THDA’s business and programs, as well as leadership development. This is one of several ways we try to develop a strong pool of leadership talent for THDA and oftentimes for housing organizations across the state.
- There’s a great deal in the media about the many Americans who are behind on their rent and thought to be at risk of being evicted. Consequently, there’s concern about how little of the billions appropriated for rent relief has reached landlords and it is being suggested that this is the fault of state and local agencies – that we’ve made it too complicated, that we want too much documentation. Well, it’s not that simple.
- As enacted by Congress, the rent relief program is designed to help those impacted by COVID. It will not help those who were headed to eviction before COVID. It will not help those being evicted for bad acts, criminal behavior or property damage. It will not be available to those who decided that an eviction moratorium meant they didn’t have to pay rent and there’s nothing the landlord can do about it.
- There is undoubtedly a number of people potentially facing eviction, but not all of them qualify under the COVID rent relief program rules. That is a federal issue. It is not a matter of state and local agencies not doing the work.
- In our program, we have helped over 1,900 households with rent and utility payments and dispersed over \$12.4 million. There is no backlog of applications waiting to be looked

at. Once a completed application is submitted, it takes about three weeks to verify, process, and send payments.

- We have to verify certain things.
- In Tennessee, and every other state, the number of applicants for COVID rent relief are far fewer than everyone expected. Not much is going out because not much in the way of applications is coming in. We continue our outreach efforts to landlords, tenant groups, social service agencies and non-profits. We are working with the Administrative Office of Courts to make those docketed for eviction hearings aware of the program. But there is not the slightest chance that we will use all of the \$383 million allocated to us, let alone the additional \$312 million Congress has awarded.
- We have kept Cathy Salazar and our Human Resources team very busy as we staff up to handle the new federal programs entrusted to us. The most urgent need has been in the areas of Community Programs, Accounting, and IT, but all told we are bolstering nine of our divisions. Many of these positions are long-term temporary, linked to a specific federal program, and they will go away when those programs end. The Governor and General Assembly have given us the flexibility to do so, and they have earlier granted our expansion requests for the positions important to our normal business operations.
- A report issued by Freddie Mac last week offers important context for what's happening to our mortgage business this year. The supply of entry-level homes is at a 5 decade low. Smaller houses at price points affordable to THDA borrowers just aren't much available and few are being built. When THDA was created in 1973, 43.9% of the houses in Tennessee were 1,400 square feet or less. In 2019, that percentage was just 14.7%, and it is likely lower today. Those are the headwinds we are facing.

Things we're watching:

- HUD has announced additional mortgage relief for FHA, VA, RD borrowers. Our team at Volunteer Mortgage Loan Servicing is already working to offer modifications to those who fell behind due to COVID but can now resume payments, and also to those not yet able to cover their mortgage payments. We understand there is a principal reduction program coming for some of those borrowers; we will wait to learn more. And, of course, there is the Homeowners Assistance Fund, which we will offer to our own borrowers in the coming weeks.
- We are also watching the work to modernize the Community Reinvestment Act – CRA. Given all of the changes in banking over the last 40 years, modernization is certainly needed. Of concern to many in housing circles are proposals to broaden the range of investments for which banks can get CRA credit and possibly pull investments away from housing. We will keep you updated on potential impacts for THDA programs.

Vice-Chair Neal noted the first item of business is a request to extend the Executive Director's COVID waiver authority through the end of the year, and to ratify the waivers conditionally granted since that authority lapsed on June 30, 2021. A memo about the request addressed to the THDA Board of Directors from Executive Director Ralph M. Perrey dated July 21, 2021 detailing the request for

THDA Board of Directors to extend through December 31, 2021 the authority it has given to the Executive Director to grant waivers, extensions, exceptions and modifications as necessary to help projects and developments supported by THDA to remain on track and/or to mitigate problems caused directly or indirectly by the COVID pandemic; and, that the Board ratify all such actions taken from July 1-27 (listed in memo) was added to your board packet last week. Upon a motion by Mr. McMullen, second by Mr. McGauley, and with all Board members identified as present voting yes, the motion carried.

Vice-Chair Neal recognized Mr. Lillard to report on the Audit and Budget Committee Meeting. By offer of a motion by Mr. Lillard on behalf of the Audit & Budget Committee and with all Board members identified as present voting yes, the motion carried to adopt the Fiscal Year 2022 Annual Audit Plan as outlined in the memo from Gay Oliver, Director of Internal Audit dated July 7, 2021.

Vice-Chair Neal then recognized Mr. Lillard to report on the Bond Finance Committee Meeting. He noted that staff recommends THDA exercise its option to extend its contract with CSG Financial Advisors for an additional twelve months on the CSG Contract Extension as explained in the memo from Bruce Balcom, Chief Legal Counsel, dated July 6, 2021 and that the Bond Finance Committee approved that extension. By offer of a motion by Mr. Lillard on behalf of the Bond Finance Committee and with all Board members identified as present voting yes, the motion carried to extend the CSG Financial Advisors contract for an additional twelve months.

Vice-Chair Neal then recognized Mr. McMullen for the Grants Committee Report. Mr. McMullen offered four items at one time for Board approval as follows:

- A. COVID-19 Rental Housing Development Subsidy Program Description Referenced a memo from Don Watt, Chief Program Officer dated July 6, 2021. Mr. Watt noted that staff recommends the Board approve the following:
 - Adoption of the attached proposed COVID-19 Rental Housing Development Subsidy Program Description (“Program Description”) subject to an allocation of Federal resources by the Governor’s Office for this purpose;
 - Authorize the Executive Director or a designee to award funds for applications received and determined eligible for funding; and
 - Allow staff to make programmatic changes, as deemed necessary and appropriate, as approved by the Executive Director, or as required by the federal funding source from which a program allocation to THDA is made.
 - Staff will provide information to the Committee and Board regarding associated funding awards at the meeting that immediately follows the date of the awards.
- B. 2021 HOME Program Description – Homeownership Development Referenced a memo from Cynthia Peraza, Director of Community Programs and Don Watt, Chief Program Officer dated July 6, 2021 noting that staff recommends:
 - Adoption of the attached proposed 2021 HOME Program Description for Homeownership Development (Program Description”):
 - Authorize the Executive or designee to award 2021 HOME funds to applicants for applications scored by staff; and,
 - Allow staff to make minor programmatic changes, as deemed necessary and appropriate as approved by the Executive Director, or as requested by HUD;
 - Staff will provide information to the Committee and board regarding associated funding awards at the meeting that immediately follows the date of the awards.

- C. 2022 Low Income Home Energy Assistance Program (LIHEAP) Model Plan. Referenced a memo from Cynthia Peraza, Director of Community Programs and Don Watt, Chief Program Officer dated July 30, noting that staff requests:
- Board and Committee approval for THDA to submit an application to the U. S. Department of Health and Human Services (HHS) for the LIHEAP Program Year 2022 funds by the federal deadline of September 1, 2020, subject to review by the Board Chair, the Committee Chair, and THDA's Executive Director of any further material changes prior to submission.
- D. 2021 titled 2017 Home Program Extension Request – City of Gatlinburg Referenced a memo from Cynthia Peraza, Director of Community Programs and Don Watt, Chief Program Officer dated July 21. He noted that in this memo staff recommends:
- Authorization to extend the 2017 HOME Program Grant Contract for the City of Gatlinburg for a period of 12-months, changing their contract end date from June 30, 2021 to June 30, 2022, due to the natural disaster Sevier County experienced in 2016 compounded by delays resulting from COVID-19.

By offer of a motion by Mr. McMullen on behalf of the Grants Committee and with all Board members identified as present voting yes, motion carried to approve the four Grants Committee agenda items.

Vice-Chair Neal then recognized Mr. McGauley to report on the Lending Committee meeting. Mr. McGauley referenced a memo from Lindsay Hall, Chief Operating Officer of Single Family Programs dated July 6, 2021 titled Homeowners Assistance Fund (HAF). He noted that THDA staff seeks board approval to administer the HAF funds on behalf of the State of Tennessee as assigned to THDA by Governor Lee to those eligible homeowners experiencing a financial hardship related to the COVID-19 pandemic. By offer of a motion from Mr. McGauley on behalf of the Committee and with all Board members identified as present voting yes, motion carried for approval for THDA to administer the funds.

Next, Mr. McGauley referenced a memo from Lindsay Hall, Chief Operating Officer of Single Family Programs dated July 6, 2021 titled Proposed Increase in Acquisition Cost Limits (Sales Price) noting that staff recommends the increase of Acquisition Cost Limits in 82 of the 95 counties in Tennessee. Please see the attached showing the increases by county proposed.

- 82 Counties in Tennessee would see an increase by \$50,000 making the maximum acquisition cost \$300,000 in 44 counties and \$350 in 38 counties.
- The remaining 13 counties in the middle Tennessee market would remain at \$375,000.

By offer of a motion from Mr. McGauley on behalf of the Committee and with all Board members identified as present voting yes, motion carried for approval the guidelines as listed above.

Vice Chair Neal then recognized Mr. Snodderly to report on the Rental Assistance Committee meeting. Mr. Snodderly referenced a memo from Jeboria Scott, Director of Rental Assistance and Don Watt, Chief Programs Officer dated July 6, 2021 titled Emergency Housing Voucher Program in which staff recommends:

- Authorizing THDA's acceptance of the Emergency Housing Vouchers (EHV) Grant.
- Approving the EHV program description.
- Approving the Administrative Plan Amendment to include EHV policy.

- Authorizing staff to make necessary changes to the program requirements in accordance with updated requirements or guidance provided by the U.S. Department of Housing and Urban Development (HUD) as the program matures.

By offer of a motion from Mr. Snodderly on behalf of the Committee and with all Board members identified as present voting yes, motion carried for approval the guidelines as listed above.

Next, Mr. Snodderly proceeded to the Project Based Contract Administration Memo from Ralph M Perrey dated July 1, 2021 outlining the recommendation to authorize THDA to exit PBCA at the expiration of the current contract on January 31, 2022 or such earlier date as the U.S. Department of HUD can complete the transition to another contractor. By offer of a motion from Mr. Snodderly on behalf of the Committee and with all Board members identified as present voting yes, motion carried for the Executive Director to provide formal notice to HUD of THDA's intention to exit the PBCA contract with HUD and meets the contractual requirement of providing six months' notice of same.

Vice Chair Neal recognized Mr. Snodderly to report on the Tax Credit Committee meeting. Mr. Snodderly referenced the memo from Josie Kotsioris, Director of Multifamily Programs and Don Watt, Chief Programs Officer dated July 6, 2021 titled Proposed Increase to the Aggregate Amount of THDA Private Activity Volume Cap Available as 2021 Multifamily Tax-Exempt Bond Authority. The memo outlined staff recommendations to increase the amount of bond authority available for multifamily development by \$189 million, effective upon receipt of the mid-year allocation of volume cap from the Department of Economic and Community Development, and recommend to the Board of Directors adoption of same. By offer of a motion from Mr. Snodderly on behalf of the Committee and with all Board members identified as present voting yes, motion carried.

With no further business, meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 28th day of September, 2021.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

THDA Board of Directors Committee Meeting Agenda

**Tuesday, September 28, 2021
Tennessee Tower
Conference Rooms A & C
312 Rosa L. Parks Avenue, Third Floor
Nashville, TN 37243**

A. Committee Meeting Items:

- 1. Audit & Budget Committee Meeting – 10:00 a.m. CT**
 - a. July 27, 2021 meeting minutes
 - b. Code of Conduct Revisions
 - c. Executive Director & Internal Audit Director Evaluation Process
 - d. Internal Audit Updates
 - e. Budget Proposal
- 2. Bond Finance Committee Meeting – 10:05 a.m. CT**
 - a. July 27, 2021 meeting minutes
 - b. Approval of 2021-3 Bond Issue
 - c. Underwriters Selection Process
- 3. Grants Committee Meeting – 10:10 a.m. CT**
 - a. July 27, 2021 meeting minutes
 - b. 2022 Winter Round Competitive Grants Program Description
- 4. Rental Assistance Committee Meeting – 10:15 a.m. CT**
 - a. July 27, 2021 meeting minutes
 - b. Project Based Contract Administration Subcontract
- 5. Tax Credit Committee Meeting – 10:20 a.m. CT**
 - a. July 27, 2021 meeting minutes
 - b. Public Notice Allocation – TN21-801 Flats at Mooreland
 - c. Public Notice Allocation – TN21-802 Hill Place
 - d. 2022 Low Income Housing Credit Qualified Allocation Plan



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
Audit & Budget Committee Meeting
Tuesday, September 28, 2021
10:00 a.m. Central Time**

**William R. Snodgrass Tennessee Tower
Conference Rooms A & C
312 Rosa L Parks Avenue, Third Floor
Nashville, TN 37243**

AGENDA

- A. Approval of Minutes from July 27, 2021 meeting
- B. Code of Conduct Revisions
- C. Executive Director and Internal Audit Director Evaluation Process
- D. Internal Audit Updates
- E. Budget Proposal

Committee Members:

Secretary Hargett, Chair
Mike Hedges
Treasurer Lillard
Austin McMullen
Rick Neal
Chrissi Rhea

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE MEETING MINUTES
July 27, 2021

Pursuant to the call of the Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, July 27, 2021, at 10:00 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building; Nashville, Tennessee.

The following Committee members were present: State Treasurer David Lillard, (Chairman), Mr. Austin McMullen, Mr. Chris Mustain (for Secretary of State Tre Hargett) and Mr. Rick Neal. Mr. Mike Hedges, and Ms. Christine Rhea were absent.

Recognizing a quorum present, Chairman Lillard called the meeting to order, and asked for approval of the minutes for the meeting held on November 12, 2020. Upon motion by Mr. Rick Neal and second by Chairman Lillard the minutes were approved.

Chairman Lillard recognized Ms. Gay Oliver, THDA Director of Internal Audit, to discuss the Internal Audit Charter. Ms. Oliver noted that THDA's Internal Audit division is preparing for its first External Quality Assessment, an executive branch initiative that will evaluate the Internal Audit division's adherence to internal auditing standards developed by the Institute of Internal Auditors (IIA). She explained that one of the requirements is that the Internal Audit Charter be reviewed and revised. Ms. Oliver noted that the following changes are recommendations from the IIA and have been added to the Charter: core values, a section on independence and objectivity, expanded information on the internal audit director's responsibilities, and a quality assurance and improvement program. Ms. Oliver recommended that the Committee approve the revisions to the Internal Audit Charter, as no Board action is required. Upon motion by Mr. McMullen and second by Chairman Lillard, and with the members being identified as being present voting yes, the motion passed.

Chairman Lillard recognized Ms. Oliver to discuss the Fiscal Year 2022 Audit Plan. Ms. Oliver noted a draft of the Audit Plan was previously circulated to Committee members and a list of projects to be completed was distributed prior to this meeting. Ms. Oliver noted that the Audit Plan and a listing of projects in progress as of July 30, 2021, were prepared and submitted to the Comptroller's Office Division of State Audit on July 2, 2021, as required.

Ms. Oliver noted that a risk-based approach was used in developing the Audit Plan. She explained that issues considered include budget dollars for each program, management's risk assessment, length of time since the last audit, legal and statutory audit requirements, input from program division directors and input from THDA executive leadership. Ms. Oliver noted that the new items on the plan for Fiscal Year 2022 include reviews of: the administration of the emergency solutions grant program, the COVID-19 rent relief program, the single family mortgage relief program, data security internal controls, and the administration of the multi-family programs. She added that the Audit Plan is subject to change throughout the year if issues arise or there are changes within THDA. She requested the Committee's approval and indicated no Board action is

required. Upon motion by Chairman Lillard, second by Mr. McMullen, and Audit Plan was approved by all members identified as being present voting yes.

Chairman Lillard recognized Mr. Trent Ridley, Chief Financial Officer, to present the Financial Status Update for Fiscal Year 2021. Mr. Ridley referenced the memorandum included in the Board packet. He noted that THDA operating income is projected to be approximately \$19.5 million, an increase of \$2.9 million when compared to Fiscal Year 2020's operating income of \$16.6, and the highest in more than a decade. He explained that the variance is primarily driven by the record number of mortgage loan prepayments due to extremely low interest rates. He added that as prepayments increased, bonds were called in order to minimize interest rates.

Mr. Ridley noted that the Accounting Division is in the process of closing THDA books for fiscal year 2021, and he will submit a complete report at the next Committee meeting.

With no other issues or reports to be presented, Chairman Lillard adjourned the meeting.

Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit

Approved this 28th day of September, 2021.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors and Audit and Budget Committee

FROM: Gay Oliver, Director of Internal Audit
Bruce Balcom, Chief Legal Counsel

SUBJECT: Code of Conduct Revisions

DATE: September 7, 2021

Recommendation

Approve the addition of a consequences section to the Code of Conduct, the addition of a table tracking revisions, and formatting the Code of Conduct to match other THDA policies.

Key Points

The changes are intended to address recommendations from the SOC audit. There is no change to the substance of the requirements in the Code of Conduct.

TENNESSEE HOUSING DEVELOPMENT AGENCY (THDA)

CODE OF CONDUCT

Purpose: The purpose of this policy is to establish a Code of Conduct for THDA covered individuals.

Effective Date: March 15, 2007, as amended on September 22, 2015. Revised September 28, 2021.

Eligibility: This policy applies to all members of the THDA Board of Directors and all THDA employees ("covered individuals").

Policy Statement: Considering the public nature of THDA, all covered individuals will: (1) comply with THDA conflicts of interest requirements found at TCA Section 13-23-128, including the related conflict of interest policy; (2) comply with any applicable federal or state statutes, regulations, rules, policies and procedures; (3) insure the integrity of THDA operations and programs; (4) avoid intentionally preparing or issuing fraudulent or misleading financial reports or other information; (5) not intentionally seek or receive personal financial enrichment by virtue of being a THDA covered individual; (6) prevent disclosure or use of THDA information for personal profit or advantage of individuals or organizations; (7) protect THDA assets from fraud, waste, and abuse; and (8) instill confidence in the public in the operation and administration of THDA programs.

Responsibility: Each covered individual shall avoid any intentional action, whether or not specifically prohibited by statute or regulation, which might result in or create the appearance of: (1) using public office or employment for private gain; (2) giving preferential treatment to any person; (3) impeding government efficiency or economy; (4) losing complete independence or impartiality; (5) making a THDA decision outside of official channels; or (6) affecting adversely the confidence of the public in the integrity of THDA.

Requirements: Without limiting the generality of the foregoing, the following shall apply to all covered individuals:

1. No covered individual shall engage in or conduct outside activities of financial or personal interest that may conflict with the impartial and objective execution of THDA business activities.
2. No covered individual shall solicit, accept, or agree to accept, directly or indirectly, on behalf of the covered individual or any member of the covered individual's household or immediate family, any gift in violation of state law including, but not limited to any gratuity, service, favor, food, entertainment, lodging, event or other tickets, cash, transportation, travel, memberships, property, loan, loan guarantee rebate, any promise, obligation or contract for future gifts or compensation, or any other thing of monetary value, from any person or entity that the covered individual knows or should have known, directly or indirectly:
 - Has, or is seeking to obtain, contractual or other business or financial relations with THDA; or
 - Conducts operations or activities that involve any program administered by THDA or that are regulated by THDA and that do not involve the covered individual; or
 - Has interests that may be substantially affected by the performance or nonperformance of the employee's official duties; or

- Is a lobbyist or employs a lobbyist in the State of Tennessee. The exceptions to gifts by lobbyists provided by Tennessee Code Annotated Section 3-6-305 apply.
3. For purposes of paragraph 2 above, a “gift” shall also include any item made available to or purchased by a covered individual at a price that is unavailable to the general public.
 4. The following exceptions shall apply to the above prohibitions:
 - A gift given by a member of the covered individual’s immediate family or by an individual if the gift is given for a nonbusiness purpose and is motivated by a close personal friendship and not by the position of the covered individual.
 - Informational materials in the form of books, articles, periodicals, other written materials, audiotapes, videotapes, or other forms of communication.
 - Sample merchandise, promotional items, and appreciation tokens, if they are routinely given to customers, suppliers or potential customers or suppliers in the ordinary course of business.
 - Unsolicited tokens or awards of appreciation, honorary degrees, or bona fide awards in recognition of public service in the form of a plaque, trophy, desk item, wall memento, and similar items; provided that any such item shall not be in a form which can be readily converted to cash.
 - Benefits resulting from business, employment or other outside activities of the covered individual or the covered individual’s immediate family, if such benefits are customarily provided to others in similar circumstances and are not enhanced due to the status of the covered individual.
 - Opportunities and benefits made available to all members of an appropriate class of the general public, including but not limited to, discounts afforded to the general public or prizes and awards given out in public contests.
 - Expenses of out-of-state travel, if such expenses are paid for or reimbursed by a governmental entity.
 - Food, refreshments, meals, foodstuffs, entertainment, beverages or travel expenses that are provided in connection with an event where the covered individual is a speaker or part of a panel discussion at a scheduled meeting of an established or recognized membership organization with regular meetings.
 - Food, refreshments, amenities, goody bags, entertainment or beverages provided as part of a meal, reception or similar event including tradeshow and professional meetings.
 - Loans from an established financial institution made in the ordinary course of business on usual and customary terms that are not enhanced due to the covered individual’s status, so long as there are no guarantees or collateral provided by any covered individual.

Covered individuals should contact THDA’s Director of Internal Audit or Chief Legal Counsel for guidance in addressing any situations involving the prohibitions and exceptions described above.

Consequences: An employee who fails to comply with this policy or who encourages such conduct by others may be subject to corrective action up to and including termination of employment.

Other Laws and Policies: Should any State or Federal law conflict with this policy, the applicable law shall apply.

Policy Changes: This Policy may be modified, amplified, or revoked by the Executive Director at any time and for any reason.

Approved by:

Ralph M. Perrey, Executive Director

Date

Revision History

Date of Change	Responsible Party	Summary of Change
March 15, 2007	Lynn Miller, Chief Legal Counsel	Original version published.
September 22, 2015	Lynn Miller, Chief Legal Counsel	Revised to the THDA Code of Conduct into closer conformity with policies of the Governor and the Department of Treasury.
September 28, 2021	Bruce Balcom, Chief Legal Counsel	Formatting edits and consequences added.

