



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

**Committee and Board Meeting Materials
January 23, 2024**



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

THDA Board of Directors and Committee Meetings Agendas

Committee Agendas

Tuesday, January 23, 2024 at 10am CT
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

AUDIT & BUDGET COMMITTEE

-No Business for this meeting

BOND FINANCE COMMITTEE

A. Approval of Bond Finance Committee Meeting Minutes-November 14, 2023

B. Committee Item (* items require committee vote)

1. Bond Counsel Selection*



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

Tuesday, January 23, 2024 at 10am CT
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

- A. Board Chair Convening of the Board and Introductory Comments**
- B. Public Comment Period**
- C. Executive Director’s Report**
- D. Single Family Business**
Business Update
2023 Loss Mitigation Review
- E. Multifamily Business**
Business Update
2025 QAP Initial Overview
- F. Cybersecurity Update**
- G. Board Action items (* items require board vote)**
 - 1. Approval of Minutes from November 14, 2023 meeting*
 - 2. Fiduciary Responsibilities of Board Members
 - 3. Official Statement Review
 - 4. Housing Cost Index and Resolution*
 - 5. 2024 National Housing Trust Fund - Program Description*
- H. Annex**
 - 1. 2023 National Housing Trust Fund Gap Subsidy Awards
 - 2. 2023 HOME CHDO Homeownership Development Program Awards
 - 3. 2024 THDA Capacity Building Grant Program Awards
 - 4. THDA Investment Report



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

Audit & Budget Committee

NO BUSINESS FOR THIS MEETING



Bond Finance Committee



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Bond Finance Committee Meeting Agenda

Tuesday, January 23, 2024 at 10am CT
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

A. Approval of Bond Finance Committee Meeting Minutes – November 14, 2023

B. Committee Item (* items require committee vote)

1. Bond Counsel Selection*

Committee Members:

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



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TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
November 14, 2023

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency (“THDA”) Board of Directors (the “Committee”) met on Tuesday, November 14, 2023, at 10:00 AM CT at the William R. Snodgrass Tennessee Tower, Nashville Room, 312 Rosa Parks Blvd; Nashville, TN 37243.

The following Committee members were present in person: Mathew McGauley (Board Chair); Sara Queirolo (for Treasurer David Lillard); Katie Armstrong (for Comptroller Jason Mumpower); and Secretary of State Tre Hargett. Other Board Members present were: Rob Mitchell; Austin McMullen; Rick Neal; Stephen Dixon; Michael Miller and Jacky Akbari. Board Members absent were: Chrissi Rhea; Dan Springer; Tennion Reed; and Commissioner Jim Bryson.

Recognizing a quorum present, Chair McGauley called the meeting to order at 10:15 AM CT. For the first order of business, Chair McGauley called for consideration and approval of the September 18, 2023, Bond Finance Committee Meeting Minutes. Upon motion by Secretary Hargett, second by Ms. Queirolo, and following a vote with all members identified as present voting “yes”, the motion carried to approve the September 18, 2023, minutes.

Chair McGauley indicated the next item for consideration was the Financial Forecast for Fiscal Years 2024-2028. Trent Ridley, THDA Chief Financial Officer, described the document to be considered. Upon completion of the presentation by Mr. Ridley, Chair McGauley indicated no Board action is required.

Chair McGauley indicated the next item for consideration was Bond Issue 2024-1 and the approval of the Plan of Financing, the Authorizing Resolution, including the form of Supplemental Resolution and the Reimbursement Resolution. Bruce Balcom, THDA Chief Legal Counsel, described the documents to be considered, explained how the authorization for Bond Issue 2024-1, in an amount not to exceed \$350,000,000, complied with THDA's Debt Management Policy, and included recommendations regarding bookrunning senior manager and rotating co-manager based on information provided in a separate memo dated October 30, 2023, by CSG Advisors Incorporated (“CSG”), financial advisor for THDA. There being no further questions, Chair McGauley called for a motion to approve Bond Issue 2024-1. Upon motion by Ms. Armstrong, second by Ms. Queirolo and a vote with all members identified as present voting “yes”, the motion carried to approve the plan of financing, and to recommend approval of the remaining documents, including the Reimbursement Resolution.

