TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT COMMITTEE MEETING MINUTES
January 29, 2020

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 Wednesday, January 29, 2020, at 10:30 a.m. Central Time at the William R. Snodgrass Tennessee Tower, Third Floor, Nashville Room, Nashville, Tennessee.

The following Committee members were present: John Snodderly, Kevin Bradley (for Treasurer David Lillard), Colleen Daniels (for Commissioner of Finance & Administration, Stuart McWhorter), Erin Merrick and Mike Hedges (Board Chair). Committee member Lynn Tully participated by phone. Mr. Snodderly acted as Committee Chair in the absence of Ms. Tully. Other Board members in attendance were Dorothy Cleaves, Katie Armstrong (for Comptroller Justin Wilson), Austin McMullen, Jonathan Rummel (for Secretary of State Tre Hargett), Rick Neal and Chrissi Rhea.

Seeing a quorum present, Chair Snodderly called the meeting to order and called for consideration of the November 19, 2019, minutes. Upon motion by Ms. Daniels, second by Mr. McMullen, the minutes were approved. Chair Snodderly acknowledged Edwin King as the new Director of Multifamily Development for THDA.

Chair Snodderly called for consideration of amendments to the 2019-2020 Multifamily Low Income Housing Qualified Allocation Plan ("QAP") for distressed and at risk communities. Ed Yandell, Senior Housing Credit Advisor, referenced a memo dated January 15, 2020, that describes staff recommendations to amend the QAP to provide special assistance to at-risk/distressed counties in Tennessee and provided the following summary of the proposed amendments:

1. To be eligible for this assistance a proposed development must satisfy each of three criteria:
    a. New construction
    b. No more than 64 units; and,
    c. Located wholly within one of the following counties: Benton, Bledsoe; Campbell, Carroll, Carter, Claiborne, Clay, Cocke, Decatur, Fentress, Grainger, Grundy, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Houston, Jackson, Johnson, Lake, Lauderdale, lewis, McNairy, Meigs, Monroe, Morgan, Obion, Overton, Perry, Rhea, Scott, Unicoi, Union, Van Buren, Warren, Wayne or Weakley.
2. Eligible proposed developments would receive the following special considerations:
    a. Per development annual LIHC limit of $1.3 million; and
    b. Basis boost of up to 130%, as determined by THDA; and,
    c. New construction in a HUD-designated Qualified Census Tract ("QCT") permissible; and
    d. Applicable total development cost limits increased by 10%; and
    e. Solely for the purposes of the Special At-Risk/Distressed Counties Assistance, none of the counties above will be considered "non-viable" with regard to the County Need Score.

Mr. Hedges and Chair Snodderly expressed their support for the proposed amendments. Upon motion by Ms. Merrick, second by Ms. Daniels, the Committee recommended to the Board the described changes, together with authorization for staff to make conforming changes as necessary.

Chair Snodderly recognized Mr. Yandell to present the proposed amendment to the QAP regarding the new construction regional pool. Mr. Yandell referenced a memo dated January 27, 2020, that replaced the original memo with the same subject dated January 15, 2020, and explained the following amendments that modify the methodology for allocating housing credits to the new construction regional pools for at risk and distressed counties:

1. Two developments may be selected from each of the West, Cumberland, East and Upper East New Construction Regional Pools; and
2. Three developments may be selected from the Middle New Construction Regional Pool; and
3. Within each of the West, Cumberland, East and Upper East New Construction Regional Pools, there would be no more than one allocation to a proposed development eligible for the special At-Risk/Distressed Counties Assistance and no more than one allocation to a proposed development not eligible for the Special At-Risk/Distressed Counties Assistance; and
4. Within the Middle New Construction Regional Pool, there would be no more than one allocation to a proposed development eligible for the special At-Risk/Distressed Counties Assistance and no more than two allocations to developments not eligible for the Special At-Risk/Distressed Counties Assistance; and
5. Allocations from the New Construction Regional Pools will be made in ranking order, taking into account all limits and tie-breakers, without preference for proposed developments eligible for the special At-Risk/distressed Counties Assistance or proposed developments <u>not</u> eligible for the Special At-Risk/Distressed Counties Assistance.

Upon motion by Mr. Bradley, second by Ms. Merrick, the Committee recommended to the Board the described amendments, together with authorization for staff to make conforming changes as necessary.

Chair Snodderly recognized Mr. King who referenced a memo dated January 15, 2020 titled "Amendment to the 2017 Low-Income Housing Tax Credit Qualified Allocation Plan, the 2018 Low-Income Housing Tax Credit Qualified Allocation Plan, and the 2018 Multifamily Tax-Exempt Bond Authority Program Description". Mr. King noted that the amount of noncompetitive low-income housing credit currently available to a single development is $1.1 million per year. He reminded the Committee that in May 2019, the per development limit for non-competitive low income housing credit developments was increased to $3 million per year under the 2019-2020 QAP and under the 2019 Multifamily Tax-Exempt Bond Authority Program Description ("Program Description"). He noted that allocations of non-competitive low income housing credits may be increased when a development is placed in service. Mr. King indicated that staff recommends increasing the per development limit for non-competitive low income housing credits from $1.1 million to $3.0 million. Upon motion by Ms. Daniels, second by Mr. Bradley, the Committee recommended to the Board, the described amendment, together with authority motion carried to approve the amendment as presented along with the authorization for staff to change relevant parts of the QAP and Program Description and to make conforming changes as necessary.

Chair Snodderly recognized Mr. King who referenced a memo dated January 21, 2020, titled “Clarification to Requirements for HVAC Systems and Windows”. Mr. King explained that 2016, 2017 and 2018 Low Income Housing Tax Credit Qualified Allocation Plans were amended in November 2019 to address energy efficiency requirements, but the following staff recommendations will provided needed additional clarification:

1. Apply the 2015 enterprise Green Community specifications for HVAC systems and windows for developments that meet all the following conditions:
    a. The development originally received an allocation of housing credit under the 2016, 2017 or 2018 Low-Income Housing Tax Credit Qualified Allocation Plan; and
    b. IRS Form(s) 8609 for the most recent allocation of housing credit have not been issued; and
    c. The development elected to substitute “ENERGY STAR” requirements for the “Enterprise Green Community Certification” requirements; and
    d. The development architect provides written certification in a form and with substance acceptable to THDA, in its sole discretion, that the HVAC system(s) and windows are compliant with the 2015 Enterprise Green Community specifications.
2. Authorize the Executive Director to resolve unforeseen issues rising from the November 7, 2019 amendment or the clarification to that amendment described above.

Upon motion by Ms. Merrick, second by Ms. Daniels, the Committee recommended the staff recommendations described above to the Board.

With no further business to address, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 22ND day of July, 2020