State of Tennessee




The Secretary of State
State Capitol
Nashville, Tennessee 37243-0305

Tre Hargett
Secretary of State

615-741-2819
Tre.Hargett@tn.gov

MEMORANDUM

TO: THDA Audit and Budget Committee
THDA Board of Directors

FROM: Tre Hargett, Secretary of State
Audit and Budget Committee Chair, 2021 

SUBJECT: Executive Director Performance Evaluation Process

DATE: September 3, 2021

Item 24 of the Audit and Budget Committee ("ABC") Charter and the Amended and Restated By-Laws of THDA requires the ABC to, "Develop and carryout a process for annually evaluating the performance of the THDA Executive Director and make recommendations in connection therewith to the THDA Board." The attached document outlines the proposed process and timeline for conducting the evaluation of the Executive Director for the period October 1, 2020-September 30, 2021. The proposed process and timeline are intended to be consistent with previous evaluations and the process and timeframe utilized agency-wide by THDA, with minor adjustments.

The ABC will be asked to review and finalize this process at the September meeting. Under the proposed timeline, the final evaluation and compensation determination by the Board would occur at the November meeting.

Attachment

Executive Director
Performance Evaluation and Compensation Review Process
THDA Audit and Budget Committee
For the Period October 1, 2020-September 30, 2021

Pursuant to Item 24 of the Audit and Budget Committee (“ABC”) Charter, the ABC is charged with developing and carrying out a process for annually evaluating the performance of the THDA Executive Director and making recommendation in connection therewith to the Tennessee Housing Development Agency (“THDA”) Board. Below is the proposed process and timeline for conducting the evaluation of the Executive Director for the period October 1, 2020 – September 30, 2021, which is consistent with the performance evaluation schedule to be used for THDA staff.

1. Following the September Board meeting, the ABC Chair and Vice Chair will:
 - a. Request the Executive Director’s year-end self-assessment. The self-assessment should include three to five goals for major initiatives during the performance period, and how they were met as well as a self-assessment of performance relative to the THDA competencies and guiding principles and management of staff and agency operations.
2. In mid-October, the Internal Audit Director will email the Board the following:
 - a. Executive Director Performance Evaluation Survey, which will be structured consistently with the evaluation process used for THDA staff
 - b. Executive Director’s Year-End Self-Assessment
 - c. Expectations of participation by Board members in the evaluation process
3. By the end of October, the following will occur:
 - a. Board responses will be due to the Internal Audit Director.
 - b. The Internal Audit Director and the THDA Human Resources Director will update salary survey data, to include Southeast Housing Finance Agencies’ Executive Director salaries; Tennessee Commissioner salaries; Executive Director Compensation Data and Salary history.
 - c. The Internal Audit Director will include the Executive Director Performance Evaluation on the November board agenda as the final item.
 - d. The ABC Chair, Vice Chair, and THDA Board Chair will meet with the Executive Director for presentation of the self-assessment.
4. Prior to the November Board meeting:
 - a. The Internal Audit Director will compile the survey results and comments received into a summary document and provide to the THDA Board Chair and the ABC.
 - b. The Internal Audit Director will share salary data with the THDA Board Chair and the ABC.
5. At the November ABC meeting:
 - a. The ABC will review the summary and create a final evaluation.
 - b. The ABC will review the salary data and make a compensation recommendation.

6. At the November Board meeting:
 - a. The THDA Board Chair will request that staff and the Executive Director leave the room prior to the agenda item.
 - b. The ABC and the Board Chair will present the final evaluation and compensation recommendation (including effective date) to the Board. The compensation adjustment, if any, will be considered by the THDA Board of Directors.
7. Following the November meeting:
 - a. The ABC Chair, Vice Chair, and THDA Board Chair will have a meeting with the Executive Director to present the final evaluation.
 - b. The Internal Audit Director will file the final signed evaluation with the Human Resources Director.
8. By December 1:
 - a. The Human Resources Director will submit a memorandum from the THDA Board Chair regarding the compensation recommendation, which will be effective January 1, the date that any performance raises are effective for the rest of THDA.

State of Tennessee




The Secretary of State
State Capitol
Nashville, Tennessee 37243-0305

Tre Hargett
Secretary of State

615-741-2819
Tre.Hargett@tn.gov

MEMORANDUM

TO: THDA Audit and Budget Committee

FROM: Tre Hargett, Secretary of State
Audit and Budget Committee Chair, 2020 

SUBJECT: Internal Audit Director Performance Evaluation Process

DATE: September 3, 2021

Item 23 of the Audit and Budget Committee ("ABC") Charter and the Amended and Restated By-Laws of THDA requires the ABC to, "Employ, establish the salary for and terminate (when deemed necessary) the Internal Audit Director, who shall serve at the pleasure of the ABC." The attached document outlines the proposed process and timeline for conducting the evaluation of the Internal Audit Director for the period October 1, 2020-September 30, 2021. The proposed process and timeline are intended to be consistent with previous evaluations and the process and timeframe utilized agency-wide by THDA, with minor adjustments.

The ABC will be asked to review and finalize this process at the September meeting. Under the proposed timeline, the final evaluation and compensation determination by the Board would occur at the November meeting.

Attachment

Director of Internal Audit
Performance Evaluation and Compensation Review Process
For the Period October 1, 2020-September 30, 2021

Tennessee Code Annotated Section 13-23-112(h)(1)(C) authorizes the Tennessee Housing Development Agency (“THDA”) Audit and Budget Committee (“ABC”) to determine the employment and salary of THDA’s Director of Internal Audit. Below is the proposed process and timeline for conducting the evaluation of the Director of Internal Audit for the period October 1, 2020-September 30, 2021, which is consistent with the performance evaluation schedule to be used for THDA staff.

1. Following the September Board meeting, the ABC Chair will:
 - a. Request the Director of Internal Audit’s year-end self-assessment. The self-assessment should include at least three to five goals for major initiatives during the performance period, and how they were met as well as a self-assessment of performance relative to the THDA competencies and guiding principles and management of staff and agency operations.
2. In mid-October, the ABC Chair will:
 - a. Email the ABC Committee the self-assessment and a request for feedback on the Director of Internal Audit’s performance, including a Director of Internal Audit Performance Evaluation Survey.
 - b. Request feedback from the Executive Director on the Director of Internal Audit’s performance.
 - c. Review salary information regarding THDA staff and other state agencies’ directors of internal audit.
 - d. Request that the Director of Internal Audit Performance Evaluation be included on the November ABC agenda.
3. Prior to the November ABC meeting:
 - a. The ABC Chair will review the feedback from ABC members and the Executive Director and develop a summary document.
 - b. The ABC Chair and Vice Chair will meet with Director of Internal Audit for presentation of the self-assessment.
4. At the November ABC meeting:
 - a. The ABC Chair will present the summary and salary data to the ABC. The ABC will review the summary and salary data and create a final evaluation and make a compensation recommendation. Board action is not required.
5. Following the November meeting:
 - a. The ABC Chair will file the signed evaluation with the Human Resources Director.
6. By December 1:
 - a. The Human Resources Director will submit a memorandum from the ABC Chair regarding the compensation recommendation, which will be effective January 1, the date that any performance raises are effective for the rest of THDA.



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 Audit and Budget Committee
FROM: Gathelyn Oliver, Director of Internal Audit
SUBJECT: Internal Audit Updates
DATE: September 7, 2021

Recommendation

Staff recommends the Audit and Budget committee approve the following documents included in the packet:

- Quality Assurance and Improvement Program (QAIP) review spreadsheet
- Internal Audit division Strategic Plan
- Independence Objectivity and Conflict of Interest Policy for Internal Audit
- Annual Independence and Objectivity Declaration
- Internal Audit QAIP Manual

No Board action is required.

Key Points

The International Standards for the Professional Practice of Internal Auditing (Standards) require that the Chief Audit Executive develop a QAIP that includes both internal and external assessments. Internal assessments will include both ongoing monitoring and periodic self-assessments. External assessments may be either a full external assessment or a self-assessment with independent validation. As the Internal Audit Director, I performed an internal assessment using the QAIP review spreadsheet to determine how our division is operating in accordance with the International Standards for the Professional Practice of Internal Auditing (Red book) and Generally Accepted Government Auditing Standards (Yellow Book). As a result of the internal assessment, I recommend implementation of the documents listed above.

Background

In accordance with the Standards, the Internal Audit division continues to prepare for our first External Quality Assessment (EQA), which will be performed by a review team from the State Executive Internal Auditor's office. Our EQA is scheduled for October 2021. In preparation, we have completed our internal readiness assessment; the results of which are outlined in the attached document. In addition to the documents above, we are in the process of updating our Internal Audit Manual and procedures to ensure compliance with the standards. Feel free to contact me with any questions or concerns.

QA Supervisor Checklist

Exhibit C - Red Book & Yellow Book - Internal Audit Division Review

	IIA Standard	GAGAS	Description	Compliance with Standard		
				Yes	No	N/A (If no) Corrective Action Taken
Attribute-Ethical Principles						
Purpose, Authority, and Responsibility	1000	1.08	Was an Internal Audit Charter implemented defining the purpose, authority, and responsibility of the internal audit activity?	X		
Mandatory Guidance in Internal Audit Charter	1010		Was the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing recognized in the Internal Audit Charter?	X		
Ethical Principles		1.11-1.24	Was there evidence that senior management set the ethical tone at top through oversight and assured compliance (e.g. CID unit, ISB unit and Internal Audit acknowledgements attestations) with policies/procedures/General Orders?	X		
			Were the Code of Conduct, COI/Staff Disclosure statement, acceptable use policy and signed annually by auditors?	X		
Application of GAGAS						
Nonaudit Services Provided by Audit Organizations		2.12	Did the auditors communicate to requestors and those charged with governance that the services did not constitute an audit conducted in accordance with GAGAS?		X	
General Standards						
Independence and Objectivity	1100, 1120, & 1130	3.02, 3.04, 3.14-3.15, & 3.59	Does the chief audit executive have direct and unrestricted access to senior management and the Audit and Budget Committee? Was an annual auditor objectivity acknowledgment attestation template or similar method used to assess independence and objectivity? If independence or objectivity is impaired in fact or appearance, were details of the impairment disclosed to appropriate parties?	X	X	This will be implemented September 2021.
Independence - Organizational Independence	1110	3.06	Did the chief audit executive confirm organizational independence of the internal audit activity to the Audit and Budget Committee in the annual reporting letter?	X		
Direct Interaction with the Board (EIA)	1111		Did the chief audit executive communicate and interact directly with the Audit and Budget Committee?	X		
Chief Audit Executive Roles Beyond Internal Auditing	1112		If the chief audit executive has additional roles beyond internal auditing (e.g. compliance or risk management activities), are oversight safeguards (i.e. the Executive Internal Auditor) in place to address potential impairments?	X		
GAGAS Conceptual Framework Approach to Independence		3.08-3.11	Were the standards and the conceptual framework used to evaluate threats to independence at the organizational level?	X		
			If threats to independence were noted, were safeguards available, documented, and implemented to reduce them to an acceptable level?		X	
			For impairments that couldn't be overcome with safeguards, was this communicated to Executive Internal Auditor? Additionally, were any non-audit services declined or terminated?		X	
Application of Conceptual Framework		3.26	For impairments noted after an audit report was issued, were the report recipients alerted to not rely on findings or conclusions that were impacted by the threat to independence or was additional audit work performed to validate the findings or conclusions?		X	
External Auditor Independence		3.27-3.30, and 3.59b	For external audit organizations, are safeguards in place to prevent audited entities from preventing the audit organization's ability to perform the work and report the results impartially?	X		
Internal Auditor Independence		3.31	For internal audit organizations, does the chief audit executive meet the independence requirements outlined in the standards?	X		
Requirements for Performing Nonaudit Services		3.34-3.39, and 3.59c and d	Prior to performing nonaudit services, did the auditor(s) document consideration of management's ability to effectively oversee nonaudit services to be performed?		X	
			Prior to performing nonaudit services, did the auditor(s) document their understanding with the audited entity's management or those charged with governance, as appropriate, a) objectives of the nonaudit service, b) services to be performed, c) audited entity's acceptance of its responsibilities, d) the auditor's responsibilities, and e) any limitations of the nonaudit service?		X	
			For specific nonaudit services outlined in the standards, were the nonaudit services evaluated for threats and safeguards, prior to performing the nonaudit services?		X	
Internal Control Monitoring as a Nonaudit Service		3.54-3.55	If performing internal control monitoring, did the auditors evaluate the significance of the threat created by performing separate evaluations and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level?	X		
Information Technology Systems Services		3.56	Were IT services that would impair independence if provided by internal audit evaluated and declined prior to performing the services?		X	
Valuation Services		3.57	Were valuation services that would impair independence if provided by internal audit evaluated and declined prior to performing the services?		X	
Other Nonaudit Services		3.58	Were other nonaudit services that would impair independence if provided by internal audit evaluated and declined prior to performing the services?		X	
Continuing Professional Development	1230	3.76-3.78	Did internal auditors obtain required continuing professional development hours based on their roles and certification?	X		
Quality Assurance and Improvement Program	1300 & 1310	3.82	Is a quality assurance and improvement program maintained that covers all aspects of the internal audit activity? Does the program include both internal and external assessments and has a peer review been conducted within the last 3 years?	X		
System of Quality Control		3.83-3.85	Does the Internal Audit Division have policies/procedures requiring the system of quality control to be documented and communicated to its personnel?	X		
			Are there policies/procedures requiring Internal Audit to document its compliance with its quality control system?	X		
Leadership Responsibilities for Quality within the Audit Organization		3.86-3.87	Does the Internal Audit Division have policies/procedures regarding leadership responsibilities for quality within the audit organization?	X		
			Does the Internal Audit Division have policies/procedures to provide reasonable assurance that those assigned operational responsibility for the audit organization's system of quality control have sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility?	X		
Independence, Legal, and Ethical Requirements		3.88	Does the Internal Audit Division have policies/procedures to provide reasonable assurance that the audit organization and its personnel maintain independence and comply with applicable legal and ethical requirements?	X		
Initiation, Acceptance, and Continuance of Audits		3.89	Does the Internal Audit Division have policies/procedures to provide reasonable assurance that the audit organization will undertake audits only if it can comply with professional standards, legal requirements, and ethical principles and is acting within the legal mandate or authority of the audit organization?	X		
Human Resources		3.90	Does the Internal Audit Division have policies/procedures to provide reasonable assurance that it has personnel with the capabilities and competence to perform audits in accordance with professional standards and legal and regulatory requirements?	X		
			Does the Internal Audit Division have policies/procedures to provide reasonable assurance that audits are performed and reports are issued in accordance with professional standards and legal and regulatory requirements?	X		
			Does the Internal Audit Division have policies/procedures regarding the safe custody and retention of audit documentation for a time sufficient to satisfy legal, regulatory, and administrative requirements for record retention?	X		
Audit Performance, Documentation, and Reporting		3.91-3.92	Does the Internal Audit Division have information system controls concerning accessing and updating the audit documentation?	X		
			Do internal assessments include ongoing monitoring of the performance of the internal audit activity?	X		
			Are periodic quality control self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices conducted?	X		
Internal Assessments-Monitoring of Quality	1311	3.93-3.95	Did the Internal Audit Division analyze and summarize the results of its monitoring process, noting any systemic or repetitive issues needing improvement along with recommendations for corrective action?	X		

			Did the Internal Audit Division communicate to appropriate personnel any deficiencies noted during the monitoring process and make recommendations for appropriate remedial action?	X			
			Has an external assessment (peer review) been conducted within the past 3 years by a qualified, independent assessor or assessment team?		X		Scheduled for October 2021
External Assessments-External Peer Review	1312	3.96-3.107	Did the chief audit executive discuss 1) the form and frequency of external assessment and 2) the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest, with the Audit and Budget Committee?		X		EQA Scheduled for October 2021
			Did the chief audit executive provide a copy of the peer review report to the Executive Director and the Audit and Budget Committee?		X		EQA Scheduled for October 2021
			If audit services are contracted out, does Internal Audit have a policy/procedure requiring the most recent peer review and any subsequent peer review reports received during the period of the contract be provided to the contracting party?			X	
			Does the Internal Audit Division have policy/procedure requiring requesting a copy of another audit organization's latest peer review report if relying on information provided by the other audit organization?			X	
Reporting on the Quality Assurance and Improvement Program	1320		Did the chief audit executive communicate the results of the quality assurance and improvement program to senior management and the Audit and Budget Committee?		X		EQA Scheduled for October 2021
			Did the disclosure include 1) the scope and frequency of both the internal and external assessments, 2) the qualifications and independence of the assessors or assessment team, including potential conflicts of interest, 3) conclusions of assessors, and 4) corrective action plans?		X		EQA Scheduled for October 2022
Disclosure of Nonconformance	1322		For any activity that did not conform with the Code of Ethics or the Standards and the nonconformance impacted the overall scope or operation of the internal audit activity, did the chief audit executive disclose the nonconformance and the impact to senior management and the Executive Internal Auditor?			X	
Financial Audits							
Audit Documentation		4.16	Does the Internal Audit Division have policies/procedures to make appropriate individuals, as well as audit documentation, available upon request and in a timely manner to other auditors or reviewers to allow cooperation in auditing programs of common interest and avoid duplication of efforts?		X		
Attestation Engagements							
Engagement Documentation		5.17	Does the Internal Audit Division have policies/procedures to make appropriate individuals, as well as audit documentation, available upon request and in a timely manner to other auditors or reviewers to allow cooperation in auditing programs of common interest and avoid duplication of efforts?		X		
Performance Audits - Fieldwork and Reporting							
Audit Documentation		6.85	Does the Internal Audit Division have policies/procedures to make appropriate individuals, as well as audit documentation, available upon request and in a timely manner to other auditors or reviewers to allow cooperation in auditing programs of common interest and avoid duplication of efforts?		X		
Managing the Internal Audit Activity	2000		Did the chief audit executive effectively manage the internal audit activity to ensure it added value to the organization (see the interpretation details in Standards regarding effective management and adding value)?		X		
Planning	2010		Did the chief audit executive establish a risk-based audit plan (as defined by the Standards) and submit it to the Comptroller's office by July 9th?		X		
Communication and Approval	2020		Did the chief audit executive communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the Executive Internal Auditor for review and approval? Additionally, did the chief audit executive communicate the impact of resource limitations?		X		
Resource Management	2030		Did the chief audit executive ensure that internal audit resources were appropriate, sufficient, and effectively deployed to achieve the approved audit plan?		X		
Policies and Procedures	2040		Did the chief audit executive establish policies and procedures to guide the internal audit activity?		X		
Coordination and Reliance	2050		Did the chief audit executive share information, coordinate activities, and consider relying upon the work of other internal and external assurance providers consulting service providers to ensure proper coverage and minimize duplication of efforts?		X		
Reporting to Senior Management and the Board (EIA)	2060		Did the chief audit executive report to senior management and the Audit and Budget Committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the Audit and Budget Committee (see interpretation guidance in the Standards for additional reporting requirements).		X		
External Service Provider and Organizational Responsibility for Internal Auditing	2070		If an external service provider serves as the internal audit activity, did the department ensure conformance with the Code of Ethics and the Standards as part of the quality assurance and improvement program?			X	
Nature of Work	2100		Did the internal audit activity evaluate and contribute to the improvement of the department's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach?		X		
Governance	2110		Did the internal audit activity evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities? Did the internal audit activity assess where the information technology governance of the organization supports the organization's strategies and objectives?		X		
Risk Management	2120		Did the internal audit activity evaluate the effectiveness and contribute to the improvement of the department's risk management processes (see additional details in the Standards regarding risk management evaluation)?		X		
Control	2130		Did the internal audit activity evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems? Did the internal auditors incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes?		X		
Documenting Information	2330		Did the chief audit executive control access to engagement records and obtain approval prior to releasing such records to external parties, as appropriate? Did the chief audit executive develop retention requirements for engagement records consistent with the department's guideline?		X		
Monitoring Progress	2500		Did the chief audit executive develop a process to monitor and ensure management actions are effectively implemented or that senior management accepts the risk of not taking action?		X		
Communicating the Acceptance of Risks	2600		For any risk that management has accepted, which may be greater than the department's tolerance level, did the chief audit executive discuss with senior management? Additionally, for any such risk that was not resolved, did the chief audit executive communicate the matter to the Audit and Budget Committee?		X		

**Strategic Plan for
Tennessee Housing Development Agency
Internal Audit Division
For the period July 1, 2021-June 30, 2025**

Vision Statement

To be a high-performing internal audit activity that meets the expectations of our stakeholders and adheres to The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (Standards) and to be an agency partner and a trusted advisor that helps THDA achieve organizational objectives.

Mission Statement

The Internal Audit division's mission is to provide timely, independent, objective assurance and consulting services designed to enhance internal controls and improve THDA operations through relevant recommendations. The Internal Audit division brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes to assist THDA in accomplishing its objectives.

Strategic Goals

Deliver high-quality compliance, assurance and consulting services to enhance THDA's ability to achieve agency aspirations and effect positive change.

Strategies

- Enhance risk based audit planning process
- Coordinate audit planning with THDA strategic plan.

Maximize the efficiency, effectiveness and value of Internal Audit.

Strategies

- Regularly review and update audit manual and procedures to define the methodology for performing internal audit compliance, investigative and consulting engagements.
- Implement a strong quality assurance and improvement program that assesses current processes for planning, fieldwork, reporting, and follow-up against the IPPF.

Maintain a knowledgeable, highly skilled audit staff.

Strategies

- Identify the critical skills, create training and development plans, and develop a strategy to deliver on the mission statement.
- Develop continual learning and development program.

Continuously enhance and improve audit processes.

Strategies

- Inventory current processes and sources used to identify emerging risks
- Use current methods as well as new approaches to improve efficiency and timeliness of audit process.

Analysis of Strengths, Weaknesses, Opportunities, and Threats

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Defined internal audit vision, mission, values, and charter • Strong respect and credibility of audit team with senior management • Formal risk-based planning process with Audit and Budget Committee • Independent and objective organization-wide perspective • Staff adaptable to change; positive attitude • Diverse skills, backgrounds, and business knowledge of staff • Increased partnering with the business • Defined follow-up process 	<ul style="list-style-type: none"> • Undefined staff training and development model • Limited staff career opportunities • Limited use of data analytics and data mining
Opportunities	Threats
<ul style="list-style-type: none"> • Improve perception of staff skill, knowledge, and capabilities • Educate stakeholders on internal audit's role and capabilities • Become involved in new initiatives early to incorporate controls • Improve cybersecurity awareness and training 	<ul style="list-style-type: none"> • Implementation of recommendations constrained by staffing limitations and other agency priorities. • Emerging and changing risks increase skill gaps • Lack of knowledge related to new agency initiatives

INDEPENDENCE, OBJECTIVITY AND CONFLICTS OF INTEREST

I. PURPOSE

To outline how the internal Audit division complies with independence, objectivity and conflict of interest requirements as defined in the IIA's International Standards for the Professional Practice of Internal Auditing (Standards).