Chair McGauley indicated the next item for consideration was an Amendment to THDA’s Investment Policy. Trent Ridley, THDA Chief Financial officer, described the document to be considered. Chair McGauley called for a motion if there were no further questions from committee members. There being no further questions, Chair McGauley called for a motion to approve Amendment to THDA’s Investment Policy. Upon motion by Chair McGauley, second by Secretary Hargett and a vote with all members identified as present voting “yes”, the motion carried to approve the Amendment to THDA’s Investment Policy as described.

Chair McGauley indicated the last item for consideration was to present a recommendation for a Financial Advisor. THDA Chief Legal Counsel, Bruce Balcom, was recognized and informed the committee that they received two applications but one application was incomplete. So after review of the remaining application a recommendation requesting approval for CSG Advisors to be appointed as Financial Advisor. Chair McGauley called for a motion if there were no further

questions from committee members. There being no questions, Chair McGauley called for a motion to approve CSG Advisors as THDA Financial Advisor. Upon motion by Ms. Armstrong, second by Ms. Queirolo and a vote with all members identified as present voting “yes”, the motion carried to recommend approval of CSG Advisors as Financial Advisor.

There being no further business, Chair McGauley adjourned the meeting at 10:33 AM CT.

Respectfully submitted,

Sandi Thompson
Assistant Secretary
Approved this 23rd day of January, 2024

DRAFT



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Bond Finance Committee

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

SUBJECT: Bond Counsel Selection

DATE: January 8, 2024

Recommendation

Staff recommends the Bond Finance Committee approve staff move forward with drafting documents to issue an RFP for Bond Counsel services for consideration by the Committee at the March meeting.

Key Points

The current contract with Kutak Rock expires June 30, 2024. This is the end of the second extension exercised by THDA following the end of the 3 year original term of the contract.

Background

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



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Board of Directors Meeting



Tennessee Housing Development Agency

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Bill Lee
Governor

Ralph M. Perrey
Executive Director

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

Tuesday, January 23, 2024 at 10am CT
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- B. **Public Comment Period**
- C. **Executive Director's Report**
- D. **Single Family Business**
Business Update
2023 Loss Mitigation Review
- E. **Multifamily Business**
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2025 QAP Initial Overview
- F. **Cybersecurity Update**
- G. **Board Action items** (* items require board vote)
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 - 5. 2024 National Housing Trust Fund - Program Description*



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H. Annex

1. 2023 National Housing Trust Fund Gap Subsidy Awards
2. 2023 HOME CHDO Homeownership Development Program Awards
3. 2024 THDA Capacity Building Grant Program Awards
4. THDA Investment Report



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Cybersecurity Update



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: Nicole Lucas, Senior Director of Information Technology

SUBJECT: State of Cybersecurity

DATE: October 27, 2023

Pursuant to the revised FTC Standard for Safeguarding Customer Information, Part 314, issued in May of 2022, this memo shall serve as the agency's written attestation that THDA complies with the guidelines set forth in that document and takes reasonable and careful measures to protect customer data both in transit and at rest. As such, this document will be provided at least annually to THDA's Board of Directors and will also include a brief narrative as to the overall status of the agency's information security program and any material matters that have occurred in the calendar year.

THDA owns and operates its own independent LAN/WAN infrastructure and systems and has done so since 2007. The primary data center is housed at the agency's main downtown office in the Andrew Jackson office building located at 502 Deaderick Street, Nashville, TN. A secondary site is located at the TierPoint Data Center in Franklin, TN. Critical data and systems are replicated in real-time to the equipment at this site. Additionally, THDA maintains a primary and secondary Internet circuit at the Andrew Jackson and TierPoint locations for the purposes of redundancy and to ensure minimal to no interruption in any telecommunications services. In 2023, THDA had no customer-impacting outages and maintained a network up-time of 99.9999%.

Each year since THDA has owned and operated its own network, a penetration and/or vulnerability scan is performed by a 3rd party entity, procured either through an ITB process or with a vendor who already holds a statewide contract for these same services. Because the last several years of penetration tests have been clean, this year we took a slightly different approach and engaged in a purple team assessment. A purple team



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assessment examines how well an organization's cybersecurity technologies and strategies fit together for threat identification, response, and remediation. This approach allowed THDA's security team to work alongside our third-party experts to simultaneously evaluate and improve our cybersecurity capabilities. Specifically, with an increasing move to cloud-based applications and services, we wanted to know what a bad actor could do if he did gain access to our internal network via a successful phish or misconfigured cloud system. Attached to this memo is the Executive Summary from this engagement.

