

TENNESSEE HOUSING DEVELOPMENT AGENCY  
TAX CREDIT COMMITTEE  
July 23, 2019

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors met, in regular session, on Tuesday, July 23, 2019, at 10:05 a.m. Central Time at the William R. Snodgrass Tennessee Tower, Third Floor, Nashville Room, Nashville, Tennessee.

The following Committee members were present: Lynn Tully (chair), Treasurer David Lillard, Samantha Wilson (for Commissioner of Finance & Administration, Stuart McWhorter), Erin Merrick and Mike Hedges. Other Board members attending were: Austin McMullen, Chrissi Rhea and John Snodderly.

Seeing a quorum present, Chair Tully called the meeting to order and noted that the minutes from the May 21, 2019, meeting would be deferred until the next meeting.

Chair Tully stated there would be no action items for the Committee, but there would be discussion on amendments to the 2019-2020 Low-Income Housing Credit Qualified Allocation Plan ( the “2019-2020 QAP”).

Chair Tully recognized Don Watt, Acting Director of Multifamily Programs and Ed Yandell, Senior Housing Credit Advisor to lead this discussion. Mr. Watt explained that the 2019-2020 QAP governs allocation of housing credits in 2019 and 2020. He described the following amendments to the 2019-2020 QAP proposed by staff, as more specifically described in the attachment to a memo from Mr. Watt dated July 15, 2019:

- New Construction Regional Pool Allocations - Staff proposes sorting all eligible initial applications submitted under the Regional Pools, regardless of pool, in ranking order, taking the tie breaker into account, if applicable, then proceed down the ranking to select the specified number of developments in each pool. Mr. Watt noted that the 2019-2020 QAP currently provides for project selection by Regional Pool geographically from east to west, however, staff recognized that there are fewer competitive housing credits available in 2020 as a result of prior exchanges, so competitive housing credits could be depleted before all the Regional Pools are filled. In response to questions about distribution of high scoring initial applications, Mr. Yandell noted that there tends to be a reasonably even distribution of allocations (i.e. high scoring Initial Applications) across the state. In response to a question about rural distribution, Mr. Yandell indicated he would provide information to the Committee in September.
- Innovation Round – Staff proposes including a theme for 2020 and more specificity regarding what constitutes “innovation”. Mr. Watt explained that staff is considering rural downtown adaptive reuse as an innovative theme as many communities have a “white elephant” site, such a vacant school building or hotel or some other building type. He noted that this theme would support the Governor’s focus on rural Tennessee. He also pointed out that it is difficult to more clearly define “innovation” when a very wide array of potential developments are possible. Ms. Merrick expressed concern that a theme would restrict the amount of true innovation, but recognized the need for additional guidance or clarification. Chair Tully indicated the theme could change periodically for diversity in the innovation round.
- Total Development Cost Limits – Staff proposes that Innovation Round applications may exceed the applicable Total Development Cost (“TDC”) Limits by up to 10% and that the TDC Limits are a one-time snapshot test at initial application. Mr. Watt noted that the 2019-2020 QAP is silent with regard to construction costs exceeding the TDC limits after an Initial Application is selected for an allocation of housing credits. He indicated that staff proposes clarifying that the TDC Limit is only

a test at the initial application. Mr. Watt noted that the issuance of the Reservation Notice limits the amount of competitive housing credit allocated to a development, so subsequent cost increases do not increase the amount of housing credits made available. He also noted that the tie breaker in the 2019-2020 QAP provides an incentive to request the lowest amount of housing credits possible.

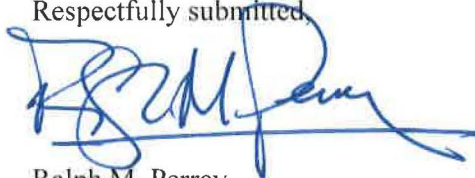
In response to a comment from a developer about “gaming the system”, Mr. Yandell noted that it is always possible that an applicant will try to get around caps and restrictions, however, staff reviews all proposed development costs during the Initial Application review to identify anything that looks unreasonable. He noted that the calculation of the housing credit amount is tied to development cost, so an applicant who deliberately undercuts construction cost is likely lowering the housing credit amount for which they are applying. He explained that staff reviews development costs multiple times during the construction of a development with housing credits and that TDC Limits can be revised in subsequent qualified allocation plans or on an interim basis if warranted.

- Cross counting across Set-Asides - Staff proposes to clarify that allocations from both the Non-Profit Set-Aside and the Choice Neighborhood Implementation (“CNI”) Set-Aside count against the existing multifamily housing allocation and the New Construction Regional Pool. Mr. Watt noted that cross counting will help prevent THDA from being unable to make housing credit allocation in each New Construction Regional Pool.
- Extension fee for late submission of Owner Annual Certifications and resident data documentation – Staff is analyzing these fees in comparison to similar fees imposed by other southern states to determine whether proposing a reduction is warranted. Mr. Watt explained that in addition to a possible Significant Adverse Event (“SAE”) determination, the 2019-2020 QAP currently outlines a fee structure of \$500 for reports that are one to five days late, with an additional \$200 each day up to \$6,000 if they are 30 days late.

Finally, Mr. Watt indicated that staff expects to post proposed amendments to the 2019-2020 QAP by July 31, 2019, with a comment period to follow. He noted that staff intends to have the amended 2019-2020 QAP ready for consideration at the full Board Meeting in September.

With no further business, meeting was adjourned.

Respectfully submitted,



Ralph M. Perrey  
Executive Director

Approved this 24<sup>th</sup> day of September, 2019.