II. STANDARDS/GUIDANCE

Internal auditing is defined as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal audit activity must be independent, and internal auditors must be objective in performing their work (IIA Standard 1100). In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity (Generally Accepted Governmental Auditing Standards (GAGAS) 3.18).

III. PROCEDURE

Organizational Independence

The Internal Audit Director reports to the Audit and Budget Committee of the THDA Board of Directors, which allows the internal audit activity to fulfill its responsibilities free from interference in determining the scope of internal auditing, performing work, and communicating results.

Individual Objectivity

The internal auditors must be impartial, unbiased and avoid any conflict of interest. If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed in writing to management.

The Internal Audit Director will confirm to the Audit and Budget Committee, at least annually, the organizational independence of the internal audit activity. The internal auditors agree to comply with the IIA Code of Ethics. Each year the internal audit staff review and acknowledge the THDA Code of Conduct and disclose any potential conflicts of interest on their Staff Disclosure form.

Annual Independence Declaration
7/1/2021-6/30/2022

This declaration is to be signed annually by all Internal Audit staff.

- I declare I have conformed to THDA Core Values
- I declare I have conformed to the THDA Code of Conduct requirements.
- I declare I have conformed to mandatory internal auditing requirements:
 - ☐ Core Principles for the Professional Practice of Internal Auditing.
 - ☐ Definition of Internal Auditing.
 - ☐ International Standards for the Professional Practice of Internal Auditing.
 - ☐ IIA Code of Ethics
- I declare I have conformed to the IIA Code of Ethics principles:
 - ☐ Integrity – The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgment.
 - ☐ Objectivity – Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
 - ☐ Confidentiality – Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
 - ☐ Competency – Internal Auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.
- I declare I have conformed to policies and procedures contained in the Internal Audit Manual.

Conflicts of Interest

Conflict of interest is a situation in which an Internal Auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the Internal Auditor, the Internal Audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively. Internal Auditors are not to provide audit services for work for which they may previously have been responsible. Internal Audit may provide assurance services where they had previously performed consulting services, provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement. Instances of perceived or actual conflict of interest by Internal Audit staff shall immediately be reported to the Chief Audit Executive or the Chair of the Audit and Budget Committee.

- I declare I have not had any conflicts of interest or I have reported conflicts of interest to the Internal Audit Director or Chair of the THDA Audit and Budget Committee.
- I declare I completed the professional development requirements for Internal Auditors of minimum 40 hours each year.

THDA Internal Audit Division

- I declare that if an issue arises in relation to any of the areas contained in this Annual Declaration in the coming year, I shall immediately report it to the Internal Audit Director or the Chair of the Audit and Budget Committee.

Signature

Signature

Date

Internal Audit Quality Assurance and Improvement Program Manual

August 2021

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Part 1

Quality Assurance

The Government Accountability Office (GAO) and the Institute of Internal Auditors (IIA) are the governing bodies for Internal Audit Functions. According to the IIA, the mission of the internal audit is “To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.”

The Internal Audit Division helps Tennessee Housing Development Agency (THDA) accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

To assist practitioners in achieving the Mission of Internal Audit, the GAO and IIA are responsible for developing and issuing standards, referred to as the *Generally Accepted Government Auditing Standards (GAGAS)* and the *International Standards for the Professional Practice of Internal Auditing (IIA Standards)*. The *IIA Standards* are also known as the International Professional Practices Framework (IPPF). Conformance with *GAGAS* and the *IIA Standards* is essential in meeting the responsibilities of internal auditors and the internal audit activity.

For performance audits, standards in *GAGAS* fall into three primary categories – General Standards, Field Work Standards for Performance Audits, and Reporting Standards for Performance Audits. The General Standards emphasize the importance of the independence of the audit organization and its individual auditors; the exercise of professional judgement in the performance of work and the preparation of related reports; the competence of staff; and quality control assurance. The Field Work Standards for Performance Audits relate to planning the audit; supervising staff; obtaining sufficient, appropriate evidence, and preparing audit documentation. The Reporting Standards for Performance Audits relate to the form of the report, the report contents, and report issuance and distribution.

The *IIA Standards* fall into two categories – Attribute Standards and Performance Standards. Attribute Standards address attributes of organizations and internal auditors. Performance Standards describe the nature of internal auditing and provide quality criteria against which performance can be measured. (*Source: theiia.org*) Below is a listing of the Attribute and Performance Standards:

Attribute Standards:

- 1000 – Purpose, Authority, and Responsibility
- 1100 – Independence and Objectivity
- 1200 – Proficiency and Due Professional Care
- 1300 – Quality Assurance and Improvement Program

Performance Standards:

- 2000 – Managing the Internal Audit Activity
- 2100 – Nature of Work
- 2200 – Engagement Planning
- 2300 – Performing the Engagement
- 2400 – Communicating Results
- 2500 – Monitoring Progress
- 2600 – Communicating the Acceptance of Risks

Part 2

Internal Audit QA Process

The Internal Audit QA program assesses the *GAGAS* and the *IIA Standards* noted above to ensure compliance with the GAO and IIA requirements. Where *GAGAS* and the *IIA Standards* conflict (e.g. peer review frequency requirements), *GAGAS* will be the governing standards. The QA program was derived and continues to be developed based upon *GAGAS* 3.82-Quality Control and Assurance and Standard 1300-Quality Assurance and Improvement Program. *GAGAS* 3.82 notes, “Each audit organization performing audits in accordance with *GAGAS* must...establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements...” Standard 1300 notes, “The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.” The *GAGAS* Quality Control and Assurance section has 26 standards and the IIA Standard 1300 has six components/sub-standards noted below. Each of these standards guide THDA Internal Audit Division’s QA process.

GAGAS 3.83-An audit organization’s system of quality control encompasses the audit organization’s leadership, emphasis on performing high quality work, and the organization’s policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.

GAGAS 3.84-Each audit organization should document its quality control policies and procedures and communicate those policies and procedures to its personnel. The audit organization should document compliance with its quality control policies and procedures and maintain such documentation for a period sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization’s compliance with its quality control policies and procedures.

GAGAS 3.85-An audit organization should establish policies and procedures in its system of quality control that collectively address:

- Leadership responsibilities for quality within the audit organization (i.e. ***GAGAS 3.86-3.87***),
- Independence, legal, and ethical requirements (i.e. ***GAGAS 3.88***),
- Initiation, acceptance, and continuance of audits (i.e. ***GAGAS 3.89***),
- Human resources (i.e. ***GAGAS 3.90***),
- Audit performance, documentation, and reporting (i.e. ***GAGAS 3.91-3.92***), and
- Monitoring of quality (i.e. ***GAGAS 3.93-3.107***).

The Internal Audit Division has developed the *Internal Audit Manual* to help address the above-mentioned standards.

IIA Standard 1310-Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments. Standards 1311 and 1312 describe the specifics of the internal and external reviews. Standard 1311 notes internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

I. Ongoing Monitoring

To maintain compliance with *GAGAS* and IIA sub-standard 1311, the Internal Audit Division performs the following for ongoing monitoring of internal audit activity:

Audit Tracking – Monthly review of audit status based on audit standards by IA management and regular communication to auditees and program division management.

Employee Qualifications and Annual Attestations – Quarterly review of CPE attended by each auditor. Any delays in obtaining CPE is communicated to the auditor's direct supervisor. Annual review of staff attestations to ensure required training, independence, etc. are adhered to by all Internal Audit Division staff (see Appendix A in the *Internal Audit Policy Manual*).

Client Surveys – Auditees are asked to complete a survey at the end of selected audits. Survey results are sent to the Internal Audit Director directly from the Auditees.

II. Internal Reviews

To comply with *GAGAS* and IIA standard 1311, the Internal Audit Division performs the following periodic self-assessments:

Individual Reviews

Each year, someone on the Internal Audit staff or a qualified designee will review a judgmentally selected sample of audits completed during the year for quality assurance (QA). The sample selection should take into consideration audits performed by newer auditors, complex audits, and non-standard audits.

The audit reviews will include the final audit report and related workpapers to ensure compliance with *GAGAS* and/or the *IIA Standards*. After each QA review, the results are to be communicated to the Internal Audit Director by the auditor who conducted the review. Subsequently, the results should be communicated to the entire Internal Audit Division.

Internal Audit Division Review

An annual review of Internal Audit Division processes (e.g., Senior Management communications, audit tracking, etc.) must be performed to ensure compliance with standard 1311 and *GAGAS* 3.95. At the conclusion of the review, the results are communicated to the entire Internal Audit team by the auditor who conducted the review.

III. External Reviews

In addition to the internal assessments noted above, standard 1312–External Assessments notes external reviews must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. However, *GAGAS* 3.82 requires the reviews to be conducted at least once every three years. As part of the standards, the chief audit executive (i.e. the Internal Audit Director) must discuss with the Audit and Budget Committee:

- The form and frequency of external assessments; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.
- A plan of action in response to any significant comments and recommendations contained in the report

Part 3

Additional IPPF QA Program Standards

Below are additional IIA *Standards* that relate to Internal Audit's QA Program. These, in addition to IIA *Standards 1310, 1311, and 1312*, as well as *GAGAS 3.82 – 3.107* discussed above, are tested as part of the Internal Audit Division Review.

IIA Standard 1320 Reporting on the Quality Assurance and Improvement Program

The chief audit executive (i.e. the Internal Audit Director) must communicate the results of the quality assurance and improvement program to senior management and the Audit and Budget Committee annually.

IIA Standard 1321–Use of “Conforms to the International Standards for the Professional Practice of Internal Auditing”

The chief audit executive (i.e. Internal Audit Director) may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.

IIA Standard 1322–Disclosure of Nonconformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* affects the overall scope or operation of the internal audit activity, the chief audit executive (i.e. Internal Audit Director) must disclose the nonconformance and the impact to senior management and the Audit and Budget Committee.

Part 4

Supervisor Resources

I. Supervisor Responsibility

Internal Audit Division supervisors share the responsibility to ensure audits are in compliance with *GAGAS* and the *IIA Standards*. Supervisors should also communicate these expectations to their teams to ensure compliance in all areas of the audits.

II. Exhibits

Will be added later



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: Joe Brown, CPA, Controller
Trent Ridley, Chief Financial Officer

SUBJECT: Proposed Budget for Fiscal Year 2022-2023

DATE: September 7, 2021

Recommendation:

Staff recommends approving of budget as presented in Board materials.

Attached is THDA's "**Comprehensive Budget**" that details expenses and revenues for both the State Treasury and Mortgage Revenue Bond programs, and estimates net operating income for Fiscal Year 2023. THDA is required to submit the budget proposal to the Department of Finance and Administration by September 24, 2021. The proposed Budget is to be reviewed by the Audit and Budget Committee and the Bond Finance Committee, prior to review by the Board. The following are highlights of the budget submitted for Board approval:

1. **Current Year "Estimated" Budget FY22** – Revenues and expenses are projected to be \$1,419.6 million and \$1,413.5 million respectively, of which \$1,280.8 million is the State Budget. Operating revenues and expenses are projected to be \$265.8 million and \$249.5 million respectively for an Operating Income of \$16.3 million.

Grant Expenses total \$1,164.0 million and includes \$816.9 million "non-recurring" funds for Cares Acts and/or American Rescue Plan, to help address COVID-19-related housing issues. These grants are listed as non-recurring, and therefore will not be included in the FY23 budget. In addition, \$2.5 million of Housing Trust Fund grants are non-recurring, and will not be included in the FY23 budget.

2. **FY23 Recommended Comprehensive Budget** – The **State Treasury Budget** decreases to \$379.0 million, primarily due to \$816.9 million of non-recurring grants (Cares Act, American Rescue Plan, and AG Mortgage Settlement). Regarding the **Comprehensive Budget**, operational revenues and expenses are projected to be \$173.3 million and \$157.0 million respectively, netting an approximate \$16.3 million operating income. This income will be used to fund \$7.5 million for Tennessee Housing Trust Fund grants.

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

**TENNESSEE HOUSING DEVELOPMENT AGENCY
FY22-23 COMPREHENSIVE BUDGET**

EXECUTIVE SUMMARY

	ACTUAL FY21	ESTIMATED FY22	NON RECUR FY 22	RECOMMENDED FY23		
				STATE	MRB	TOTAL
EMPLOYEE SALARIES	17,437,400	21,479,400	-	21,479,400	-	21,479,400
EMPLOYEE BENEFITS	6,235,400	7,502,000	-	7,502,000	-	7,502,000
TOTAL PAYROLL	23,672,800	28,981,400	-	28,981,400	-	28,981,400
TRAVEL	18,100	576,400	-	576,400	-	576,400
PRINTING & DUPLICATING	5,300	99,600	-	94,200	5,400	99,600
COMMUNICATIONS	587,400	565,200	-	216,100	349,100	565,200
MAINTENANCE	16,000	8,000	-	8,000	-	8,000
PROFESSIONAL SERVICES	13,143,600	98,057,000	(92,450,600)	1,336,000	4,270,400	5,606,400
SUPPLIES	64,200	284,000	-	182,000	102,000	284,000
RENTALS & INSURANCE	51,000	129,200	-	129,200	-	129,200
STAFF TRAINING	197,000	328,700	-	328,700	-	328,700
MISCELLANEOUS	31,800	-	-	-	-	-
COMPUTER RELATED	1,130,200	1,329,300	-	127,300	1,202,000	1,329,300
STATE PROVIDED SERVICES	2,205,800	3,400,000	-	3,400,000	-	3,400,000
OTHER PROGRAM EXPENSES	9,281,900	11,290,900	-	-	11,290,900	11,290,900
LENDER COMPENSATION	5,413,000	12,206,000	-	-	12,206,000	12,206,000
INTEREST EXPENSE	80,015,900	85,793,000	-	-	85,793,000	85,793,000
ISSUANCE COSTS	3,348,400	5,000,000	-	-	5,000,000	5,000,000
DEPRECIATION	1,610,100	1,400,000	-	-	1,400,000	1,400,000
TOTAL OTHER EXPENDITURES	117,119,700	220,467,300	(92,450,600)	6,397,900	121,618,800	128,016,700
TOTAL OPERATING EXPENDITURES	140,792,500	249,448,700	(92,450,600)	35,379,300	121,618,800	156,998,100
OPERATING REVENUES						
FEDERAL ADMIN. FEES	26,719,000	107,417,900	(92,450,600)	14,967,300	-	14,967,300
INVESTMENT INCOME	1,304,800	3,108,000	-	20,000	3,088,000	3,108,000
TAX CREDIT FEES	4,029,000	3,700,000	-	3,700,000	-	3,700,000
OTHER CURRENT SERVICES	2,530,300	8,867,500	-	5,758,500	3,109,000	8,867,500
MULTIFAMILY BOND AUTH FEES	9,434,300	6,800,000	-	-	6,800,000	6,800,000
THDA OPERATING FUND	-	-	-	8,255,000	(8,255,000)	-
MORTGAGE INTEREST	121,440,500	133,187,000	-	-	133,187,000	133,187,000
HOUSING PROGRAM FUND	-	2,678,500	-	2,678,500	-	2,678,500
TOTAL OPERATING REVENUES	165,457,900	265,758,900	(92,450,600)	35,379,300	137,929,000	173,308,300
REVENUES LESS EXPENDITURES	24,665,400	16,310,200	-	-	16,310,200	16,310,200
GRANT ACTIVITY:						
SECTION 8 PAYMENTS	255,817,900	270,656,800	(6,996,400)	263,660,400	-	263,660,400
HOME GRANTS	10,885,300	54,857,000	(45,285,500)	9,571,500	-	9,571,500
WEATHERIZATION	2,273,400	2,000,000	-	2,000,000	-	2,000,000
LIHEAP	91,766,700	59,208,300	(3,208,300)	56,000,000	-	56,000,000
EMERGENCY SOLUTIONS GRANT	8,163,200	32,717,900	(30,160,900)	2,557,000	-	2,557,000
NATIONAL HOUSING TRUST FUND	2,820,400	3,000,000	-	3,000,000	-	3,000,000
HOUSING COUNSELING PROGRAM	164,900	150,000	-	150,000	-	150,000
EMERGENCY RENTAL ASSISTANCE	9,753,000	523,968,700	(523,968,700)	-	-	-
HOMEOWNER ASSISTANCE FUND	-	151,415,200	(151,415,200)	-	-	-
LIHWAP	-	48,678,800	(48,678,800)	-	-	-
AG MORTGAGE SETTLEMENT PROGRAM	793,100	1,175,400	(1,175,400)	-	-	-
HOUSING TRUST FUND	9,212,200	10,000,000	(2,500,000)	6,500,000	1,000,000	7,500,000
TECHNICAL GRANTS	174,900	175,000	-	175,000	-	175,000
HARDEST HIT FUND	505,400	6,000,000	(6,000,000)	-	-	-
TOTAL GRANT PAYMENTS	392,330,400	1,164,003,100	(819,389,200)	343,613,900	1,000,000	344,613,900
STATE APPROPRIATION	-	-	-	-	-	-
FEDERAL REVENUE	375,641,500	1,146,652,700	(809,713,800)	336,938,900	-	336,938,900
HARDEST HIT FUND	6,573,200	6,000,000	(6,000,000)	-	-	-
THDA BOND RESOLUTIONS	-	1,175,400	(1,175,400)	6,675,000	(6,675,000)	-
HOUSING PROGRAM FUND	-	-	-	-	-	-
TOTAL COLLECTIONS	382,214,700	1,153,828,100	(816,889,200)	343,613,900	(6,675,000)	336,938,900
COLLECTIONS LESS PAYMENTS	(10,115,700)	(10,175,000)	2,500,000	-	(7,675,000)	(7,675,000)
OVERALL AGENCY EXPENDITURES	533,122,900	1,413,451,800	(911,839,800)	378,993,200	122,618,800	501,612,000
OVERALL AGENCY FUNDING	547,672,600	1,419,587,000	(909,339,800)	378,993,200	131,254,000	510,247,200
OVERALL REVENUES LESS EXPENDITURES	14,549,700	6,135,200	2,500,000	-	8,635,200	8,635,200
PERSONNEL: FULL TIME POSITIONS	309	309	-	309	-	309

ACCOUNT 70800 (PROFESSIONAL SERVICES, INDUSTRY & BUSINESS DEVELOPMENT)**FISCAL YEAR 2022-2023**

Description	Actual FY21	Budget FY22	Proposed FY23
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GENERAL BUSINESS AND PROGRAM SUPPORT

Attorney General Foreclosure Prevention Counseling	122,200	145,000	145,000
Temporary Services (IT, VMLS, Other)	483,500	485,000	485,000
Volunteer Mortgage Loan Servicing	706,300	725,000	725,000
Section 8 - Portability Payments	700,300	700,300	700,300
Section 8 - (Background Checks, Inspections, Rent Comp Reviews)	166,000	175,000	175,000
LIHEAP Partner Training and Technical Assistance	123,600	146,500	146,500
Capital Markets Administration	188,900	200,000	200,000
Covid 19	8,222,000	92,450,600	-
Other (General Consulting, Miscellaneous Contracts)	61,000	125,400	125,400

SUB-TOTAL	10,773,800	95,152,800	2,702,200
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INFORMATION TECHNOLOGY

Agency Infrastructure Maintenance and Support	350,400	233,000	233,000
Application Development and Thelma 2.0	323,400	616,950	616,950
Grants Managemnet System Development	111,300	351,500	351,500
Software Development	461,100	484,700	484,700

SUB-TOTAL	1,246,200	1,686,150	1,686,150
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ADVERTISING SERVICES (OBJECT 086)

Great Choice Ad Campaign	764,500	700,000	700,000
Classified Ads, Public Notices, Advertising	73,300	89,000	89,000

SUB-TOTAL	837,800	789,000	789,000
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INDUSTRY AND BUSINESS DEVELOPMENT- (Dues, Memberships, Sponsorships, Outreach)

National Council of State Housing Agencies (Dues)	70,900	40,000	40,000
Tennessee Housing Conference	0	134,000	134,000
Industry Development and Outreach (Sponsorships)	183,400	200,000	200,000
Various Publications, Subscriptions & Memberships	31,500	55,000	55,000

SUB-TOTAL	285,800	429,000	429,000
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TOTAL PROFESSIONAL SERVICES & DUES	13,143,600	98,057,000	5,606,400
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ACCOUNT 71000 (RENTALS AND INSURANCE)
FISCAL YEAR 2022-2023

THDA INSURANCE INFORMATION (OBJ 105)

Company	Premium Begin Date	Premium End Date	Premiums	Coverage
Chubb Group (Fidelity Bond)	2/1/21	2/1/22	45,865	\$15,000,000
XL Speciality Insurance (Supplemental to Fidelity Bond)	2/1/21	2/1/22	5,220	\$3,000,000
Cincinnati Insurance Company (Personal Property)	4/8/21	4/8/22	19,983	\$1,151,831
Lloyds of London (Errors and Omissions - Servicing)	9/29/19	9/29/22	23,052	\$4,000,000
Travelers (Fidelity Bond - Servicing)	9/2/21	9/2/22	26,299	\$4,000,000
Tokio Marine (Cyber Crime Policy)	7/1/21	7/1/21	31,264	\$5,000,000
Integon (Lender-Placed Mortgage Paid by Borrower)	9/1/16	Until Cancelled	0	Various
			151,683	32,151,831

ACCOUNT 71300 (GRANTS & SUBSIDIES)
FISCAL YEAR 2022-2023

HOUSING TRUST FUND (OBJECT 71300) *SEE ATTACHED HOUSING TRUST FUND PROPOSAL FOR DETAILS

Description	Funds Remaining 7/1/21	Actual FY21	Estimated FY22	Base FY23
Rebuild & Recover	500,000	0	0	500,000
UCP - Hsg Mod and Ramp Prg	14,400	218,200	300,000	0
Rural Development	26,300	0	0	0
Emergency Repair	3,467,200	2,245,200	2,700,000	2,700,000
Habitat for Humanity	83,300	416,700	500,000	500,000
Manufactured Housing Replacement	706,900	0	0	0
Challenge Grant	500,000	500,000	500,000	500,000
Dept Mental Health Matching Grant	100,000	0	1,500,000	0
Creative Homes Initiative	2,050,000	450,000	0	0
Carter Habitat Build / Special Build Projects	317,200	1,278,400	1,000,000	0
Competitive Grants	9,169,400	4,103,700	3,500,000	3,300,000
TOTALS	16,934,700	9,212,200	10,000,000	7,500,000