THDA IT also conducts regular phishing simulations with KnowBe4 that gives us extensive reporting and analytics. We use these exercises to tailor our annual cybersecurity training to the most relevant threats, as well as to build custom content that speaks specifically to self-identified areas of weakness. In addition, with the purchase of a product called Netsparker, the network team has the ability to scan our in-house developed systems for vulnerabilities such as SQL injection or outdated code. The program also regularly generates reports, which are first provided to the appropriate team manager to quickly address any issues, and then a follow-up scan is performed.

Jason Ronnow, Assistant Director of Information Technology, serves as the agency's official Information Security Officer. He and his team are tasked with securing the agency's most critical electronic resources, our customer data. To do so, several commercially available network monitoring and logging tools are used, which send real-time alerts based on pre-configured thresholds. These alerts are monitored 24/7 and prompt and appropriate action taken as the situation dictates.

Currently, the agency's computing environment is mostly on premise, meaning minimal cloud presence. In fact, THDA does not host any servers or infrastructure in the AWS or Azure cloud. However, the agency does use Microsoft 365 for email, and we continue to consider SAAS solutions as a first choice for enterprise systems when they meet our security standards. This includes the hosting organization providing evidence of a SOC II Type II or similar industry-accepted security certification.

In April 2023, the agency obtained its SOC II Type I attestation, issued from Frazier and Dieter. A SOC attestation provides THDA, its business partners, and auditing entities assurance that proper internal controls are in place regarding our information systems. In addition, the audit attests that THDA has met all financial reporting requirements pertaining to internal controls of information systems. In the upcoming year, the agency will undergo a second, more intense audit to obtain our SOC II Type II attestation. At this time we expect it to be issued in Q2 of 2024.

In September 2023 the responsibility for document retention and destruction was moved from the agency's Operations division to Information Technology. Over the next several months, my team and I will be collaborating with the agency's legal team to update the



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agency's outdated Record Retention Policy that will establish clear guidelines for all staff to follow. The policy will dictate when data can safely be removed, as we do not want to hold sensitive information on our customers for longer than necessary.

I am always available for any questions you might have and can be contacted via email at nlucas@thda.org, agency phone at 615-815-2250, or my cell phone at 615-238-1815.



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Independent Security Assessment Report

To Whom It May Concern:

GuidePoint Security, LLC (“GuidePoint”) has performed a Purple Team for Tennessee Housing Development Agency (“Client”) while acting as an independent security assessor. This assessment was performed with the intent of evaluating the security posture of the internal network.

The methodology utilized during this assessment is detailed in Appendix B. GuidePoint developed this methodology based on extensive professional experience and information system security assessment best practices gathered from the Open-Source Security Testing Methodology Manual (OSSTMM), the National Institute of Standards and Technology (NIST) Special Publication 800-115: Technical Guide to Information Security Testing and Assessment, the Penetration Testing Execution Standard (PTES), and the Open Web Application Security Project (OWASP) Testing Guide v4.x.

While this type of assessment is intended to mimic a real-world attack scenario, GuidePoint is bound by rules-of-engagement, defined scope, allocated time, and additional related constraints. GuidePoint has made every effort to perform a thorough and comprehensive analysis and to provide appropriate remedial advice. However, inherent limitations, errors, misrepresentations, and changes to Client’s environment may have prevented GuidePoint from identifying every security issue that was present in Client’s environment at the time of testing. Therefore, the findings included in this report should be considered representative of what a similarly skilled attacker could achieve with comparable resources, constraints, and time frame.

Additionally, it is worth emphasizing that the findings and remediation recommendations are the result of a point-in-time assessment based on the state of Client’s environment as of June 14, 2023. GuidePoint therefore does not provide any assurance related to configuration or control modifications in Client’s environment, changes in regulatory or compliance requirements, discoveries of new vulnerabilities and attack techniques, or any other future event that may impact Client’s security posture.

The information contained in this report represents a fair and unbiased assessment of Client’s environment based on the agreed upon criteria as defined in the statement of work. This report is provided to Client as notification of outstanding security risks that threaten the confidentiality, integrity, and availability of sensitive information, as well as to provide assistance and direction with remediation. The evidence and references provided for each finding serve as the basis for our qualified opinions in this report.

Client shall own the Deliverable to the extent of its intended purpose. However, Client shall not share the Deliverable with GuidePoint competitors unless there is a legitimate business “need to know”, such as a managed service provider or auditor. GuidePoint’s assessments focus exclusively on information security and the conclusions arrived at in this report should not be considered a representation or endorsement of Client’s products or services.