TECHNICAL ASSISTANCE GRANTS

Description		Actual FY21	Estimated FY22	Base FY23
Development Districts		174,900	175,000	175,000

SECTION 8 GRANTS

Description		Actual FY21	Estimated FY22	Base FY23
Voucher Program		38,257,350	38,210,400	38,210,400
Contract Administration		215,048,148	225,450,000	225,450,000
Covid 19		2,512,402	6,996,400	0
TOTALS		255,817,900	270,656,800	263,660,400

HOME GRANTS (OBJECT 139)

Description	Funds Remaining 7/1/2020	Actual FY21	Estimated FY22	Base FY23
Home 2012 CHDO	52,900		0	0
Home 2012	898,500		0	0
Home 2013	2,030,200		0	0
Home 2014	2,731,200		0	0
Home 2015	2,584,200	2,149,955	0	0
Home 2016	2,766,100	2,900,721	0	0
Home 2017	7,225,500	1,770,155	0	0
Home 2018	12,276,600	2,457,560	0	0
Home 2019	9,022,500	1,591,910		
Home 2020		14,999		
Budget			54,857,000	9,571,500
TOTALS	39,587,700	10,885,300	54,857,000	9,571,500

OTHER STATE / FEDERAL GRANTS

Description		Actual FY21	Estimated FY22	Base FY23
Emergency Solutions		8,163,200	32,717,900	2,557,000
Housing Counseling		164,900	150,000	150,000
LIHEAP		91,766,700	59,208,300	56,000,000
Weatherization		2,273,400	2,000,000	2,000,000
National Housing Trust Fund		2,820,400	3,000,000	3,000,000
Emergency Rental Assistance		9,753,000	523,968,700	0
Homeowner Assistance Fund		0	151,415,200	0
LIHWAP		0	48,678,800	0
Hardest Hit Fund		505,400	6,000,000	0
AG Settlement - Mortgage Asst		793,100	1,175,400	0
TOTALS		116,240,100	828,314,300	63,707,000

		Actual FY21	Estimated FY22	Base FY23
TOTAL GRANTS & SUBSIDIES		392,330,400	1,164,003,100	344,613,900

ACCOUNT 725000 (STATE PROVIDED SERVICES)
FISCAL YEAR 2022-2023

Location	Actual FY21	Budget FY22	Proposed FY23
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THDA OFFICE LEASES	1,586,200	1,553,000	1,553,000
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**MISCELLANEOUS SERVICES (OBJECT 25A, 25D, 25E, 25Z, 254, 255)*

Attorney General	-	50,000	50,000
Secretary Of State Administrative Judges	-	6,000	6,000
Indirect Costs	-	600,000	600,000
Flexible Benefits, Wellness, and Sick Leave Bank Admin	80,200	93,500	93,500
State Audit (255)	96,800	114,600	114,600
Printing and Reproduction	2,100	20,000	20,000
Insurance - State Risk Management Premium	63,400	175,000	175,000
Miscellaneous	5,000	100,000	100,000
SUB-TOTAL	247,500	1,159,100	1,159,100

DATA PROCESSING SERVICES (OBJECT 250,251,252,257,259)

F&A - Statewide Accounting	62,600	95,000	95,000
General Services - Records Management (257)	15,300	20,400	20,400
General Services - Motor Veh Repairs	0	10,000	10,000
General Services - State-Owned Veh Mileage	150,900	181,400	181,400
General Services - Space Planning / Purchasing	10,300	50,000	50,000
Edison Billing (HR, Payroll, Accting, Purch, Data Proc)	131,200	250,000	250,000
SUB-TOTAL	370,300	606,800	606,800

TELECOMMUNICATIONS (OBJECT 253)

Telephone Charges (F&A)	1,800	81,100	81,100
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TOTAL STATE PROVIDED SERVICES	2,205,800	3,400,000	3,400,000
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THDA OFFICE LEASE SUPPLEMENTAL INFORMATION

Location	Square Ft.	Lease Exp. Date	Annual Totals
19002 - Andrew Jackson Building	45,100	Notice	1,014,800
Parkway Towers	15,823	04/30/24	356,000
19003 - Nashville (Madison) (HOLDOVER)	4,117	09/30/27	92,600
27002- Jackson (Lowell Thomas State Office Building)	2,794	Notice	35,100
59002 - Lewisburg (Marshall)	1,500	06/30/25	18,900
71010 - Cookeville (Putnam)	1,500	06/30/25	35,600
TOTAL	70,834		1,553,000

REVENUES
FISCAL YEAR 2022-2023

Description	Actual FY21	Budget FY22	Proposed FY23
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FEDERAL REVENUE (SOURCE 801)

Section 8 Grants	256,825,900	270,656,800	263,660,400
HOME Grants	10,885,300	54,857,000	9,571,500
Emergency Solutions Grants	8,163,200	32,717,900	2,557,000
Weatherization Grants	2,273,400	2,000,000	2,000,000
Hardest Hit Fund Grants	505,400	6,000,000	-
Housing Counseling Program	164,900	150,000	150,000
National Housing Trust Fund	2,820,400	3,000,000	3,000,000
LIHEAP	91,766,700	59,208,300	56,000,000
Emergency Rental Assistance	9,753,000	523,968,700	
Homeowners Assistance Fund	-	151,415,200	
LIHWAP	-	48,678,800	
Housing Counseling Program Admin Fees	68,500	100,000	100,000
Neighborhood Stabilization Program Admin Fees	72,000	-	-
ESG Administrative Fees	320,600	2,742,500	218,400
WAP Administrative Fees	183,600	776,600	776,600
HHF Administrative Fees	599,200	1,500,000	-
HOME Administrative Fees	821,100	8,961,600	970,100
LIHEAP Administrative Fees	1,139,200	1,022,200	1,022,200
NHTF Administrative Fees	281,300	306,200	306,200
Emergency Rental Assistance Administrative Fees	8,648,400	58,202,400	
Homeowners Assistance Fund Administrative Fees	689,100	16,823,900	
LIHWAP Administrative Fees	0	5,408,700	
Section 8 Administrative Fees	13,146,700	11,573,800	11,573,800
Total Federal Revenue	409,127,900	1,260,070,600	351,906,200

MORTGAGE INTEREST, INVESTMENT, AND OTHER INCOME (SOURCE 880)

Tax Credit Monitoring Fees	4,029,000	3,700,000	3,700,000
Mortgage Interest Income	121,440,500	133,187,000	133,187,000
Investment Income	1,304,800	3,108,000	3,108,000
Multi Family Bond Application Fees	9,434,300	6,800,000	6,800,000
Servicing Fees (Late Fees, etc)	1,109,400	3,882,000	3,882,000
Secondary Market - Loan Delivery Revenue	1,156,900	5,960,900	5,960,900
Conference and Other Income	69,800	200,000	200,000
SUB-TOTAL	138,544,700	156,837,900	156,837,900

TOTAL OF ALL REVENUES	547,672,600	1,416,908,500	508,744,100
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RESERVES: GRANT AND ADMINISTRATIVE FUNDS FROM HOUSING PROGRAM FUND		2,678,500	2,678,500
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TOTAL OF ALL FUNDING SOURCES	547,672,600	1,419,587,000	511,422,600
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Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

**THDA Board of Directors
Bond Finance Committee Meeting
Tuesday, September 28, 2021
10:05 a.m. Central Time**

**William R. Snodgrass Tennessee Tower
Conference Rooms A & C
312 Rosa L Park Avenue, Third Floor
Nashville, TN 37243**

AGENDA

- A. Approval of Minutes from July 27, 2021 meeting
- B. Approval of Bond Issue 2021-3
- C. Underwriters Selection Process

Committee Members:

Mike Hedges, Chair
Commissioner Butch Eley
Secretary Tre Hargett
Treasurer David Lillard
Comptroller Jason Mumpower

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE MEETING MINUTES
July 27, 2021

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Tuesday, July 27, 2021, at 10:10 A.M. at the William R. Snodgrass Tennessee Tower in the Nashville Room, Nashville, Tennessee.

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

Recognizing a quorum present, in the absence of Chair Hedges, Comptroller Mumpower called the meeting to order at 10:10 a.m. Central Time. For the first order of business, Comptroller Mumpower called for consideration and approval of the May 25, 2021 Bond Finance Committee Meeting Minutes.

Upon motion by Treasurer Lillard, second by Comptroller Mumpower, and with all members identified as present voting “yes”, the motion carried to approve the May 25, 2021, minutes.

Comptroller Mumpower indicated the next item for consideration was the Issue 2021-2 Plan of financing. Bruce Balcom, THDA Chief Legal Counsel, presented the following document that was circulated for the Committee’s consideration:

- Memo from Bruce Balcom, dated July 6, 2021, recommending an approval of the amended schedule of financing for Issue 2021-2.

Upon motion by Chris Mustain, second by Treasurer Lillard, and with all members identified as present voting “yes”, the motion carried.

Comptroller Mumpower indicated the next item for consideration was the CSG Contract extension. Bruce Balcom, THDA Chief Legal Counsel, presented the following document that was circulated for the Committee’s consideration:

- Memo from Bruce Balcom, dated July 6, 2021, recommending approval for THDA to exercise its option to extend the current contract with CSG Financial Advisors for an additional 12 months to December 31, 2022.

Upon motion by Treasurer Lillard, second by Comptroller Mumpower, and with all members identified as present voting “yes”, the motion carried to recommend and approve the contract extension with CSG Financial Advisors for an additional 12 months to the Board of Directors.

Comptroller Mumpower indicated the next item for consideration was the Single-Family Private Activity Bond Authority to set the target figure of \$189 million for the amount of bond authority to be carried forward at year-end for future use. The Single-Family Activity Bond authority proposed modification was presented by THDA Executive Director Ralph Perrey. Bruce Balcom, THDA Chief Legal Counsel, provided the following documents that were circulated for the Committee's consideration:

- Memo from Bruce Balcom, dated July 6, 2021, recommending approval for THDA to adjust the amount of bond authority to be carried forward at year end be reduced from the original projection of \$300 million target amount set by the Committee in January of 2021. The new amount of \$189 million of bond authority will be carried forward for future use.
- A request to allocate more bond authority for the multifamily programs in the next calendar year.

Upon motion by Comptroller Mumpower, second by Treasurer Lillard, and with all members identified as present voting "yes", the motion carried to recommend and approve the new target figure of \$189 million to be carried forward at year end and a larger allocation of bond authority allocated to multifamily bond authority to the Board of Directors.

There being no further business, Comptroller Mumpower adjourned the meeting at 10:25 A.M.

Respectfully submitted,

Sandi Thompson,
Assistant Secretary
Approved this 28th day of September, 2021.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors, Bond Finance Committee
FROM: Bruce Balcom, Chief Legal Counsel
SUBJECT: Approval of Issue 2021-3
DATE: September 9, 2021

Recommendation

Approval of the Plan of Financing and a recommendation to the Board to approve the Authorizing Resolution, including the form of the Supplemental Resolution, and the Reimbursement Resolution.

Key Points

Production this year has been slower than normal. As a result THDA has approximately \$170,000,000 in remaining volume cap. While it is anticipated Issue 2021-3 will include both economic refunding and new money, it would be financially disadvantageous for THDA to issue the entire amount of remaining volume cap in this deal. Therefore, staff proposes utilizing a convertible option bond (“COB”)¹ for a portion of this deal to preserve that volume cap for use next year.

Background

Attached please find the following documents in connection with the requested authorization of the THDA bond issue, Issue 2021-3:

1. Memo from CSG Advisors Incorporated (“CSG”) recommending authorization in the maximum principal amount of \$175,000,000 for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. This bond issue may include a replacement refunding component and a COB, which could include

¹ A convertible option bond is a bond with a short term maturity and an interest rate which may be fixed or variable. It allows us to issue bonds to preserve expiring volume cap to finance future Program Loans (the COB is anticipated to be remarketed at a future date into traditional MRB’s).

a variable interest rate. Staff expects this bond issue to be priced in mid-November, 2021, with closing in mid-December, 2021, depending on THDA loan production. The final size and structure will be determined by the Authorized Officer closer to pricing.

2. THDA Plan of Financing for Issue 2021-3 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 2021-3, that includes the form of Supplemental Resolution for Issue 2021-3 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 2021-3 in an amount not to exceed \$50,000,000. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2021-3 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the “Debt Management Policy”). In particular, Issue 2021-3 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 and PAC bonds are being considered for the structure of the bond issue.

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

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

SENIOR BOOKRUNNING MANAGER AND ROTATING CO-MANAGER

Although the Bond Finance Committee moved to a “soft” rotation for the senior bookrunning manager, CSG has recommended that Citigroup Global Markets, Inc. be the senior bookrunning manager for Issue 2021-3 based on past performance. THDA staff concurs in this recommendation.

In addition, the selling group member recommended to be appointed to serve as rotating co-manager for Issue 2021-3 is Duncan Williams based on a recommendation from CSG and THDA staff.

SELLING GROUP

Robert W. Baird
Wiley Brothers-Aintree
FHN Financial

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 2021-3

DATE: September 8, 2021

Executive Summary

- Issue 2021-2 is scheduled to close on September 30, 2021, and THDA expects to use the proceeds to purchase loans through the end of the year, when THDA will begin committing against Issue 2021-3.
- Issue 2021-3, if authorized, is expected to be sold in November for a closing in mid-December.
- THDA's outstanding Issue 2012-1 and 2012-2 bonds are optionally callable on January 1, 2022 and under applicable tax law may be economically refunded with Issue 2021-3.
- After Issue 2021-2, THDA has \$170.04 million of private activity volume cap carried forward from 2018 that will expire unless THDA issues bonds by December 31, 2021 to use and/or preserve that volume cap (see discussion regarding convertible option bonds in the "Proposed Sizing and Structure" section below).
- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a \$175 million Issue 2021-3 under the Residential Housing Finance Program Bond Resolution. The exact issue size will be evaluated closer to the bond sale date based on THDA's pipeline as well as bond refunding size and the amount of 2018 volume cap to be preserved.
- Based on THDA's needs, the proceeds of the bonds would be used to: a) purchase new loans, b) refund either or both of THDA's existing Issue 2012-1 and 2012-2 bonds, and c) be issued as convertible option bonds to preserve 2018 volume cap that would otherwise expire.
- For Issue 2021-3, CSG recommends Citigroup as book-running senior manager (see our Underwriter Recommendation Memo, submitted separately).

Background

On September 30, 2021, THDA is scheduled to close its \$99.99 million Residential Finance Program Bonds, Issue 2021-2 (Non-AMT) to finance new mortgage loans. As of September 1st, THDA had just begun committing loans against the Issue 2021-2 proceeds.

When the Issue 2021-2 proceeds are exhausted, THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2021-3. Once Issue 2021-2 proceeds are fully committed, THDA anticipates beginning to build a pipeline of mortgage loans to be funded with Issue 2021-3. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2021-3 in December.

THDA's outstanding Homeownership Program Bonds, Issue 2012-1 and Issue 2012-2 will become optionally redeemable at par on January 1, 2022 (with an expected outstanding amount of approximately \$52 million). These bonds may be refunded by Issue 2021-3 anytime within 90 days prior to January 1, 2022 under a common plan of finance with the "new money" portion of the Issue 2021-3 transaction. As shown under Scenario 2 of Exhibit A, a refunding of the Issue 2012-1 and 2012-2 bonds would result in estimated net present value savings after costs of issuance and negative reinvestment spreads as follows:

THDA's Economic Savings as a Result of Refunding:

<u>Loan Prepayment Speed</u>	<u>Estimated NPV Savings</u>
100% FHA*	\$5.12 million (9.9%)
200% PSA	\$4.20 million (8.2%)
300% PSA	\$3.62 million (7.0%)

- a) *Percentages in parentheses are of bonds refunded.*
- b) *The 2012-1 and 2012-2 loans experienced a weighted average prepayment speed over the last 12 months of approximately 212% PSA.*
- c) *As prepayment speeds increase, the economic savings to THDA decreases, since faster prepayments reduce the period of time during which THDA earns the interest spread between the mortgage rate on the loans and the average interest rate on the bonds.*

** 100% FHA is listed as it is most commonly the prepayment measure used in determining tax yield spread for tax-exempt bond-financed mortgage loans. 100% FHA is approximately equivalent to 115% PSA prepayments.*

There are several effects of including the refunding in the proposed new transaction:

- 1) Expected savings from the refunding allow THDA to set lower mortgage rates than would otherwise be possible without contributions of additional zeros, accepting a lower spread, or some other form of subsidy;
- 2) The shorter average life of the transferred mortgage portfolio accelerates the repayment of the bonds and lowers bond costs on the new issue;
- 3) The refunding bonds remove the state moral obligation from the prior bonds and would fully redeem all remaining bonds in the 1985 General Resolution.

Proposed Sizing and Structure

Authorizing a bond issue of not to exceed \$175 million allows THDA the flexibility to use the proceeds in the following ways:

- a) New lendable proceeds to fund new mortgage loans into the early months of 2022,
- b) Economic refunding of the Issue 2012-1 and 2012-2 Bonds, which produce several benefits as described above, effectively lowering THDA's bond rates for these outstanding bond series, and
- c) Potentially issue convertible option bonds, which are short-term bonds used to store unused volume cap for use in the future.

Convertible Option Bonds

After Issue 2021-2 closes, THDA will have \$170.04 million of private activity bond volume cap remaining from its 2018 carryforward amount. Such volume cap would expire unless THDA issues bonds by December 31, 2021. A flexible alternative for establishing issuance before yearend under current tax rules is through the use of convertible option bonds ("COBs"). COBs have been used in the past to preserve volume cap authority for later use, when carryforward ability was not available or when it was necessary to establish issuance in one period for use at a later time (a "remarketing") such as in THDA's case, when carryforward volume cap is expiring. A key feature of COBs under federal tax law is that the structural parameters (the bond types, etc.) under which the bonds are remarketed must be fully determined at time of initial issuance.

COBs are typically sold as short-term bonds, either as variable or fixed rate notes. During the initial period the bonds are outstanding as COBs, the proceeds are invested in highly rated short-term investments (treasury bills or agencies, for example) to provide revenue to help pay interest on the COBs. To the extent the investment rate is lower than the interest rate on the COBs, the accumulated shortfall is a cost of the program, referred to as "negative arbitrage."

The mode of interest payment on the COBs may be fixed or variable. Fixed interest rates are set for predetermined periods, anticipating the times when the COBs will be converted to long term rates and the proceeds will be used to acquire mortgage loans. Variable rate COBs pay interest based on an index (such as LIBOR or SIFMA) or a regularly reset market rate, and the proceeds are invested in a suitable investment with returns similar to the COB interest rate in order to limit negative arbitrage and provide greater flexibility to convert the COBs to long term rates and use the proceeds for acquiring mortgage loans, as needed.

Structure Analysis

Based on current market conditions and investor appetite, structuring Issue 2021-3 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 speed is greater than 150% PSA. (Current prepayment speeds exceed that

dramatically.) Also, if the actual sustained prepayment speed is less than 100% PSA, at its option THDA could choose to redeem the PACs up to 100% PSA experience with other available funds in order to maintain the short average life of the PACs.

Three alternative bond structures are shown in Exhibit A. 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 a tax-exempt yield spread of 1.125% was computed, based on current bond interest rates and THDA's current mortgage rates.

COBs were not included in the alternative bond structures, as any "yield drag" created would only slightly affect the overall yield spread resulting from the issuance. Such yield drag and negative arbitrage from the COBs is considered minimal, since THDA is likely to remarket the COBs into long-term bonds in the first half of 2022.

- **Scenario 1** shows a \$100 million level-debt issue with no PAC bonds or refunding component. The spread for tax purposes is 0.702%. \$14.065 million of zero participation loans would be consumed to raise the issue to a full 1.125% spread. This is a viable structure but not optimal, see scenarios 2 & 3 below.
- **Scenario 2** shows a \$100 million bond issue including PAC bonds but no refunding component. The PAC bond repayments are spread throughout the overall maturity structure of the issue. The lower yield on the PAC reduces the overall bond yield by approximately 0.22%. This results in an aggregate yield spread of 0.922%. \$6.92 million of zero participation loans would be consumed to bring the issue to a full 1.125% spread.
- **Scenario 3** includes an estimated \$50 million of proceeds to refund Issue 2012-1 and 2012-2, in addition to new proceeds of \$50 million. Since the refunding allows for a shorter maturity schedule and higher yielding transferred mortgage collateral, the tax law yield spread rises to 1.748%, and the issue is projected to create \$15.88 million in zeros.

Each of the scenarios summarized above and listed in Exhibit A assume that THDA offers interest rates of 3.00% and 2.50%, respectively, for its Great Choice and Homeownership for the Brave mortgage programs. It should be noted that THDA has accumulated approximately \$90.04 million in zeros that can be used to subsidize new bond issues, such as Issue 2021-3. 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. At the same time, THDA should seek to begin consuming a portion of the zeros, in view of the large amount that has built up over the last several years.

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 2021-3.

Issuing the Issue 2021-3 Bonds under the 2013 General Resolution avoids a state moral obligation pledge on the bonds.

Since THDA has the 2018 carryforward volume cap at its disposal, it is not expected that THDA will "replacement refund" portions of bonds that THDA redeems in its normal course of monthly bond redemptions and use such eligible amounts as volume cap against THDA's Issue 2021-3 bond issue.

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 – 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. 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, pending statistical releases, and candid independent discussions with uninvolved third-party underwriting desks. In order 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

The overall fixed income markets and the municipal bond market have been functioning well, providing tax-exempt housing bond issuers with historically low costs of funds. The coronavirus pandemic and uncertainty related to the pace of an economic recovery have sustained a flight to the safety of US Treasuries, keeping yields low. Important in maintaining an attractive environment for housing bonds has

been the Federal Reserve's aggressive role in holding the fed funds rate close to 0%, making heavy purchases of US Treasury and mortgage-backed bonds, and lowering interest rate expectations.

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 2021-3, with a par amount not to exceed \$175 million;
- Delegate to the Authorizing Officer authority to:
 - Establish the principal amount of Issue 2021-3;
 - Establish the structure, sub-series and pricing schedule of Issue 2021-3;
 - Approve fixed-rate serial and term bonds in any combination with maturities no longer than 32 years, as well as variable rate or fixed-rate convertible option bonds; and
 - Refund any combination of bonds that are optionally callable on January 1, 2022, 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 2021-3 via a negotiated sale; and
- Select Citigroup to serve as book-running senior manager for Issue 2021-3, 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 (Issue 2012-1 and 2012-2)

Economic Refunding Analysis - With All Benefits Reflected in PV Savings
Interest Rates as of September 7, 2021, PAC Spread Throughout Maturity Structure

	Issue 2012-1		Issue 2012-2		Total 2012-1 & 2012-2	
	"As Is"	If Refunded	"As Is"	If Refunded	"As Is"	If Refunded
General Information						
Optional Redemption Date	1/1/2022	1/1/2022	1/1/2022	1/1/2022	1/1/2022	1/1/2022
Potential Bond Defeasance Date	12/16/2021	12/16/2021	12/16/2021	12/16/2021	12/16/2021	12/16/2021
Projected Amount Outstanding on 12/16/21						
AMT:	155,000	155,000	-	-	155,000	155,000
Non-AMT:	26,220,000	26,220,000	25,060,000	25,060,000	51,280,000	51,280,000
Total:	26,375,000	26,375,000	25,060,000	25,060,000	51,435,000	51,435,000
Weighted Average Coupon of Refunded Bonds at 12/16/21	3.732%	3.732%	3.365%	3.365%	3.553%	3.553%
Weighted Average Coupon of Refunding Bonds	n/a	2.336%	n/a	2.336%	n/a	2.336%
Reduction in Bond Coupon	n/a	1.396%	n/a	1.029%	n/a	1.217%
Tax Law Yields of Issue to be Refunded at 2012 Issuance						
Mortgage Yield	4.387%	4.387%	4.042%	4.042%	4.241%	4.241%
Bond Yield	3.263%	3.263%	2.918%	2.918%	3.117%	3.117%
Yield Spread	1.124%	1.124%	1.124%	1.124%	1.124%	1.124%
Tax Law Yields on 12/16/21						
Yield of Bonds to be Refunded	3.941%	3.941%	3.509%	3.509%	3.731%	3.731%
Yield of Refunding Bonds	n/a	1.653%	n/a	1.653%	n/a	1.653%
Projected Increase in Spread if Refunded	N/A	1.992%	N/A	2.114%	N/A	2.045%
Benefit of Refunding (total)						
Gross Present Value Savings @ 100% FHA	-	3,432,351	-	2,273,923	-	5,706,274
Less: Negative Arbitrage from Closing to Call Date	-	(41,017)	-	(35,139)	-	(76,155)
Less: Costs of Issuance Assumed at 1%	-	(263,750)	-	(250,600)	-	(514,350)
Net Present Value Savings @ 100% FHA	-	3,127,584	-	1,988,184	-	5,115,769
NPV Savings as a Percent of Refunded Bonds	n/a	11.9%	n/a	7.9%	n/a	9.9%
Net Present Value Savings @ 200% PSA	-	2,729,945	-	1,465,556	-	4,195,501
NPV Savings as a Percent of Refunded Bonds	0.0%	10.4%	0.0%	5.8%	0.0%	8.2%
Net Present Value Savings @ 300% PSA	-	2,510,247	-	1,113,463	-	3,623,711
NPV Savings as a Percent of Refunded Bonds	0.0%	9.5%	0.0%	4.4%	0.0%	7.0%

EXHIBIT B: STRUCTURING SCENARIOS

Tennessee Housing Development Agency Issue 2021-3

Prepared by CSG Advisors 9/7/21

			Scenario 1		Scenario 2		Scenario 3	
			<i>All New Money, No PAC</i>		<i>All New Money, PAC Throughout Maturity Schedule</i>		<i>New Money Plus Refunding, PAC Throughout Maturity Schedule</i>	
Key Structuring Variables								
Including Refunding of 2012-1 & 2012-2			No		No		Yes	
Including PAC Bonds			No		Yes		Yes	
PAC Bond Maturity Years			N/A		2022 - 2052		2022 - 2052	
Issue Size								
New Money	Non-AMT		100,000,000		100,000,000		50,000,000	
Refunding	Non-AMT		-		-		50,000,000	
Total			100,000,000		100,000,000		100,000,000	
Mortgage Production Assumptions								
Great Choice Mortgage Rate 3%			98,000,000		98,000,000		49,000,000	
Homeownership for the Brave Mortgage Rate 2.50%			2,000,000		2,000,000		1,000,000	
Total			100,000,000		100,000,000		50,000,000	
Bond Structure								
		Coupon						
Serials	Non-AMT	0.150% - 1.950%	32,275,000	32%	22,045,000	22%	25,055,000	25%
7/1/2036 Term	Non-AMT	2.050%	9,405,000	9%	6,425,000	6%	6,780,000	7%
7/1/2041 Term	Non-AMT	2.350%	17,120,000	17%	11,705,000	12%	10,805,000	11%
7/1/2046 Term	Non-AMT	2.500%	19,310,000	19%	13,195,000	13%	6,545,000	7%
7/1/2051 Term	Non-AMT	2.550%	21,890,000	22%	14,965,000	15%	5,455,000	5%
1/1/2052 PAC Term	Non-AMT	3.000%	-	0%	31,665,000	32%	45,360,000	45%
(PAC yield at 0.91% with 5-year avg. life 100-400% PSA)			100,000,000	100%	100,000,000	100%	100,000,000	100%
Yields if no loan participations in or out								
Mortgage Yield			2.939%		2.939%		3.349%	
Bond Yield			2.237%		2.017%		1.601%	
Yield Spread			0.702%		0.922%		1.748%	
Loan Participations to Achieve Full 1.125% Yield Spread								
Zero Percent Loans (Consumed) from 2020-4			(25,400,000)		(25,400,000)		(25,400,000)	
Zero Percent Loans Created from 2021-3			11,335,000		18,480,000		41,280,000	
Net Zero Percent Loans (Consumed) / Created			(14,065,000)		(6,920,000)		15,880,000	
New Volume Cap Needed								
2021-3 (Non-AMT)			100,000,000		100,000,000		100,000,000	
			100,000,000		100,000,000		100,000,000	
					(plus PAC premium)		(plus PAC premium)	
Rating Agency Cash Flow Runs			No Additional Stress		No Additional Stress		No Additional Stress	
Mortgage Rates and Zero Percent Loans Needed								
A Current Mortgage Rate on New Money Mortgages			3.00% GC		3.00% GC		3.00% GC	
Mortgage Yield			2.939%		2.939%		3.349%	
Bond Yield			2.237%		2.017%		1.601%	
Yield Spread			0.702%		0.922%		1.748%	
Net Zero Percent Loans (Needed) / Created for Full Spread			(14,065,000)		(6,920,000)		15,880,000	
B GC Mortgage Rate that would Reduce Zeros by 50%			3.19%		3.10%		n/a given refunding	
Net Zero Percent Loans (Needed) / Created for Full Spread			(7,032,500)		(3,460,000)		n/a	
C GC Mortgage Rate that would Reduce Zeros by 100%			3.41%		3.20%		n/a given refunding	
Net Zero Percent Loans (Needed) / Created for Full Spread			-		-		n/a	

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2021-3
September 28, 2021

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 2021-3, a portion of which may be convertible option bonds (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 \$175,000,000. 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, the General Homeownership Program Bond Resolution (the “1985 Resolution”), or under 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 financed from available THDA funds 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 to debt ratio under the General Resolution.

APPLICATION
OF PROCEEDS:

Proceeds of the Bonds will be applied (in the case of any convertible option bonds, after the conversion to a long term fixed rate) to (i) redeem and/or pay at maturity certain of THDA's bonds or notes outstanding under the General Resolution, the 1985 Resolution, and/or the 2009 Resolution, if any; (ii) finance Program Loans by the direct purchase thereof; and (iii) make deposits to the Bond Reserve Fund, Debt Service and Payment Fund (for capitalized interest, if any), and (iv) pay costs of issuance, underwriters' discount/fees and costs of remarketing, if any.

While any convertible option bonds are outstanding bearing a short term interest rate (fixed or variable), proceeds of such bonds shall be held in the related subaccounts of the Loan Fund and invested in Investment Securities pursuant to the terms of the Supplemental Resolution.

Allocation of the above deposits of proceeds is estimated to be as follows:

- 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, underwriters'
discount/fees and costs of remarketing, if any.

DATE, METHOD AND
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, may include private placement, and will occur no later than December 31, 2021. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock LLP.

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 rate on any portion of the Bonds issued as convertible option bonds may be fixed or variable for a period of no more than thirteen (13) months beginning on the date of issuance of such Bonds and ending on a tender date, at which time the interest rate may be reset to a long term fixed rate or to a short term rate for another period not to exceed thirteen (13) months. The interest rates on the remainder of 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,

Unless otherwise permitted under the Internal Revenue Code,

**SPREAD DETERMINATION AND
COST OF ADMINISTRATION:**

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 2021-3 Program Loans may be as low as 60 basis points.

To view the full Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, please click on the following link: <https://thda.org/pdf/BFC-2b-Supplemental-Resolution-Issue-2021-3.pdf>

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2021-3
September 28, 2021

WHEREAS, pursuant to Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on September 28, 2021, approved a plan of financing for Residential Finance Program Bonds, Issue 2021-3 (the “Bonds”) in an aggregate par amount not to exceed \$175,000,000 (the “Plan of Financing”); and

WHEREAS, the Plan of Financing provides for the Bonds to be issued and sold as convertible option bonds or as additional series of long term and/or short term tax-exempt and/or taxable bonds, with fixed or variable 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 below-defined Authorized Officer; and

WHEREAS, THDA on January 26, 2021, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 5, 2021, 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 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 \$175,000,000, 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 2021-3A (Non-AMT), and \$_____ Issue 2021-3B (Non-AMT), (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 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 or, in the case of any convertible option bonds, fixed or variable interest rates; (e) approve a final structure for the Bonds; (f) approve a final principal amount or amounts, not to exceed a par amount of \$175,000,000; (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 the Authorized Officer's 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 September 28, 2021.

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 2021-3

DATE: September 7, 2021

Background

In January 2018, THDA's Bond Finance Committee selected a new underwriting team consisting of co-senior managers Citigroup, Raymond James, and RBC; co-managers JP Morgan and Wells Fargo, with a third 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 term of the current underwriting team for an additional year through calendar year 2021.

The purpose of this memo is to recommend firms to serve on THDA's Issue 2021-3 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
2019-1	175,000,000	RBC Capital Markets
2019-2	200,000,000	Citigroup Global Markets
2019-3	150,000,000	Raymond James
2019-4	200,000,000	RBC Capital Markets
2020-1	200,000,000	Citigroup Global Markets
2020-2	108,500,000	Raymond James
2020-3	145,000,000	RBC Capital Markets
2020-4	145,000,000	Citigroup Global Markets
2021-1	149,990,000	Raymond James
2021-2	99,990,000	RBC Capital Markets

Rather than select the book-running senior manager based on a fixed rotation, according to the latest underwriter selection by the Bond Finance Committee, the book-running senior manager will be 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, THDA 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 2020-4, 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 a South Carolina Housing issue, priced in August.

Given their continued performance as an underwriter of municipal housing bonds, we recommend that Citigroup serve as book-running senior manager for Issue 2021-3.

2. Elevated Selling Group Member

The following table shows the retail performance of each selling group member for Issue 2021-2, including Wiley Brothers - Aintree that acted as the third co-manager based on the firm's performance on Issue 2021-1.

TABLE 2: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2021-2 (thousands)

Selling Group Member	Retail Orders	Final Allotments
Duncan Williams	\$ 740	\$ 740
Robert W. Baird	520	495
Wiley Brothers - Aintree	175	175
FHN Financial	50	50
TOTAL	\$ 1,485	\$ 1,460

- Excluding member orders.

Based on final retail allotments on Issue 2021-2, Duncan Williams qualified to be the selling group member elevated to co-manager for THDA's Issue 2021-3.

A summary of the orders and final allotments for each of the last three bond issues is provided as Exhibit 1.

**EXHIBIT 1: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,
LAST THREE BOND ISSUES**

THDA UNDERWRITER PERFORMANCE SUMMARY – 2020-4, 2021-1, and 2021-2 (\$ thousands)

	2020-4 (Citi lead, Baird co) 145,000		2021-1 (RJ lead, Baird co) 149,990		2021-2 (RBC lead, Wiley co) 99,900		Combined 2020-4 to 2021-2 394,890	
	Orders	Allot- ments	Orders	Allot- ments	Orders	Allot- ments	Orders	Allotments
Citigroup								
Tennessee Retail	2,480	2,480	895	820	60	60	3,435	3,360
National Retail	72,980	25,480	885	310	730	600	74,595	26,390
Net Designated	288,770	100,970	0	0	0	0	288,770	100,970
Member	0	0	25,000	0	16,000	0	41,000	0
Total	364,230	128,930	26,780	1,130	16,790	660	407,800	130,720
Raymond James								
Tennessee Retail	3,500	3,500	30,395	16,645	4,675	4,395	38,570	24,540
National Retail	1,025	295	20,605	6,075	2,875	1,300	24,505	7,670
Net Designated	33,230	8,765	681,185	120,965	750	500	715,165	130,230
Member	40,000	0	1,000	1,000	25,000	0	66,000	1,000
Total	77,755	12,560	733,185	144,685	33,300	6,195	844,240	163,440
RBC Capital Markets								
Tennessee Retail	0	0	0	0	4,830	4,135	4,830	4,135
National Retail	350	150	1,000	250	7,330	2,520	8,680	2,920
Net Designated	0	0	0	0	169,785	79,970	169,785	79,970
Member	22,000	0	17,500	0	0	0	39,500	0
Total	22,350	150	18,500	250	181,945	86,625	222,795	87,025
J.P. Morgan								
Tennessee Retail	150	150	995	600	0	0	1,145	750
National Retail	715	615	7,570	535	610	610	8,895	1,760
Member	10,000	0	2,000	0	6,000	0	18,000	0
Total	10,865	765	10,565	1,135	6,610	610	28,040	2,510
Wells Fargo								
National Retail	2,145	375	2,150	50	1,940	300	6,235	725
Member	20,000	0	15,000	0	0	0	35,000	0
Total	22,145	375	17,150	50	1,940	300	41,235	725
Duncan-Williams								
Tennessee Retail	500	500	595	275	640	640	1,735	1,415
National Retail	0	0	0	0	100	100	100	100
Total	500	500	595	275	740	740	1,835	1,515
FHN Financial								
Tennessee Retail	0	0	250	250	50	50	300	300
Member	0	0	6,500	0	6,000	0	12,500	0
Total	0	0	6,750	250	6,050	50	12,800	300
Robert W. Baird & Co.								
Tennessee Retail	1,200	1,200	1,200	750	520	495	2,920	2,445
National Retail	50	50	290	0	0	0	340	50
Member	0	0	1,000	0	0	0	1,000	0
Total	1,250	1,250	2,490	750	520	495	4,260	2,495
Wiley Bros-Aintree								
Tennessee Retail	0	0	1,900	1,465	175	175	2,075	1,640
Total	0	0	1,900	1,465	175	175	2,075	1,640
TOTAL								
Tennessee Retail	7,830	7,830	36,230	20,805	10,950	9,950	55,010	38,585
National Retail	77,265	26,965	32,500	7,220	13,585	5,430	123,350	39,615
Net Designated	322,000	109,735	681,185	120,965	170,535	80,470	1,173,720	311,170
Member	92,000	0	68,000	1,000	53,000	0	213,000	1,000
Total	499,095	144,530	817,915	149,990	248,070	95,850	1,565,080	390,370



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: Underwriter Selection Process

DATE: September 7, 2021

Recommendation

Approve moving forward with the underwriter selection process.

Key Points

THDA has traditionally employed a process every three years to select the underwriter team to handle THDA's bond issues. Due to COVID-19 that process has already been delayed one year.

Background

The Bond Finance Committee of the THDA Board of Directors (the "Committee") is authorized by the THDA Enabling Act to, among other things, select managing underwriters. The last selection occurred in January 2018, and the intent, at that time, was to maintain the selected team for three years, including all of 2018, 2019 and 2020. Last year the Committee extended for one year (through all of 2021) the underwriting team currently in place due to COVID-19 concerns. There is no written contract binding THDA to a particular period, however, it has been the norm for some time to conduct a new selection process every three years. Assuming the Committee wishes to maintain the three year period, then it is now time to begin the selection process for the next three year period, including all of 2022, 2023 and 2024.

Staff proposes the following tentative timetable:

Tuesday, September 28, 2021	Initial Committee discussion
Tuesday, November 16, 2021	Committee consideration (and approval) of timetable, distribution list, cover letter, Request for Qualifications ("RFQ")
Wednesday, November 17, 2021	Cover letter and RFQ distributed to those on the approved distribution list
Monday, December 6, 2021	Final day for submission of questions by proposers

Thursday, December 9, 2021	Staff responses to questions circulated to all on distribution list
Wednesday, December 22, 2021	Proposals due
Monday, December 27, 2021	Proposals distributed to review team for review (Review team is comprised of THDA staff, Office of State & Local Finance staff, and designee of each Bond Finance Committee member)
Friday, January 7, 2022	Review team meeting to discuss review and develop recommendation
Monday, January 10 – Wednesday, January 12, 2022	Follow up with proposers, if needed
Friday, January 14, 2022	Review team meeting (if needed) to finalize recommendation
Tuesday, January 25, 2022	Committee meeting to hear staff recommendation and to make selection

To enable full discussion of changes to the THDA Underwriter selection process, the following information about the current team, selection and roles may be useful:

The current underwriting team for THDA bond issues includes three (3) senior managers, three (3) co-managers, and four (4) selling group members as follows:

Senior managers: Citigroup Global Markets, Inc. (“Citi”), Raymond James & Associates, Inc. (“Raymond James”), and RBC Capital Markets, LLC (“RBC”)

Co-managers: J.P. Morgan, Wells Fargo, and an elevated selling group member

Selling group: Duncan Williams, FHN Financial, Robert W. Baird & Co., and Wiley Bros.-Aintree

For each bond transaction, the bookrunning senior manager position has been selected from the three senior managers with the selection made by the Committee after a recommendation is provided by CSG Advisors, Incorporated (“CSG”), financial advisor to THDA.

The senior manager team will be selected via the proposed RFQ process. Staff recommends retaining three senior managers. This gives each selected firm an opportunity to participate as the bookrunner in approximately one bond issue per year over the three-year period. THDA, however, has no obligation for any particular number of bond issues, so THDA is free to increase or decrease the number of bond issues per year as is determined necessary and appropriate to carry out THDA’s loan programs.

Two of the co-manager positions are fixed with the third co-manager slot being filled by the selling group member who, on the prior THDA bond transaction, was allotted the most bonds. The determination of the selling group member who is elevated to be a co-manager for a subsequent bond issue is based on an analysis performed by CSG.

It appears that the opportunity to be elevated to co-manager has encouraged increased competition among selling group members in placing retail orders. Several different selling group members have served as the elevated co-manager since the last underwriters’ selection. Consequently, staff

recommends retaining the third co-manager position to reward selling group performance and recommends retaining at least two fixed co-manager positions.

The Division of State Government Finance qualified seven entities for the selling group based on location of a public finance office in Tennessee and having a pricing desk from which underwriting in Tennessee is conducted. THDA has used all seven firms in the selling groups for bond issues in recent years. However, as mentioned above, one member of the selling group becomes a co-manager. Due to consolidation of securities firms, the selling group for Issue 2021-2 consisted of four firms, including the elevated co-manager. Staff recommends not using large national firms in the selling group and recommends continued use of a selling group as described.

The listed senior managers and co-managers were selected via an underwriter RFQ process in late 2017 and early 2018. The last RFQ process requested the following information that was evaluated by the Review team in making the selections:

- Firm overview, staffing, financial strength
- HFA clients and experience
- Distribution and marketing capacity
- Specific questions about then current market conditions, THDA specific issues

In reviewing prior responses, the review team emphasized distribution and marketing capacity, but also considered HFA experience and financial strength. The emphasis on distribution and marketing capacity is based on the desire to encourage Tennessee retail sales as a first priority and, secondly, other retail sales, both of which create demand for the bonds with the end result of a lower cost of debt. In general, retail orders are those placed for the account of an individual, bank trust, or investment advisor acting on behalf of an individual with a \$500,000 maximum. Zip codes are required on all retail orders to verify geographic location (i.e. Tennessee retail, other retail). Staff recommends taking a similar approach to the review of proposals in response to this RFQ.

Each member of the underwriting team accepts a percentage of the risk of the bond sale. The current participation amounts are as follows:

- Senior bookrunning manager - 50%
- Co-senior manager – 16% each
- Co-manager – 6% each

The senior bookrunning manager provides proposed management fees, expenses, and takedowns prior to pricing. The proposed underwriter fees are reviewed by CSG and approved by THDA staff and the Division of State Government Finance staff. Over the past several years, the senior bookrunning manager has been compensated with a management fee of \$30,000 that they do not share with other senior managers.

Following pricing, the senior bookrunning manager provides orders and proposed allocations that are reviewed by CSG, THDA staff and Division of State Government Finance staff, for fairness of allocations to other senior managers, co-managers and selling group members and for Tennessee retail order preference. After the analysis, CSG, THDA staff, and the Division of State Government Finance staff communicate any issues to the senior bookrunning manager for correction.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

**THDA Board of Directors
Grants Committee Meeting
Tuesday, September 28, 2021
10:10 a.m. Central Time**

**William R. Snodgrass Tennessee Tower
Conference Rooms A & C
312 Rosa L Parks Avenue, Third Floor
Nashville, TN 37243**

AGENDA

- A. Approval of Minutes from July 27, 2021 meeting
- B. 2022 Winter Round Competitive Grants Program Description

Committee Members:

Austin McMullen, Chair
Secretary Tre Hargett
Joann Massey
Comptroller Jason Mumpower
Rick Neal
Tennion Reed

TENNESSEE HOUSING DEVELOPMENT AGENCY
GRANTS COMMITTEE MEETING MINUTES
July 27, 2021

Pursuant to the call of the Chairman, the Grants Committee (the “Committee”) of the Tennessee Housing Development Agency (THDA) Board of Directors (the “Board”) met in regular session on Tuesday, July 27, 2021, at 10:20 a.m. The following Committee members were present: Austin McMullen (Chair), Tre Hargett (Secretary of Treasury), Rick Neal, Katie Armstrong (for Comptroller Jason Mumpower), and Chris Mustain.

Recognizing a quorum present, Chair McMullen called the Committee meeting to order and called for consideration of the January 19, 2021, Grants Committee meeting minutes. Upon motion by Mr. Neal, second by Ms. Armstrong, and a vote with all members identified as present voting “yes,” the motion was adopted and the minutes were approved.