Bryan Orme
Principal
GuidePoint Security, LLC

Executive Summary

PROJECT DEFINITION, SCOPE, AND APPROACH OVERVIEW

Tennessee Housing Development Agency (“THDA”) engaged GuidePoint Security, LLC (“GuidePoint”) to perform a Purple Team of THDA’s internal network assets associated with the enterprise environment. A Purple Team is comprised of automated and manual activities that focus on the discovery, target profiling, target examination, risk validation, impact evaluation, and remediation assurance of THDA’s internal information assets. The scope of this assessment THDA’s internal environments and assets. For testing, THDA provided GuidePoint one user account “cmiller” and two corporate laptops prepared by IT. The hostnames for the provided laptops were as follows:

- L01137 (Standard user privileges)
- L01404 (Configured with admin rights)

Testing was conducted on June 13 and June 14, 2023. Detailed scope information for this engagement is located in [Appendix A](#).

Since detection avoidance was not included in the testing scope, THDA did not actively interfere with or block any of GuidePoint's testing activity despite numerous alerts being raised by THDA's existing security controls within the internal environment. This configuration allowed THDA to monitor GuidePoint's activities and potentially identify configuration gaps while not skewing test results. This approach is typically adopted to maximize the efficiency of the testing while staying within budget and time constraints.

FINDINGS AND RECOMMENDATIONS

During the Purple Team engagement, GuidePoint identified a total of five findings that may represent a risk to the confidentiality, integrity, and availability of THDA’s in-scope systems. Of the identified findings, four were classified as medium-risk, and one finding was classified as low-risk.

To begin the assessment, THDA provided GuidePoint with user account “cmiller” and two laptops. The first laptop, L01137, was configured with standard user privileges and the second laptop, L01404, was configured with local administrator privileges. During the initial Active Directory enumeration phase, GuidePoint’s initial privilege escalation attempt was prevented because of the security restrictions on laptop L01137.

Furthermore, one of the key strengths of THDA lies in its comprehensive security controls that effectively limited lateral movement and privilege escalation within the network. By employing measures such as access controls, and strong authentication mechanisms, THDA has successfully created barriers that would prevent an attacker from freely moving laterally across systems and resources. These controls effectively isolate critical assets and sensitive data, mitigating the risk of unauthorized access and reducing the potential impact of any successful compromise.

Additionally, THDA has implemented robust logging mechanisms that were efficient at monitoring and detecting suspicious activities or attempts at privilege escalation and lateral movement. THDA has invested heavily in security information and event management (SIEM) systems that collect and analyze logs from various sources. This comprehensive logging approach provides visibility into potential security incidents, facilitating timely incident response and ensuring the integrity of critical systems and data.

In comparison, other organizations that occupy the same business vertical lack the necessary security controls and logging mechanisms to prevent lateral movement and privilege escalation attacks effectively. The weak access controls, and inadequate authentication measures create an environment where an attacker could easily move laterally within the network, potentially compromising critical systems and sensitive data.

In conclusion, various attacks were performed against THDA's Active Directory environment from the perspective of a malicious insider or malicious contractor. All attacks were captured and triaged within THDA's alerting and monitoring systems.

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
November 14, 2023

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency (THDA) Board of Directors (the “Board”) met in regular session on Tuesday, November 14, 2023, at 10:33 AM CT in the Nashville Room of the Tennessee Towers, Nashville, Tennessee.

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

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

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

Mr. Perrey shared the following:

- In the coming weeks, he will circulate to the Board the Agencies’ proposed Strategic Objectives for 2024. Among others, THDA will focus on 1) financing for single family mortgage loans through a market-appropriate mix of mortgage revenue bond issuances and secondary market sales and securitization; 2) develop a sustainable long-term funding plan for down payment assistance; 3) align our programs to better support housing development, especially high-impact housing development plans around the state; and 4) proceed with several technology upgrades for Loan Operations, Community Housing and Community Services.
- Lindsay Hall and Rhonda Ronnow were leaders in the HFA1 initiative, jointly undertaken by the National Council of State Housing Agencies and the Mortgage Bankers Association. That effort seeks to standardize loan execution among state housing agencies, so that large national and regional lenders can more easily work with HFAs. Tennessee was among eight original participants; there are now 23 state HFAs involved.
- For the first time, more than 50% of the loans in the VMLS portfolio are loans originated since THDA started servicing ourselves in 2016. Through the diligent efforts of our loss mitigation unit, the loan delinquency rate is at the lowest point it’s ever been in THDA’s 50- year history, with the possible exception of our first year, when no one had a THDA mortgage long enough to miss a payment.