Chair McMullen called for consideration of adopting the COVID-19 Rental Housing Development Subsidy Program Description and recognized Don Watt, Chief Program Officer. Mr. Watt referenced his memorandum dated July 6, 2021, describing how COVID-19 has caused unprecedented spikes in building material costs and, disruptions in the supply chain resulting in a continued upward pressure on prices. THDA made a request to the Governor’s Office for an allocation of the federal funds through the American Rescue Plan Act to assist rental housing owners address financial impacts, adding that if an allocation is received, funds will be used to provide subsidies to affordable rental developments that THDA has supported with an assignment of Housing Tax Credits, as well as rental housing developments that THDA has supported with grants from the Tennessee Housing Trust Fund or the National Housing Trust Fund. Mr. Watt recommended that the Board adopt the COVID-19 Rental Housing Development Subsidy Program Description as amended, authorize the Executive Director or designee to award funds for applications received and determined eligible for funding, and allow staff to make programmatic changes, as deemed necessary and appropriate, as approved by the Executive Director, or as required by the federal funding source from which a program allocation to THDA is made.

With no questions raised or discussion opened, upon motion by Mr. Mustain, second by Mr. Neal, and a vote with all members identified as present voting “yes,” motion carried and the motion was adopted.

Chair McMullen next called for consideration of the 2021 HOME Program Description – Homeownership Development and recognized Ms. Cynthia Peraza, Director of Community Programs. Ms. Peraza referenced her memorandum dated July 6, 2021, regarding THDA setting aside \$5 million in HOME funds to implement the Homeownership Development Program Description to encourage the construction of affordable housing for sale to low and moderate income households. Ms. Peraza further stated that this program description will open the HOME funding to all eligible nonprofit housing developers. Recommendation is being made to the Board to adopt the proposed 2021 HOME Program Description for Homeownership Development (“Program Description”), to authorize the Executive Director or a designee to award 2021 HOME funds to applicants for applications scored by staff, and to allow staff to make minor programmatic changes, as deemed necessary and appropriate, as approved by the Executive Director, or as required by HUD.

With no questions raised or discussion opened, upon motion by Mr. Neal, second by Mr. Mustain, and a vote with all members identified as present voting “yes,” motion carried and the motion was adopted.

Chair McMullen next called for consideration of the 2022 Low Income Home Energy Assistance Program (LIHEAP), and again recognized Ms. Peraza. Ms. Peraza referenced her memorandum dated June 30, 2021, requesting Board and Committee approval for THDA to submit an application to the U.S. Department of Health and Human Services (HHS) for the LIHEAP Program Year 2022 funds subject to review by the Board Chair, the Committee Chair, and THDA’s Executive Director of any further material changes prior to submission.

With no questions raised or discussion opened, upon a motion by Mr. Neal, second by Mr. Mustain, and a vote with all members identified as present voting “yes,” motion carried and the motion was adopted.

Chair McMullen next called for consideration of the 2017 HOME Program Extension Request for the City of Gatlinburg, and again recognized Ms. Peraza. Ms. Peraza referenced her memorandum dated June 21, 2021, recommending authorization to extend the 2017 HOME Program Grant contract for the City of Gatlinburg for a period of 12-months, changing their contract end date from June 30, 2021 to June 30, 2022, due to the natural disaster Sevier County experienced in 2016 compounded by delays resulting from COVID-19.

With no questions raised or discussion opened, upon a motion by Mr. Neal, second by Ms. Armstrong, and a vote with all members identified as present voting “yes,” motion carried and the motion was adopted.

With no further business, upon a motion by Mr. Mustain, second by Mr. Neal, the meeting was adjourned at 10:33 a.m.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 28th day of September, 2021.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

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

SUBJECT: Fiscal Year 2022 Winter Round Tennessee Housing Trust Fund (THTF)
Competitive Grants

DATE: September 1, 2021

Recommendation

Staff recommends the Board approve the following:

- Adoption of the attached proposed 2022 Winter Round of the THTF Competitive Grants Program Description (“Program Description”);
- Authorize the Executive Director or a designee to award the 2022 Winter Round of the THTF Competitive Grants funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description; and
- Allow staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director.

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

Program Changes

The changes proposed for the 2022 Winter Round Program Description, beyond updating the spenddown requirements for prior year grant recipients, include:

- Updated implementation dates in the Program Description to meet the following schedule:
 - Application Available: October 21, 2021

- Application Due Date: December 9, 2021 at 4:00 pm
- Application Award Announcement: February 11, 2022
- Award Agreement Dates: March 1, 2022 – February 28, 2025

- **Compliance Period:**

To help clarify the annual forgiveness rate for the program, THDA staff added an Annual Forgiveness Rate to the Program Description.

- **Under Group Home & SRO Rents**

To help remove requirements that are not applicable within the Program Description, THDA staff is requesting to remove the requirements of a state agency approving the costs of food and supportive services. Food and supportive services costs may not be included in THTF rents and do not apply to the THTF.

- **Applicant's Experience:**

Due to the constantly changing landscape of affordable housing development and related services, it is difficult to evaluate the current capacity of an applicant if the affordable housing or affordable housing related experience occurred over 5 years ago in nonconsecutive years. THDA staff is requesting to modify the applicant's experience language within the Program Description to read:

Applicants must demonstrate at least two consecutive years of experience providing affordable housing or affordable housing related services in the state of Tennessee within the last 5 years.

- **Maximum Amount of Assistance:**

To help offset the rising costs of construction related to the COVID-19 pandemic, THDA staff is requesting to increase the maximum amount of the 2022 Winter Round of Competitive Grants assistance from \$500,000 to \$600,000.

- **Match Source:**

In an effort to assist applicants in meeting the match requirement and because there is a verifiable value that can be provided for donated property, THDA staff is requesting to add language to the program description allowing the value of donated property to be used as a match source.

- **Maximum Rents:**

The previous Program Descriptions only allowed for federal or state project based rents to be utilized as the maximum rents on a single-room occupancy unit. THDA staff is requesting to add language to allow federal or state project based rents to be utilized as the maximum rents on any THTF assisted unit, not just SRO units.

- **Developer Fee**

THDA staff is requesting to remove language from the Program Description that limits the maximum developer fee from all sources to not exceed 15 % of total development costs. This change was made to allow for more flexibility and to more closely align with the requirements of the National Housing Trust Fund. The THTF allows for a developer fee

of up to 7% of the THTF development costs. The developer fee requirements from other sources will be dictated by those sources.

- **Distressed County List:**

The number of distressed counties was reduced from 11 to 9 to reflect the current number of counties designated by Governor Lee as distressed. THDA staff is requesting to modify the existing list from: Lake, Lauderdale, Hardeman, Perry, Clay, Grundy, Van Buren, Bledsoe, Scott, Hancock, and Cocke.

To: Lake, Lauderdale, Perry, Clay, Grundy, Bledsoe, Scott, Hancock, and Cocke.

- **Available Points:**

In an effort to provide for clear distinctions between the categories and to allow for more of an incentive for development in the distressed counties, THDA staff is requesting to update and separate the available points under the Prior Funding, Distressed, and Rural Counties categories.

Background

THDA has approximately \$1.7 million available for the construction and rehabilitation of affordable rental housing through the 2022 Winter Round of the THTF Competitive Grants Program. Staff is proposing the attached Program Description for the 2022 Winter Round.

Staff will provide information to the Committee and Board regarding awards made under the 2022 Winter Round of the THTF Competitive Grants Program at the meeting immediately following the date of the awards.

To see full supporting documents, please click on the following links:

<https://thda.org/pdf/2022-Winter-THTF-Program-Description- Final-Redline.pdf>

<https://thda.org/pdf/2022-Winter-THTF-Program-Description- Final.pdf>



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

**THDA Board of Directors
Rental Assistance Committee Meeting
Tuesday, September 28, 2021
10:15 a.m. Central Time**

**William R. Snodgrass Tennessee Tower
Conference Rooms A & C
312 Rosa L Parks Avenue, Third Floor
Nashville, TN 37243**

AGENDA

- A. Approval of Minutes from July 27, 2021 meeting
- B. Project Based Contract Administration Subcontract

Committee Members:

John Snodderly, Chair
Joann Massey
Erin Merrick
Tennion Reed

TENNESSEE HOUSING DEVELOPMENT AGENCY
RENTAL ASSISTANCE COMMITTEE MEETING MINUTES
July 27, 2021

Pursuant to the call of the Chairman, the Rental Assistance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, July 27, 2021, at approximately 10:40 a.m. Central Time in The Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, TN 37243.

Committee members present: John Snodderly (Chair), Erin Merrick; and Rick Neal. Committee members absent: Joann Massey, and Tennion Reed. Other Board members present: Doree Hicks (for Commissioner of Finance & Administration Butch Eley); State Treasurer, David Lillard; Matt McGauley; and Austin McMullen (for Secretary of State Tre Hargett).

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

Chair Snodderly recognized the Director of Rental Assistance, Jeboria Scott, who reviewed the proposed grant of 325 vouchers, awarded to THDA, under the Emergency Housing Voucher (EHV) Grant, as part of the American Recovery Act. The staff recommendation for Board approval included how THDA will partner with continuum of care organizations to provide supportive services to eligible households through a coordinated intake process. Director Scott also requested approval of the single chapter amendment to the Housing Choice Voucher (HCV) Administrative Plan which now includes EHV policy.

Chairman Snodderly called on the Committee to consider these staff recommendations. Upon a motion by Mr. Neal, and a second by Ms. Merrick, the motion was approved with all members identified as present voting "yes".

Chair Snodderly called the committee's attention to the staff recommendation to authorize THDA to exit its contract with the U.S Department of Housing and Urban Development (HUD) that provides Performance Based Contract Administration (PBCA) services of its assigned portfolio at the expiration of the current contract on January 31, 2022.

Chairman Snodderly called the Committee to consider the staff recommendation. Upon a motion by Mr. Neal and a second by Ms. Merrick, the motion was approved with all members identified as present voting "yes".

There being no further business, the meeting was adjourned by Chair Snodderly.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 28th day of September, 2021



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors

FROM: Ralph M. Perrey, Executive Director

SUBJECT: PBCA Recommendation

DATE: September 8, 2021

Recommendation:

Approve an extension of THDA's contract to administer the Project Based Contract Administration program until HUD is able to award it to another entity and permission for THDA to subcontract that work in the meantime.

Key Points:

At its July meeting the Board ratified THDA's decision to exit the PBCA program at the expiration of its current contract January 31, 2022. HUD has since indicated that:

- 1) It has no ability to take on this work itself, nor
- 2) Does HUD have authority to award the Tennessee contract to another entity before rebidding these contracts nationally, a process HUD hopes to undertake early in 2022.

Under these circumstances, THDA is willing to accept a short-term extension of the PBCA contract to allow HUD time to rebid these contracts. In the meantime, we propose to subcontract the work to one of the private sector firms specializing in such work. A Request for Proposals has been issued, and THDA hopes to select a subcontractor by mid-October.

It is still our plan to end in-house administration of PBCA no later than the end of January and to reallocate the PBCA staff positions to other divisions within THDA.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

**THDA Board of Directors
Tax Credit Committee Meeting
Tuesday, September 28, 2021
10:20 a.m. Central Time**

**William R. Snodgrass Tennessee
Tower Conference Rooms A & C
312 Rosa L Parks Blvd, Third Floor
Nashville, TN 37243**

AGENDA

- A. Approval of Minutes from July 27, 2021 meeting
- B. Public Notice Allocation – TN21-801 Flats at Mooreland
- C. Public Notice Allocation- TN21-802 Hill Place
- D. 2022 Low Income Housing Credit Qualified Allocation Plan

Committee Members:

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

TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT COMMITTEE MEETING MINUTES
July 27, 2021

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met in regular session on Tuesday, July 27, 2021, at approximately 10:50 a.m. Central Time in The Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, TN 37243.

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

Seeing a quorum present, Chair Snodderly called the Committee meeting to order and called for consideration of the previously circulated May 25, 2021 Committee meeting minutes. Upon a motion by Mr. McGauley, second by Treasurer Lillard, the meeting minutes were approved by all members present voting “yes”.

Chair Snodderly recognized Josie Kotsioris, Director of Multifamily Programs, for a brief description pertaining to the proposed -increase to THDA Private Activity Volume Cap available as 2021 Multifamily Tax-Exempt Bond Authority.

Ms. Kotsioris informed the committee that THDA received additional bond allocation in March 2021 making \$375 million dollars available in authority for multifamily bond financed developments. Applications received totaled over \$400 million. THDA received notification of the availability of an additional \$189 million in bond allocation authority. THDA will use the additional mid year allocation to cover gaps created by COVID-related construction cost increases and to address 50% test requirements of existing multifamily bond transactions. THDA will apply these funds first to projects with firm commitments, then to projects in our pipeline within THOMAS.

Chairman Snodderly called on the Committee to consider the staff recommendation that the \$189 million dollars of additional bond allocation be used for multifamily properties. Upon a motion by Treasurer Lillard, and a second by Mr. McGauley, the motion was approved by all members identified as present voting “yes”.

Chair Snodderly called on the Committee to consider the staff recommendation to approve the COVID-19 Rental Housing Development Subsidy Program Description which was presented earlier by Don Watt during the Grants Committee. Upon a motion by Treasurer Lillard, and a second by Mr. McGauley, the motion was to approve the request with all members identified as present voting “yes” except for Doree Hicks (for Commissioner of Finance & Administration Butch Eley), who abstained.

The proposals are posted on our website, and will be refined and included in a draft allocation plan for 2022, which will be presented to the committee for adoption in July.

With no further business, the meeting was adjourned at 10:56am by Chair Snodderly.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 28th day of September, 2021.

Pending



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: Josie Kotsioris, Director of Multifamily Programs
Don Watt, Chief Programs Officer

SUBJECT: TN21-801 Flats at Mooreland Public Notice Allocation

DATE: September 7, 2021

Recommendation

Staff recommends and requests approval for a return of \$1,100,000/yr. of 2019 Low-Income Housing Credit ("LIHC"); and an approval of new allocation of an equal amount of 2021 LIHC.

Background

1. As detailed in the following request, Flats at Mooreland encountered circumstances beyond the development team's reasonable anticipation or control. As a result, the proposed development would have been unable to satisfy federally mandated deadlines for progress and completion without a change in the site.
2. Flats at Mooreland has submitted a new application with updated information.
3. The return of 2019 LIHC and subsequent allocation 2021 LIHC will not adversely affect the amount of 2021 LIHC otherwise available for allocation in the competitive cycle.
4. Section 42(m)(1)(A)(iv) of the Internal Revenue Code of 1986, as amended, allows an allocation of LIHC to be made outside the "established priorities and selection criteria of the housing credit agency" provided that "a written explanation is available to the general public".
 - a. Staff have determined that this memo and the following request constitute a written explanation, and that this written explanation is available to the general public.



August 11, 2021

Ms. Josie Kotsioris
Tennessee Housing Development Agency (“Agency”)
Director of Multifamily Programs Division
502 Deaderick Street
Nashville, Tennessee 37243

RE: Request for Exchange of Credits & Project Concept Change, TN19-012, Flats at Mooreland (the “Project”)

Dear Ms. Kotsioris,

We, Zimmerman Properties SE, LLC, are formally requesting the Agency consider the following requests related to the Project:

- A return of 2019 Low-Income Housing Tax Credits to be exchanged for an equal allocation of 2021 Low Income Housing Tax Credits.
- Project Concept Change regarding the Project’s site boundary.

The following is an overview of the Project’s current status and steps we are taking to maintain long-term financial feasibility.

Development Overview:

1. Current Status of Construction, Including Overall Percentages of Completion:
 1. Construction has not yet commenced
2. Circumstances preventing completion of the development by the Placed-In-Service Deadline of December 31, 2022:
 1. The Tennessee Department of Environmental Controls (“TDEC”) determined what was assumed to be drainage ditches and an existing detention pond on site were instead streams and a wetland pond. If any of site or development directly or indirectly impacted the “streams” they would require mitigation via conservation credits. TDEC and our environmental consultants estimated approximately 400 to 500 linear feet of “streams” would be considered impacted by our Project, and due to the lack of availability conservation credits for our site’s drainage basin, the costs for mitigation could be anywhere between \$800,000 and \$1,000,000. Therefore, we decided to seek an alternative solution to avoid impacting the streams.
 2. The site and boundary of our proposed development was a proposed subdivision of a larger tract of land. The landowner agreed to work with us to reconfigure our proposed

boundaries to exclude the TDEC “streams” all-together. Please see the attached “Exhibit A” showing the change in boundary to avoid the “streams”.

3. The design team was fortunate enough to be able to reuse all the previously approved architectural buildings, unit mixes, and floor plans. Additionally, the City has agreed to expedite their review process.
4. Due to the extended period of time to work through issues with TDEC, the landowner insisted we proceed with closing on the land for the Project immediately. Therefore, we have acquired the reconfigured subdivided parcel and have reworked the site plan for review and approval by the City. Once the City completes its preliminary review, we can proceed with resubmitting the revised site plan to TDEC for them to provide their final sign off. Once both the City and TDEC provide signoff on the site plan and building plans, we will proceed with update all 3rd party reports for the lenders and investor commitments, which will take approximately 3 months to complete.
5. Under this timeline, we do not believe that the development will be 100% complete by December 31, 2022.

Current Status of Financial Commitments:

1. Specialty Finance Group is the permanent lender and has provided a letter of intent. Truist is the construction lender and has also provided a letter of intent.
2. Specialty Finance Group and Truist are still committed to this development but will need surety that the project will be placed in service by the PIS deadline. Therefore, they will be unable to fully commit a term sheet until it is extended.

Current Status of Syndication Commitment:

1. Truist is also the Low-Income Housing Tax Credit investor/syndicator and has provided a letter of intent.
2. As the equity investor/syndicator, Truist also are unable to fully commit a term sheet until the PIS deadline is extended.

Current Status of Local Approvals:

1. Zoning: The site is fully entitled with a zoning of Commercial Service District (CS) which allows Multi-Family by right.
2. Utility Availability: The site has access to all utilities.

3. Building Permits: Final approval was obtained prior to reconfiguring the site boundaries. Once the revised site plan is approved, an updated approval will be obtained shortly thereafter.
4. Plat, Site Plans / Land Disturbance Permit: The original plat and site plan were fully approved prior to the need to reconfigure for TDEC. The revised site plan has been submitted with preliminary review provided by the city. No major changes were needed, and we expect the final site plan to be resubmitted by the end of August 2021 with city approval sometime in September, early October 2021.

Current Composition of the Development Team:

1. Developer: Zimmerman Properties SE, LLC, a wholly owned subsidiary of Zimmerman Properties, LLC
2. Owner: Flats at Mooreland, LP
3. General Contractor: Zimmerman Construction, Inc.
4. Management Company: Wilhoit Properties, Inc.
5. Architect: Buxton Kubik Dodd Design Collective
6. Landscape Architect: Dan Alaback Design
7. Civil Engineer: Klobner Engineering Services
8. Developer Counsel: Kendall R. McPhail
9. Accountant: BKD, LLP

Proposed Development Timeline if Allocation Exchange is Approved::

1. Construction to commence in late 2021, early 2022 with substantial completion in 16 months thereafter.

Total Costs Incurred To-Date:

1. \$511,973 in pre-development and design
2. \$825,000 purchase of land

Self-Proposed Restrictions:

1. Should the Tax Credit Committee grant the tax credit exchanges and the project concept changes for Flats at Mooreland and Flats at Hickory, we, Zimmerman Properties SE, LLC, are willing to self-impose sitting out of all 9% tax-credit application cycles until we have successfully completed construction of each development

We hope the information provided in this letter exemplifies our commitment to the completion of Flats at Mooreland. Given the social and economic hardships so many Tennesseans have experienced during the on-going Covid-19 pandemic, we at Zimmerman understand that it is more important than ever to provide affordable, high-quality housing. Therefore, and in consideration of the above, we are requesting the Tax Credit Committee hear our project concept change and allocation exchange at its September board meeting.

Sincerely and respectfully,



Timothy Bullard, VP of Development
Zimmerman Properties SE, LLC

Exhibit A

Original proposed
site boundary
submitted with
initial application:



Revised site
boundary to avoid
TDEC streams:





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: Josie Kotsioris, Director of Multifamily Programs
Don Watt, Chief Programs Officer

SUBJECT: TN21-802 Hill Place Public Notice Allocation

DATE: September 7, 2021

Recommendation

Staff recommends and requests approval for a return of \$1,159,155/yr. of 2019 Low-Income Housing Credit ("LIHC"); and an approval of new allocation of an equal amount of 2021 LIHC.

Background

1. As detailed in the following request, Hill Place encountered circumstances beyond the development team's reasonable anticipation or control. As a result, the proposed development would have been unable to satisfy federally mandated deadlines for progress and completion without this change of site.
2. Hill Place voluntarily returned the 2019 LIHC allocation on June 10, 2021, and has since submitted a new application with updated information.
3. The return of 2019 LIHC and subsequent allocation 2021 LIHC will not adversely affect the amount of 2021 LIHC otherwise available for allocation in the competitive cycle.
4. Section 42(m)(1)(A)(iv) of the Internal Revenue Code of 1986, as amended, allows an allocation of LIHC to be made outside the "established priorities and selection criteria of the housing credit agency" provided that "a written explanation is available to the general public".
 - a. Staff have determined that this memo and the following request constitute a written explanation, and that this written explanation is available to the general public.

From: David Hayes <hayesassociates@bellsouth.net>
Sent: Monday, August 23, 2021 12:29 PM
To: Ralph M. Perrey <RPerrey@thda.org>
Subject: Hill Place TN19-038

EXTERNAL EMAIL

Ralph Perrey- Executive Director THDA

I am requesting special consideration for Hill Place TN19-038 . Our original site encountered environmental issues that were not known until we did the due diligence. With Covid, it took nine months to get a response from TECD, which made the development unviable. We were under the impression that we could change sites, but subsequently learned that we could not. We surrendered our credits in light of these very unusual circumstances and are asking THDA to allocate credits so that we can proceed on a new site, acceptable to everyone locally and which meets the 2019 QAP criteria.

Hill Place will provide much needed affordable housing in Hamilton County, and our team has worked in good faith with THDA staff and Hamilton County government to keep this development on track. THDA's support of this special allocation is much appreciated.

Thank you for your consideration,

H. David Hayes

Hayes & Associates
1503 Meadow Spring Drive
Jefferson City, TN. 37760
(865)475-4766
<http://davidhayesrealty.com/>



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: Josie Kotsioris, Director of Multifamily Programs
Don Watt, Chief Programs Officer

SUBJECT: Overview of Substantive Changes and Revisions Made in Response to Public Comment on Draft Low-Income Housing Credit 2022 Qualified Allocation Plan

DATE: September 9, 2021

Recommendation:

Adopt the 2022 Qualified Allocation Plan as presented, with changes outlined below.