At the conclusion of Mr. Perrey’s remarks, Chair McGauley recognized Ms. Lindsay Hall, the Chief Operating Officer for Single Family Programs for a Single Family Programs Business Update and an Update on the Foreclosure Rehabilitation Program.

Next, Chair McGauley recognized Mr. Eric Alexander, the Director of Multifamily Programs, for a Multifamily Programs Business Update.

At the conclusion of the presentation, Chair McGauley asked for consideration of the September 26, 2023 board meeting minutes. Upon motion by Mr. Neal and a second by Mr. Dixon, the motion carried and the minutes were approved.

Mr. McGauley then recognized Secretary of State Tre Hargett to present the recommendation from the Audit and Budget Committee regarding the THDA Executive Director's Annual Performance Evaluation. The Audit and Budget Committee recommended the Board approve an Advanced rating and the associated pay increase and bonus associated with that rating for Mr. Ralph Perrey's Annual Evaluation. Upon a motion from Mr. McMullen and a second from Secretary Hargett, the motion carried.

Next Mr. McGauley asked for nominations from the Board for 2024 Vice Chair position. Mr. Mitchell, nominated Mr. Rick Neal to serve as the Vice Chair of THDA's Board of Directors. Mr. McGauley asked for any other nominations. No other nominations were made. Upon a motion by Mr. Mitchell and a second by Ms. Akbari, the motion was carried with one abstention - Mr. Neal.

Mr. McGauley then presented a motion and a second from the Bond Finance Committee to approve the Bond Issue 2024-1 as presented in committee and the board packet. Upon vote from the full Board, the motion was carried.

Chair McGauley recognized Mr. Bill Lord, Director of Community Housing, to present on Items 5-9 on the agenda-encompassing all HOME program descriptions and extensions as found in the board packet. Upon motion by Mr. McGauley and a second by Mr. Miller, the motion to approve the HOME 2023-2 Rental Housing Development Program Description; 2024 Rental Housing Development Program Description; 2024 CHDO Homeownership Development Program Description; 2024 Urban-Rural Program Description; and 2020 Bright Futures Bridge Subsidy Pilot Program Extensions was carried.

Chair McGauley recognized Mr. Don Watt, Chief Programs Officer, to present on the 2023 Eviction Prevention Program Description Amendment, as outlined in the memo dated November 14, 2023, from himself, as found in the board packet. This Amendment expands the methodology for the 34 sub-recipients, which are close to running out of funds, to request additional funds. Upon motion by Ms. Armstrong and a second by Mr. Miller, the motion to approve the 2023 Eviction Prevention Program Description Amendment was carried.

Chair McGauley recognized Mr. Bill Lord, Director of Community Housing, to present on the 2023 Emergency Repair Program Description Amendment, as outlined in a memo dated November 1, 2023, from himself and Chief Programs Officer, Don Watt, as found in the board packet. Mr. Dixon asked if any effort had been made to find administrators in the middle Tennessee and Northeastern Tennessee areas. Mr. Lord said that yes, he was actually in discussions with interested administrators in both areas. Upon motion by Ms. Armstrong and a second by Mr. Miller, the motion to approve the 2023 Emergency Repair Program Description Amendment was carried.

Chair McGauley recognized Mr. Don Watt, Chief Programs Officer, to present on the 2024 Emergency Solutions Grants Program Description, as outlined in the memo dated November 1, 2023, from himself, as found in the board packet. This program is to help the homeless or those at risk of homelessness. There are four city monetary set asides in this description and the rest of the funds are available through a competitive process. Upon motion by Ms. Miller and a second by Mr. Dixon, the motion to approve the 2024 Emergency Solutions Grants Program Description was carried.

Chair McGauley recognized Mr. Bill Lord, Director of Community Housing, to present on the 2024 Tennessee Housing Trust Fund Competitive Grants Program Description, as outlined in a memo dated November 1, 2023, from himself and Chief Programs Officer, Don Watt, as found in the board packet.