The Draft Low-Income Housing Credit 2022 Qualified Allocation Plan (the “Draft 2022 QAP”) incorporates the following major substantive changes (page numbers correspond with the footer in the Draft 2022 QAP):

1. Change from County-based location scoring to Location Needs scoring census tract level [page 39];
2. Allowing new construction in a Qualified Census Tract provided supported by a Community Revitalization and Market Study [pages 32 and 67];
3. Certain components of the Initial Application are Mandatory in order for the Initial Application to proceed to review and be eligible for the Cure/Review process [page 33];
4. Minor SAEs tabulated by team not individual [page 24];
5. Removal of some of the Significant Adverse Events (“SAEs”) in consideration of the COVID-19 pandemic [page 25]; and
6. Technical Changes and definition changes.

In addition, several revisions have been made in response to input from the public. These revisions include:

7. Total Development Cost Limits (land now excluded from Total Development Cost) [page 16];
8. Syndication closing requirements (increase the number of unclosed developments allowed from 2 to 3) [page 16];
9. Scattered site development allowed for MTBA developments [page 19];
10. Addition of dates to Table 4-1 (Calendar of Events) [page 19];
11. Appeal of disqualification due to SAEs (now allowed) [page 24];

12. Clarified that Minor SAEs will be counted against the development team, not individuals [page 24];
13. SAE for unpaid property taxes (added exception for active appeal) [page 25];
14. Rewording the change to the PHA Set-Aside to clarify the intent to assure that all Housing Credit in the PHA Set-Aside is allocated to PHA developments [page 29];
15. “Owner contributions” portion of proposed change regarding financial feasibility (clarification for PHAs and non-profit donations) [page 36];
16. Energy efficiency requirement regarding entry doors (now R-10 not R-11) [page 38];
17. Table 14-4 (PILOT clarification) [pages 44 and 52];
18. Table 14-5 Earliest Year When New Housing Credit May Be Requested (max points at 20 years) [page 45];
19. Rehabilitation hard cost scoring (deepest rehabilitation receives max points) [page 46];
20. Table 14-10 (PILOT clarification) [page 52];
21. Table 14-11 (max points at 20 years) [page 52];
22. Tie-breaker (lowest Housing Credit per unit) [page 56]; and
23. Table 20-1 (max points at 20 years) [page 71].

A more detailed list of substantive changes follows.

Significant Changes to the 2022 QAP Draft in Document Order

Section 1, page 5 Document Review

Language revised to “*THDA is not responsible for missing, inaccurate, or incomplete documentation*”

Section 2, begins on page 2 - Definitions

Allocation – the amount of Housing Credit reserved for a development.

Applicable Fraction – The percentage of a building that is treated as low-income use and generally eligible for the LIHC. The Applicable fraction is the smaller of the Unit Fraction or the Floor Space Fraction.

Applicant – An applicant for Low-Income Housing Tax Credit under this QAP that will own the proposed development and to which the credits may be allocated.

Application – See “Initial Application”.

Compliance Period – The period of 15 taxable years, commencing on the first day of the taxable year in which any building that is part of the Housing Credit Development is placed in service or, if deferred by election of the Owner of the Housing Credit Development, the first day of the next calendar year, but only if the building is a qualified low-income building as of the close of the first year of such period. *This definition may be revised under the land use restrictive covenants for a longer duration based on Applicant’s election under Section 14 and Section 20.*

Consultant - A third-party entity that provides consulting services to Housing Credit Development Participants. An entity acting in the capacity of Owner, Developer, or General Contractor or which provides technical assistance to the Owner, Developer, or General Contractor is considered a Consultant. Consultants include, but are not limited to, construction management consultants, interior design consultants, relocation specialists, tax credit application consultants, resident certification consultants, HOPE VI consultants, etc. All consulting fees are considered part of the calculation of the maximum allowable Developer fee for each Housing Credit Development.

Developer - The legal entity designated as the Developer in the Application as well as all persons, affiliates of such persons, corporations, partnerships, joint ventures, associations, or other entities that have a direct or indirect ownership interest in the Developer entity. ~~Any entity or individual that receives all or part of the Developer Fee must be designated as a developer.~~ Material Participation is required for all developers and for all entities that receive any portion of the Developer Fee.

Disability –With respect to an individual, a physical or mental impairment that substantially limits one or more major life activities of such individual; a record of such impairment; or being regarded as having such an impairment. Major life activities include, but are not limited to, caring for oneself, performing manual tasks, seeing, hearing, eating, sleeping, walking, standing, lifting, bending, speaking, breathing, learning, reading, concentrating, thinking, communicating, and working. A major life activity also includes the operation of a major bodily function, including but not limited to, functions of the immune system, normal cell growth, digestive, bowel, bladder, neurological, brain, respiratory, circulatory, endocrine, and reproductive functions. An individual meets the requirement of “being regarded as having such an impairment” if the individual establishes that he or she has been subjected to an action prohibited by law because of an actual or perceived physical or mental impairment whether or not the impairment limits or is perceived to limit a major life activity. An individual will not be regarded as having such an impairment when the impairment is transitory and minor. A transitory impairment is an impairment with an actual or expected duration of 6 months or less. An impairment that is episodic or in remission is a disability if it would substantially limit a major life activity when active. For further definition, please see the Americans with Disabilities Act of 1990, as amended.

Housing for Older Persons – Housing (i) intended for, and solely occupied by, persons age 62 or older; or (ii) intended and operated for occupancy by at least one person age 55 years or older per unit, or (iii) provided for under any state or federal program that HUD has determined is specifically designed and operated to assist older persons (as defined in the state or federal program).

No Further Monitoring Status – Housing Credit Developments that have been removed from the Housing Credit program for repeated events of failure to respond to notices for monitoring reviews, non-submittal of annual compliance reports, and intentional disregard of program requirements.

Owner - The single purpose legal entity holding title to the Site as well as all persons, affiliates of such persons, corporations, partnerships, joint ventures, associations, or other entities that have a direct or indirect ownership interest in the ownership entity.

Phase 2 Development – A proposed development that first adds units to a Housing Credit Development, when the construction of the Housing Credit Development is complete and, as of the 2022 Competitive Cycle Deadline for Initial Applications, at least 50% of the units in the Housing Credit Development are leased to income qualified households at rents that comply with income and rent restrictions currently in effect for the Housing Credit Development

Qualified Allocation Plan (QAP) – The document prepared pursuant to Section 42(m) of the Code that details THDA’s priorities, process, and requirements regarding the Housing Credit program.

Scattered Site Development – A development located on 2 or more noncontiguous parcels of land.

Site – A parcel of land on which the Housing Credit Development will be developed, described by a unique legal description that will be part of the Carryover Allocation, and encumbered by the LURC. A Housing Credit Development may not contain scattered sites. THDA will not allocate Housing Credit based on costs associated with a site, or any portion thereof, that was considered in a prior allocation. Site changes are prohibited.

Site Control – See Section 12.A.1. Documentation submitted in conjunction with the Initial Application that demonstrates control of the property on which the development proposed in the Initial Application is to be located.

Supportive Services – Furnished through a contract with supportive service providers to provide Supportive Services, appropriate for a particular special needs population, under a planned program of services. In the case of persons with disabilities or housing for older persons, such services may be designed to enable residents of a Housing Credit Development to remain independent and avoid placement in a hospital, nursing home, or intermediate-care facility.

Supportive Services for Older Persons – Must include at least two of the following services: social and recreational programs, continuing education, information and counseling, recreation, homemaker, outside maintenance and referral services, an accessible physical environment, emergency and preventive health care programs, congregate dining facilities, or transportation to facilitate access to social services and facilities available to them.

Underlying Seller Authority – See Section 12.A.2

Section 3-G, page 16 - Total Development Cost Limits

In order to be eligible, Initial Applications for Housing Credit must propose Total Development Costs that do not exceed the applicable amount in Table 3–2 below. The Total Development Cost Limits are applied at Initial Application. *Land cost is not included in the Total Development Cost for purposes of this calculation.* An Applicant may submit a written request for an exception to the Total Development Cost limits. The written request must include sufficient supporting documentation and information to substantiate the need for the exception, as determined by THDA, in its sole discretion. Only one (1) written request for an exception to the Total Development Cost limits per application may be submitted. The request must be submitted to the Allocation Manager for approval no less than 3 weeks prior to submission of the Application.

Section 3-H-2, page 17 - Developer or Related Parties Limits

2. An Applicant, Developer, Owner, or Related Parties may not apply for 2022 Housing Credit if syndication closing has not occurred for ~~2-(two)~~3 (three) or more pre-2022 allocations **prior to** the 2022 Competitive Cycle Deadline for Initial Applications.

Section 4-A-3, page 19 – Applications-Scattered sites

3. Initial Applications proposing a Scattered Site Development will only be considered under the following circumstances:
 - a. *The Scattered Site Development must be applying for MTBA.*

Section 4-A, page 19 –Competitive Housing Credit Calendar of Events

The calendar of events applicable to this QAP is as shown below. These dates are subject to change at THDA's sole discretion. A full calendar will also be published on the THOMAS Documents Page.

Section 6-A, page 22 – Major SAEs and Requests for Relief

Returning credits due to the developments not being able to meet its targeted place in service deadline, and requesting THDA to approve and make an Exchange of Credit Allocation.

For Housing Credit Developments granted 2021 COVID-19 exchanges under the THDA Executive Director's COVID 19 Authority Waiver, this will provision may be waived for the 2022 Competitive Round.

Section 6-A, page 22 – Requests for Relief

~~Prohibition of an individual's participation in programs administered by THDA shall be determined by THDA, in its sole discretion.~~ While it rarely occurs, an application made by a developer with uncured major SAE(s) is subject to disqualification at the determination of the Executive Director, who shall notify the Board of Directors of such action. The Board retains the authority to revisit such decision.

Section 6-D-1-b, page 25 – Minor SAEs

- b. Defaulting on loan payments, unpaid property taxes, or having arrearages of at least three months on any loan for any Housing Credit Development;
 - (i) *Unpaid property taxes will not constitute a Minor SAE if acceptable evidence of active appeal is provided.*

Section 9-B-4 PHAs

- B. Awards from the PHA Set-Aside shall be made in the following order:
 - 1. Initial Application that proposes utilizing RAD in connection with a development located in a CRP, taking into account score and other limits in this QAP.
 - 2. Initial Application that proposes utilizing RAD, but the proposed development is located outside a CRP, taking into account score and other limits in this QAP.
 - 3. Initial Application that proposes a development that will be owned and operated by a PHA, but does not involve RAD and is not located in a CRP, taking into account score and other limits in this QAP.
 - 4. After completing steps 1 through 3 above, THDA will continue making allocations to eligible Initial Applications in the order of steps 1 through 3 above until the point is reached where there is insufficient Housing Credit remaining in the PHA Set-Aside to make another complete allocation.

Last year the QAP made the following priorities the Public Housing Authority Set-Aside so that first priority is assigned to proposed developments that (a) involve Rental Assistance Demonstration (“RAD”), (b) are covered by a Community Revitalization Plan (“CRP”), and (c) will be the second or subsequent RAD and CRP development under the CRP. Second priority is assigned to proposed developments that (a) involve RAD, (b) are covered by a CRP, and (c) will be the first RAD and CRP development under the CRP.

This year language was added to clarify that THDA will return to the first two priorities if there are credits available to do so in order to use the maximum amount of funds in the PHA set-aside. This clarification follows the practice implemented under the 2021 QAP.

Section 11-C, page 32 – New Construction

- C. An Initial Application proposing new construction in a QCT is eligible, provided that the Development Site is wholly located within a CRP and supported by the Market Study, as determined by THDA, in its sole discretion.

Section 12, begins on page 33 – Mandatory Requirements

Certain components of the Initial Application are mandatory in order for the Initial Application to proceed to review. Applications that have not met these mandatory requirements will not be reviewed, and are not subject to any cure or appeal process.

Site Control

Zoning

Market Study

Appraisal

Section 12-B-3, page 36 – Threshold requirements

- 3. **Financial Feasibility:** Include documentation demonstrating that the development is financially feasible. The ownership entity for the proposed project is structured as a single purpose entity and must be able to clearly show that the project is financially sustainable based on income from operations. The sources and uses should be available at the time of Application. Lender and Investor LOIs should demonstrate that there will be no shortfall of funds during the construction period; and permanent finance is structured and included. Owner contributions outside of deferred developer fee will not be considered an allowable source for the property’s permanent financing. *PHA, non-profit, and local government funds shall not be considered owner contributions.* Deferred developer fee, as a construction source, cannot exceed the

developer fee amount earned during the construction period. THDA may require documentation not specifically included in the minimum documentation requirements to verify the reasonableness of operating costs, as determined by THDA, in its sole discretion.

Many PHAs put their capital funds into deals, and NFPs also receive grants and donations that are also permissible.

Section 14-A-4-a, page 41 –Sponsor Characteristics

a. Development Team Tennessee Housing Credit Experience

To reward recent Housing Credit experience in Tennessee, developers associated with the Development Team listed in THOMAS for this Initial Application MUST have received an allocation of Housing Credit previously in Tennessee as evidenced by THDA's issuance of IRS Form(s) 8609 for that development. The Applicant must identify the most recent Tennessee Housing Credit allocation received.

For developers partnering with an experienced Tennessee developer the Initial application must include the Developer and/or Joint Venture Agreements detailing these co-developing and fee arrangements with regard to the 2022 Initial Application. PHAs that are eligible shall receive two points.

Section 14-A-4-b, page 42 – Minor SAE scoring table

Individuals identified as members of the proposed Development Team in the Initial Application will be awarded points as shown in Table 14–3. Minor SAEs will be attributed to the proposed Development Team. Minor SAE recording began on January 1, 2019. Maximum points for no more than 2 cumulative Minor SAEs.

Minor SAEs will be counted relative to the Development Team, not individual members. The cumulative total of Minor SAEs will determine the Development Team Track Record points.

Simplified scoring- we will not be looking at multiple owners and team members. The group will be scored as a whole.

Section 14-A-6, page 43 – Public Housing or Housing Choice Voucher Waiting List

Section 14-A-7-b, page 43 – Serving Resident Populations with Children [same change to Section 14-B-7-b, page 50, and Section 20-E-7-b, page 71]

Construct and/or rehabilitate a sport field or court (basketball, tennis, baseball, field hockey, soccer, football, etc.) that incorporates permanent fixtures, a minimum of 1600 square feet, is surfaced appropriately for the sport(s) intended for that space ~~that incorporates permanent fixtures and a minimum of 1,600 square feet of concrete, artificial grass or paved surface, whichever is appropriate for the sport,~~ and is separate from all parking areas. The field or court must be available to all residents for year round use; or

Section 14-A-11, page 47 – Letters of Intent [same change to Section 14-B-11, page 51]

Include all Housing Credit Development financing letters of intent from the construction lender, permanent lender, syndicator, and any other source of funds (e.g. grant, deferred developer fee, etc.). Letters of intent must be no more than 30 days old as of the 2022 Competitive Cycle Deadline for Initial Applications and contain the financing terms and pricing demonstrated in the application and proforma. 2 points per letter.

Section 14A13, page 48 – Extended Recapitalization Waiver [same change to Section 14-B-13, page 52]

Applicants may defer the point when recapitalization of the proposed development, through a subsequent allocation of Housing Credit under the competitive or noncompetitive process, may be requested. Points are based on the number of years from the date the last building in the development placed in service. Applicants claiming these points shall submit audited annual financial statements to THDA for 15 years, beginning with the Placed in Service year. Audited annual financial statements for each year must be submitted within six (6) months of the close of the fiscal year for the development. An Initial Application is **not eligible for these points if points are elected in Section 14–A–8.** Maximum points at 20 years.

Section 14-B-2-c, page 46 – Proposed Rehabilitation Hard Costs Per Unit

An Initial Application proposing “per door” rehabilitation hard costs in excess of the \$25,000 minimum will be eligible for points. Maximum points at \$50,001 or more per door.

Section 15-F-1 and Section 15-F-2, page 56 – Tiebreaker

1. In the event of a scoring tie between two or more Initial Applications proposing new construction at the cutoff for receipt of a Reservation Notice, the tie shall be broken as follows:
 - a. Priority will be given to the proposed new construction development in the Initial Application requesting the least amount of Housing Credit per low income unit.

[2021 TIE BREAKER TABLE DELETED FROM THIS LOCATION]

2. In the event of a scoring tie between two or more Initial Applications proposing rehabilitation of Existing Multifamily Housing, the tie shall be broken as follows:
 - b. Priority will be given to the proposed development requesting the least amount of Housing Credit per Housing Credit unit.

Section 16-B-3, page 58 – Carryover

- B. THOMAS Carryover Allocation Application Submission Requirements
 3. The Owner must submit (through THOMAS) a site plan map including all building identification numbers.

Site plan map with BINs is needed to eliminate confusion or errors in legal documentation of the Carryover Agreement.

Section 20-A-6, page 67 – QCT

6. An Initial Application proposing new construction in a QCT is eligible, provided that the Site is wholly located within a CRP and supported by the Market Study, as determined by THDA, in its sole discretion.

Section 20-B, page 67 – Development Limits

B. Development Limits

The maximum amount of MTBA that may be allocated to a single development is described in Section 5 [UPDATE] of the Multifamily Tax Exempt Bond Authority Program Description for 2022. [Removed three million dollars (\$3,000,000) limit on credits]

Section 20-E-8-b, page 71 – Extended Recapitalization Waiver

Applicants may defer the point when the development may request a recapitalization through a subsequent allocation of Housing Credit under the competitive or noncompetitive process. Points are based on the number of years from the date the last building in the development placed in service. Applicants claiming these points shall submit audited annual financial statements to THDA for year 15 of the Credit Period and for each year thereafter within six (6) months of the close of the fiscal year for the development. Maximum points at 20 years.

Section 21-A-3, page 73 – Special Assistance for At Risk and Distressed Counties- updated

- A. To be eligible for special assistance pursuant to this Section 21 of this QAP, an Initial Application must propose a development that meets all of the following requirements:
 1. Is new construction; and
 2. Consists of no more than 64 units; and
 3. Be located wholly within one of the following counties: Benton, Bledsoe, Campbell, Carroll, Carter, Claiborne, Clay, Cocke, Fentress, Grainger, Greene, Grundy, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Houston, Jackson, Johnson, Lake, Lauderdale, Lewis, McNairy, Meigs, Monroe, Morgan, Obion, Perry, Pickett, Rhea, Scott, Sequatchie, Unicoi, Union, Van Buren, Warren, or Wayne.

To review the QAP in full, please click on the following link:

<https://thda.org/pdf/MEMO-DRAFT-2022-QAP-FOR-WEB-09.09.2021.pdf>



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

SUMMARY OF AND RESPONSE TO COMMENTS REGARDING THE DRAFT LOW-INCOME HOUSING CREDIT 2022 QUALIFIED ALLOCATION PLAN

September 1, 2021

To review full documentation of the Public Hearing on August 25, 2021 for the 2022 Draft QAP, please click on the following link:

<https://thda.org/pdf/Public-Hearing-Notes-August-25-2021-for-2022-Draft-QAP.pdf>

Appendix



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 Programs
Don Watt, Chief Program Officer

SUBJECT: SUPPLEMENTAL ITEM: 2021 Emergency Solutions Grants Program Funding Recommendation

DATE: August 24, 2021

Award Update

THDA received 43 applications from nonprofit organizations and 5 applications from local governments that combined requested approximately \$5.3 million through the 2021 Emergency Solutions Grants Program (ESG Program) to assist individuals and families who are homeless or threatened with homelessness across the state.

The Executive Director awarded the sum of \$3,066,747 in program funds and \$45,000 in administrative funds through its ESG Program, as detailed in the attached 2021 Emergency Solutions Grants Funding Recommendation Matrix.

The ESG Program Awards are broken down in the following manner:

Program funding for eligible activities:

- \$2,466,747.00 is being awarded to approved nonprofit organizations
- \$600,000 is being awarded to set-aside cities

Administrative funding:

- \$45,000 is being awarded to set-aside cities

Staff is in the process of closing out the 2020 ESG Program. Any remaining program funds will be allocated to the 2021 ESG Program to fund additional applicants in the order they are ranked within the attached Matrix. Staff will provide any updated award information to the Committee and Board regarding associated funding awards at the meeting that immediately follows the date of the new awards.

2021 Emergency Solutions Grants - Funding Matrix

															Program Allocation										\$	2,487,518.00
Applicant	Unsubsid	County	S.M.W.	Direct Contracts	Subsidy	Prevention	Support Referring	Data Collection	Admit	Total Funding REQUESTED	Total Program AWARD	Admission Award	Program Change	Program Status	Final Capacity	Priority Capacity	Cost	Total Cost	Available Program Balance							
Domestic Violence Program, Inc.	Eligible	Rutherford	M	\$ -	\$ 35,000.00	\$ -	\$ 20,000.00	\$ -	\$ -	\$ 55,000.00	\$ 55,000.00	\$ -	10	29	18	20	20	100	2,412,518.00							
Greater Memphis Alliance for Development	Eligible	Sullivan	E	\$ 144,000.00	\$ -	\$ -	\$ -	\$ 6,000.00	\$ -	\$ 150,000.00	\$ 150,000.00	\$ -	10	28	18	20	20	100	2,262,518.00							
Housing, Health, And Human Services Alliance Of Jefferson County, Inc.	Eligible	Madison	M	\$ -	\$ -	\$ -	\$ -	\$ 89,000.00	\$ -	\$ 89,000.00	\$ 89,000.00	\$ -	10	17	18	20	20	100	2,193,518.00							
Fairview Housing Management Corporation	Eligible	Washington	E	\$ -	\$ 50,000.00	\$ 25,000.00	\$ 65,000.00	\$ 10,000.00	\$ -	\$ 150,000.00	\$ 150,000.00	\$ -	10	37	18	20	20	99	2,043,518.00							
Families In Crisis, Inc.	Eligible	Warren	M	\$ -	\$ 64,500.00	\$ 2,038.00	\$ 47,900.00	\$ 13,600.00	\$ -	\$ 128,000.00	\$ 128,000.00	\$ -	10	38	18	20	20	99	1,915,518.00							
MATS, Inc.	Eligible	Hamblen	E	\$ -	\$ 109,000.00	\$ -	\$ 20,000.00	\$ 21,000.00	\$ -	\$ 150,000.00	\$ 150,000.00	\$ -	10	28	18	20	20	99	1,765,518.00							
Trinity Out-Reach Center Of Hope	Eligible	Anderson	M	\$ 30,000.00	\$ -	\$ -	\$ 65,000.00	\$ 15,000.00	\$ -	\$ 110,000.00	\$ 110,000.00	\$ -	10	77	18	20	20	99	1,655,518.00							
WRAP	Eligible	Madison	M	\$ -	\$ 70,000.00	\$ -	\$ 80,000.00	\$ -	\$ -	\$ 150,000.00	\$ 150,000.00	\$ -	10	28	18	20	20	98	1,505,518.00							
Bridges of Williamson County dba Bridges Domestic Violence Center	Eligible	Williamson	M	\$ -	\$ 123,747.00	\$ -	\$ 6,861.00	\$ 5,800.00	\$ -	\$ 135,510.00	\$ 135,510.00	\$ -	9	25	18	19	20	94	1,349,808.00							
Change Is Possible-CHIPS	Eligible	Union	E	\$ -	\$ 22,000.00	\$ -	\$ 110,680.00	\$ 2,707.00	\$ -	\$ 135,387.00	\$ 135,387.00	\$ -	10	29	18	18	20	94	1,234,221.00							
Fayette Cares, Inc.	Eligible	Fayette	W	\$ -	\$ 33,225.00	\$ -	\$ -	\$ 1,775.00	\$ -	\$ 35,000.00	\$ 35,000.00	\$ -	10	29	18	19	20	94	1,199,221.00							
The Journey Home, Inc.	Eligible	Rutherford	M	\$ -	\$ 25,000.00	\$ 3,000.00	\$ 82,000.00	\$ -	\$ -	\$ 110,000.00	\$ 110,000.00	\$ -	10	77	18	20	20	98	1,089,221.00							
Buffalo Valley, Inc.	Eligible	Lewis	M	\$ -	\$ -	\$ -	\$ 100,000.00	\$ 50,000.00	\$ -	\$ 150,000.00	\$ 150,000.00	\$ -	10	22	18	20	20	97	939,221.00							
Garey Counseling Center, Inc.	Eligible	Henry	W	\$ -	\$ 18,000.00	\$ -	\$ 23,750.00	\$ 45,000.00	\$ -	\$ 87,750.00	\$ 87,750.00	\$ -	10	26	18	20	20	97	851,471.00							
Doors of Hope	Eligible	Rutherford	M	\$ -	\$ 115,000.00	\$ -	\$ -	\$ 10,000.00	\$ -	\$ 125,000.00	\$ 125,000.00	\$ -	10	24	18	18	20	97	726,471.00							
Family Promise of Greater Johnson City, Inc.	Eligible	Washington	E	\$ -	\$ 85,000.00	\$ -	\$ -	\$ 1,700.00	\$ -	\$ 86,700.00	\$ 86,700.00	\$ -	10	28	18	20	20	97	639,771.00							
Family Promise Of Greater Kingsport	Eligible	Sullivan	E	\$ -	\$ 46,000.00	\$ 5,000.00	\$ 25,000.00	\$ 4,000.00	\$ -	\$ 80,000.00	\$ 80,000.00	\$ -	10	36	18	20	20	97	559,771.00							
Johnson County Safe Haven, Inc.	Eligible	Johnson	E	\$ -	\$ 80,000.00	\$ -	\$ -	\$ 20,000.00	\$ -	\$ 100,000.00	\$ 100,000.00	\$ -	10	24	18	18	20	97	459,771.00							
Tennessee Homeless Solutions	Eligible	Madison	M	\$ -	\$ 45,000.00	\$ -	\$ -	\$ -	\$ -	\$ 45,000.00	\$ 45,000.00	\$ -	10	25	18	20	20	96	417,771.00							
Heleen Ross McHabb Center	Eligible	Knox	E	\$ 23,300.00	\$ -	\$ -	\$ 60,000.00	\$ 1,700.00	\$ -	\$ 85,000.00	\$ 85,000.00	\$ -	10	27	14	20	20	95	329,771.00							
Appalachian Regional Coalition On Homelessness	Eligible	Washington	M	\$ -	\$ -	\$ 79,808.00	\$ -	\$ -	\$ -	\$ 79,808.00	\$ 79,808.00	\$ -	10	38	18	18	20	94	250,771.00							
Area Relief Ministries	Eligible	Madison	M	\$ 5,000.00	\$ 72,500.00	\$ -	\$ 72,500.00	\$ -	\$ -	\$ 150,000.00	\$ 150,000.00	\$ -	10	28	14	20	20	94	100,771.00							
The GracePlace Housing Development Corp.	Eligible	Claiborne	E	\$ 10,788.00	\$ -	\$ 64,600.00	\$ 44,800.00	\$ 400.00	\$ -	\$ 100,000.00	\$ 100,000.00	\$ -	10	29	18	19	20	94	77,200.00							
Chattanooga Regional Homeless Coalition	Eligible	Hamilton	E	\$ -	\$ -	\$ -	\$ -	\$ 65,000.00	\$ -	\$ 65,000.00	\$ -	\$ -	10	23	13	19	20	113	\$ -							
United Methodist Urban Ministries Clarksville District	Eligible	Montgomery	M	\$ -	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -	\$ -	\$ 150,000.00	\$ -	\$ -	10	22	18	20	20	81	\$ -							
The Salvation Army Of Johnson City	Eligible	Washington	E	\$ -	\$ 25,000.00	\$ -	\$ 35,000.00	\$ 35,000.00	\$ -	\$ 60,000.00	\$ -	\$ -	7	24	18	20	20	92	\$ -							
The Salvation Army, A Georgia Corporation, for Clarksville, TN	Eligible	Montgomery	M	\$ 10,000.00	\$ 50,000.00	\$ 40,000.00	\$ 35,000.00	\$ 5,000.00	\$ -	\$ 150,000.00	\$ 150,000.00	\$ -	10	30	18	20	20	91	\$ -							
Family Promise of Greater Chattanooga	Eligible	Hamilton	E	\$ -	\$ 50,000.00	\$ 50,000.00	\$ -	\$ -	\$ -	\$ 150,000.00	\$ -	\$ -	10	27	13	18	20	91	\$ -							
The Salvation Army, A Georgia Corporation for Kingsport	Eligible	Sullivan	E	\$ -	\$ 65,000.00	\$ 32,000.00	\$ -	\$ 20,000.00	\$ -	\$ 117,000.00	\$ -	\$ -	8	20	18	18	20	91	\$ -							
Stepping Stones Safe Haven, Inc	Eligible	Rutherford	M	\$ -	\$ 77,500.00	\$ -	\$ 15,000.00	\$ -	\$ -	\$ 92,500.00	\$ -	\$ -	9	28	11	18	20	90	\$ -							
Jesusa Cares McNairy County	Eligible	McNairy	W	\$ -	\$ 40,000.00	\$ 60,000.00	\$ -	\$ -	\$ -	\$ 100,000.00	\$ -	\$ -	9	22	11	18	20	89	\$ -							
The Salvation Army, A Georgia Corporation, for Bristol, TN	Eligible	Johnson	E	\$ -	\$ 80,000.00	\$ 45,000.00	\$ 25,000.00	\$ -	\$ -	\$ 150,000.00	\$ -	\$ -	10	34	11	20	19	89	\$ -							
The Chattanooga Room In The Inn	Eligible	Hamilton	E	\$ 33,107.00	\$ -	\$ 32,353.00	\$ 67,954.00	\$ 16,586.00	\$ -	\$ 150,000.00	\$ -	\$ -	9	27	18	11	18	89	\$ -							
Cleveland Emergency Shelter, Inc.	Eligible	Bradley	E	\$ -	\$ 90,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ -	\$ 150,000.00	\$ -	\$ -	9	25	6	19	20	84	\$ -							
The Salvation Army At Milledgeboro	Eligible	Rutherford	M	\$ 150,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000.00	\$ -	\$ -	9	17	18	18	20	84	\$ -							
Abuse Alternatives, Inc.	Eligible	Sullivan	E	\$ -	\$ 67,884.00	\$ -	\$ -	\$ 5,000.00	\$ -	\$ 72,884.00	\$ -	\$ -	8	18	7	20	20	82	\$ -							
City of Johnson City - Community Development	Eligible	Sullivan	E	\$ 47,008.00	\$ -	\$ -	\$ 1,000.00	\$ 3,600.00	\$ -	\$ 51,608.00	\$ -	\$ -	10	23	5	18	20	82	\$ -							
Community Helpers - Inc (The)	Eligible	Rutherford	M	\$ -	\$ -	\$ 150,000.00	\$ 50,000.00	\$ -	\$ -	\$ 150,000.00	\$ -	\$ -	10	26	5	18	19	82	\$ -							
The Hope Station	Eligible	Rutherford	M	\$ -	\$ -	\$ 50,000.00	\$ -	\$ -	\$ -	\$ 50,000.00	\$ -	\$ -	10	23	17	11	18	80	\$ -							
Hardin County Jesus Cares, Inc.	Eligible	Hardin	W	\$ -	\$ -	\$ 40,000.00	\$ 30,000.00	\$ -	\$ -	\$ 70,000.00	\$ -	\$ -	10	24	11	19	13	79	\$ -							
Cannon County S.A.V.E.	Eligible	Cannon	M	\$ 70,096.00	\$ 35,000.00	\$ -	\$ 42,000.00	\$ -	\$ -	\$ 150,000.00	\$ -	\$ -	10	23	5	16	20	76	\$ -							
Dele Inc	Eligible	Bradley	E	\$ 56,000.00	\$ -	\$ 25,000.00	\$ 73,000.00	\$ 2,000.00	\$ -	\$ 150,000.00	\$ -	\$ -	8	25	11	10	20	73	\$ -							
Dominion Financial Management	Eligible	Rutherford	M	\$ -	\$ -	\$ 35,000.00	\$ -	\$ -	\$ -	\$ 35,000.00	\$ -	\$ -	10	20	5	20	15	73	\$ -							
ACTION Coalition	Eligible	Johnson	E	\$ -	\$ 40,808.00	\$ -	\$ -	\$ -	\$ -	\$ 40,808.00	\$ -	\$ -	7	15	5	16	18	63	\$ -							
				\$ 582,407.00	\$ 1,613,395.00	\$ 833,153.80	\$ 1,799,647.00	\$ 473,766.00	\$ 3,800.00	\$ 4,798,733.00	\$ 3,866,247.00															
Certificate Applicants																										
Applicant	Unsubsid	County	S.M.W.	Direct Contracts	Subsidy	Prevention	Support Referring	Data Collection	Admit	Total Funding REQUESTED	Total Program AWARD	Admission Award	Program Change	Program Status	Final Capacity	Priority Capacity	Cost	Total Cost	Available Program Balance							
City of Chattanooga	Eligible	Hamilton	E	\$ -	\$ -	\$ -	\$ 330,000.00	\$ -	\$ 11,350.00	\$ 361,250.00	\$ 150,000.00	\$ 11,250.00														
City of Clarksville	Eligible	Montgomery	M	\$ 65,000.00	\$ 58,960.00	\$ -	\$ -	\$ 26,040.00	\$ 11,250.00	\$ 150,000.00	\$ 150,000.00	\$ 11,250.00														
City of Johnson City	Eligible	Washington	E	\$ -	\$ 70,560.00	\$ 30,000.00	\$ -	\$ 7,940.00	\$ 11,250.00	\$ 150,000.00	\$ 150,000.00	\$ 11,250.00														
City of Milledgeboro	Eligible	Rutherford	M	\$ -	\$ 125,000.00	\$ -	\$ -	\$ 25,000.00	\$ 11,250.00	\$ 150,000.00	\$ 150,000.00	\$ 11,250.00														
	Eligible			\$ 65,000.00	\$ 164,370.00	\$ 30,000.00	\$ 381,500.00	\$ 58,980.00	\$ 45,000.00	\$ 602,000.00	\$ 602,000.00	\$ 45,000.00														

Total by Region	
Middle	\$ 1,417,910.00
East	\$ 1,526,087.00
West	\$ 122,750.00
	\$ 3,066,747.00

Approved By: Ralph M. Perrey Date: 8/23/2011
Ralph M. Perrey, Executive Director



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 Programs
Don Watt, Chief Program Officer

SUBJECT: 2022 Summer Round of the Competitive Grants

DATE: August 25, 2021

Award Update

Attached is the funding award matrix under the 2022 Summer Round of the Competitive Grants Program of the Tennessee Housing Trust Fund. THDA had approximately \$2.3 million available for award. THDA received five (5) applications eligible for scoring, requesting over \$2.3 million.

The Executive Director awarded the sum of \$2,319,071 to create 380 units of affordable housing, benefiting 380 households. The top five scoring applicants listed below were fully funded:

East Grand Division –

1. Volunteer Behavioral Health Care Systems (Hamilton County) is proposing to renovate a 2-story building to provide eight (8) efficient studio units for ex-offenders in Hamilton County who have severe mental illness and co-occurring disorders. All participants will have incomes at or below 30% AMI.
2. Eastern Eight Community Development Corporation (Hawkins County) is proposing to renovate 24 former Rural Development units serving low and very low-income households. All units will have Rural Development Project Based Rental Assistance.

Middle Grand Division –

3. Franklin Housing Authority (Williamson County) is proposing to construct 76 new rental units. All 76 units will be LIHTC units. The project will include 12 units with Rental Assistance Demonstration Project-Based Vouchers (RAD PBV) and 20 Project Based Voucher units will be assigned to the site. Non-subsidized units will be for residents at or below 60% AMI.

West Grand Division –

4. Memphis Housing Authority (Shelby County) is proposing to construct 131 units to serve very low and extremely low income seniors and homeless veterans. All 131 units will be LIHTC units and will receive Project Based Vouchers.
5. Tennessee Housing Development Corporation (Madison County) is the development arm for the Jackson Housing Authority and is proposing to renovate 141 units for very low and extremely low income households. All 141 units will be LIHTC units with 118 units receiving Rental Assistance Demonstration Project-Based Vouchers (RAD PBV).

The following application did not pass threshold or funding.

Applicants Not Passing Threshold	County	Threshold Issue
Independence Again	Putnam	Did not submit financial audit

**2022 SUMMER ROUND OF THE THTF COMPETITIVE GRANTS PROGRAM
FUNDING DETERMINATION MATRIX**

APPLICANTS PASSING THRESHOLD	COUNTY	E M W	THTF Project Funds Request	THTF Dev. Fee Request	TOTAL THTF Request	THTF Award	MATCHING FUNDS (Cash)	MATCHING SERVICES / PROPERTY	TOTAL PROJECT COSTS	# of HHs	# of Units	ACTIVITY	POPULATION	CAPABILITY 70 Pts	NEED 23 Pts	INNOVATION 7 Pts	TOTAL SCORE	TOTAL BALANCE OF FUNDS AVAILABLE
																		\$2,319,071
East Grand Division - Highest Scoring Applicant																		
Volunteer Behavioral Health Care Systems	Hamilton	E	\$350,000	\$25,000	\$375,000	\$375,000	\$85,000	\$790,420	\$1,250,420	8	8	Rehabilitation	Ex-offenders w severe mental illness & co-occurring disorders	64	11	4	79	\$1,944,071
Middle Grand Division - Highest Scoring Applicant																		
Franklin Housing Authority	Williamson	M	\$500,000	\$0	\$500,000	\$500,000	\$17,678,508	\$178,560	\$18,357,068	76	76	New Construction	Low Income, Elderly	65	6	4	75	\$1,444,071
West Grand Division - Highest Scoring Applicant																		
Memphis Housing Authority	Shelby	W	\$500,000	\$0	\$500,000	\$500,000	\$27,015,244	\$0	\$27,515,244	131	131	New Construction	Very Low, Extremely Low Income Seniors, Homeless Veterans	68	6	6	80	\$944,071
All Remaining Applications Ranked																		
Tennessee Housing Development Corporation	Madison	W	\$500,000	\$0	\$500,000	\$500,000	\$12,545,760	\$0	\$13,045,760	141	141	Rehabilitation	Low, Very Low, Extremely Low Income	65	10	2	77	\$444,071
Eastern Eight Community Development Corporation	Hawkins	E	\$415,020	\$29,051	\$444,071	\$444,071	\$702,642	\$1,333,207	\$2,479,920	24	24	Rehabilitation	Low and Very Low Income	61	12	3	76	\$0

Total Funds Recommended For Award:	\$2,319,071
Total Funds Requested From Eligible Applications:	\$2,319,071

Total Recommended For Award	380	380
Total Eligible Applications	380	380

Applicants Not Passing Threshold	County	Threshold Issue
Independence Again	Putnam	Did not submit financial audit

Approved:  8/9/21

 Ralph M. Perrey, Executive Director Date



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243
(615) 815-2200

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: All 2021 Competitive Low-Income Housing Credit Applicants

FROM: Multifamily Programs Division

SUBJECT: 2021 Competitive Low-Income Housing Credit Preliminary Ranking

DATE: September 4, 2021

The following is the Preliminary Ranking for the 2021 Competitive Low-Income Housing Credit Program. The period has ended in accordance with the 2021 Qualified Allocation Plan (the "2021 QAP"). As indicated in the 2021 QAP, there will be no further review of scoring or ranking of Initial Applications. Applicable tiebreakers and limits have been taken into consideration.

The list includes **only** Initial Applications to which THDA anticipates issuing a Reservation Notice. The Preliminary Ranking includes the following Set-Asides and/or Pools

1. Non-Profit Set-Aside
 2. CNI Grants Set-Aside
 3. PHA Set-Aside
 4. Existing Set-Aside
 5. New Construction
- Regional Pools

Reservation Notices will be issued as soon as possible. We are working diligently to complete this process promptly. Underwriting is now underway. **THDA may be contacting applicants regarding issues which have the potential to affect the amount of Tax Credit allocated.**

Persons involved with the Initial Application to which THDA currently anticipates issuing a Reservation Notice may wish to consult Section 14-H of the 2021 QAP to begin the processes of obtaining the standard documents which will be required.

We appreciate your interest and participation in the 2021 competitive Low-Income Housing Credit program. If you have questions, please contact Josie Kotsioris Director of Multifamily Programs at jkotsioris@thda.org.

2021 Low Income Housing Credit Program Ranking as of August 4, 2021

SA/Pool	TN ID	Project Name	County	County Type	QCT	DDA	Mkt Units	LIHC Units	Total Units	TC Requested	Development Group	Contact Name	Contact Email
NP	21-034	East Fork Way	Rutherford	Urban			0	60	60	\$1,300,000	Non Profit Housing	Nancy King	nonprofithousing@bellsouth.net
NP	21-033	West Way, Phase II	Williamson	Urban			0	80	80	\$1,300,000	Non Profit Housing	Nancy King	nonprofithousing@bellsouth.net
CNI	21-004	South City V	Shelby	Urban	X		0	120	120	\$1,700,000	McCormack Baron Salazar, Inc & Memphis Housing	Emily Bernstein	emily.bernstein@mccormackbaron.com
PHA	21-018	Parkside	Rutherford	Urban	X		0	46	46	\$1,300,000	Murfreesboro Housing Authority	Thomas Rowe	trowe@mha-tn.org
PHA	21-021	Shawnee Place	Williamson	Urban			0	50	50	\$1,300,000	Franklin Housing Authority	Susan Minor	sminor@franklinhousingauthority.com
PHA	21-019	Sumner Gardens Court	Sumner	Urban			0	48	48	\$1,240,000	Gallatin Housing Authority	Phyllis Vaughn	phyllis@vaughndevelopment.com
Existing	21-023	East Gate Village Apartments	Obion	Suburban	X		0	100	100	\$1,000,000	Eastgate Preservation Development, LLC	Ryan Songerath	rsongerath@padevelopment.com
Existing	21-007	Deer Run I & II	Jackson	Rural	X		0	40	40	\$427,174	The Hallmark Companies, Inc.	William Allen Glisson	bglisson@hallmarkco.com
Existing	21-010	Spring Forest Apartments	Lauderdale	Suburban	X		0	48	48	\$378,260	Maco Development	J. Jason Maddox	jason@macocompanies.com
Existing	21-012	Sun Valley Apartments	Lake	Rural	X		0	24	24	\$199,387	Maco Development	J. Jason Maddox	jason@macocompanies.com
Existing	21-016	McMinn Village Apartments	McMinn	Suburban	X		0	100	100	\$930,000	Trent Development	Alex Trent	atrent@trentdevelopmentgroup.com
Existing	21-005	Rolling Hills Apartments	Lauderdale	Suburban	X		0	48	48	\$508,858	The Hallmark Companies, Inc.	William Allen Glisson	bglisson@hallmarkco.com
Existing	21-011	Kensington Place	Decatur	Rural			0	32	32	\$252,066	Maco Development	J. Jason Maddox	jason@macocompanies.com
Existing	21-003	Creekview Irish Apartments	Humphreys	Rural			0	84	84	\$880,782	Alco Management	Berkeley Burbank	bburbank1@alcomgt.com
Existing	21-008	Reelfoot Village Apartments	Lake	Rural	X		0	20	20	\$241,733	The Hallmark Companies, Inc.	William Allen Glisson	bglisson@hallmarkco.com
Regional Pool-1	21-051	Sumner Pointe	Sumner	Urban			0	64	64	\$702,097	Hall Group	John David Chambless	jdchambless@pwgc.net
Regional Pool-3	21-031	Dickson Grove Apartments	Dickson	Rural			0	48	48	\$443,294	South East Capital LLC	David Varner	david@southeastcapitaltn.com
Regional Pool-3	21-026	Somerville Trace	Fayette	Rural			0	48	48	\$900,000	Olympia Management, Inc.	Butch Richardson	butch@olympiaconstruction.net
Regional Pool-2	21-044	Bluestone Terrace	Hamilton	Urban			0	80	80	\$1,300,000	Greer Investments	Lisa Ceci	lisa@greerllc.net
Regional Pool-4	21-032	Memorial Glen Apartments	Meigs	Rural			0	40	40	\$628,849	South East Capital LLC	David Varner	david@southeastcapitaltn.com
Regional Pool-4	21-035	Governor's Place Apartments	Overton	Rural			0	64	64	\$1,300,000	Appalachian Home and Health	Robert Sharp	appalachianhomehealth@gmail.com
Regional Pool-1	21-045	Jackson's Station	Rutherford	Urban			0	60	60	\$1,000,000	Woodbine Community Organization	Tony Woodham	twoodham@woodbinecommunity.org
								1304	1304	\$19,232,500			