Two significant changes from last year's program description include moving from two award rounds to one award round for 2024; also added were subsidy limits based on the size of the unit (# of bedrooms). Upon motion by Mr. Miller and a second by Mr. Dixon, the motion to approve the 2024 Tennessee Housing Trust Fund Program Description was carried.

Chair McGauley recognized Mr. Eric Alexander, Director of Multifamily Programs, to present the 2023 Multifamily Tax Exempt Bond Authority Program Description Amendment, as outlined in the memo dated November 1, 2023, from himself and Don Watt, Chief Programs Officer, as found in the board packet. During discussion, Mr. Neal asked if the accommodations in this amendment took away from the 2024 bond allocation for partners. Mr. Alexander said that it did not. This amendment would preserve the 2023 bond authority allocations, while maintaining whatever the 2024 bond authority allocations may be. Upon motion by Mr. McMullen and a second by Ms. Queirolo, the motion to approve the 2023 Multifamily Bond Authority Program Description Amendment was carried, with one abstention – Mr. Neal.

Chair McGauley again recognized Mr. Eric Alexander, Director of Multifamily Programs, to present the 2024 Multifamily Tax Exempt Bond Authority (MTBA) Program Description, as outlined in the memo dated November 1, 2023, from himself and Don Watt, Chief Programs Officer, as found in the board packet. During discussion, Mr. Neal expressed concern about the Supplemental application round being the last allocation round and that this could disadvantage Round 1 Bond Authority Awardees trying to close deals. Mr. Neal then made a motion to amend the program description to include a Supplemental Application Round after Round 1 and maintain a Supplemental Application Round after Round 2. Mr. McMullen seconded that motion. Upon a full vote of the board, the proposed amendment was carried. Mr. Neal also encouraged the board and THDA staff to regularly review the prioritization of rehabilitation projects and new construction projects within future MTBA program descriptions. Upon motion by Mr. Mustain and a second by Ms. Queirolo, the motion to approve the 2024 Multifamily Bond Authority Program Description as Amended was carried.

Noting that all action items for the board had been completed, Chair McGauley pointed out that the board schedule for 2024 was in the board packet and asked board members to make every effort to attend the meetings.

Mr. McGauley then recognized, Ms. Nicole Lucas, Senior Director of the Information Technology Division for the annual THDA Cybersecurity Update that dovetailed with the information provided in the board packet.

Mr. McGauley then recognized Mr. Don Watt, Chief Programs Officer, to share about the HUD Veterans Affairs Supportive Housing Choice Vouchers that the Agency received.

Mr. McGauley, asked that Mr. Bill Lord, Director of Community Housing Division, close out the meeting with an overview of the 2023 Round 1 HOME Rental Housing Development Program Awards.

With no further business, the meeting was adjourned at 12:25 PM CT.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 23rd day of January, 2024



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: Dr. Hulya Arik, Economist
Dr. Dhathri Chundururu, Director of Research and Planning

DATE: December 11, 2023

SUBJECT: Housing Cost Index for 2024

Recommendation

Staff recommends adoption of the housing cost index (HCI) for 2024 via the attached Board Resolution.

The HCI for 2024 is **44.44 percent**, which is higher than last year's index of 38.24 percent. Higher interest rates and median home purchase prices greatly contributed to the rising cost of owning a home for Tennesseans.

Background

The attached HCI for 2024 is prepared in accordance with the formula set out in THDA's enabling legislation. Under Tennessee Code Annotated Section 13-23-114, "The housing cost index shall serve to determine what percentage of the average Tennessee household's gross monthly income is required to pay for primary fixed housing costs under then existing market conditions..." If the housing cost index exceeds 25 percent, the legislature determined that "...a majority of Tennessee citizens are excluded from the normal housing market..." indicating a need for THDA financial assistance programs to aid in providing adequate housing for lower and moderate income persons and families.

This HCI is calculated by dividing the median gross household income by the sum of the following cost factors: (a) a monthly mortgage loan payment for an average Tennessee household based on a thirty-year mortgage loan at the prevailing mortgage loan interest rate on a mortgage loan amount sufficient to purchase a median priced home, (b) an average mortgage insurance premium, and (c) the average property tax and hazard insurance amounts.



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| ESTIMATED TENNESSEE HOUSING COST INDEX, 2024 | | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| (1) Median Purchase Price | \$173,448 | \$174,864 | \$186,358 | \$201,021 | \$211,257 | \$223,125 | \$248,645 | \$297,318 | \$334,197 | \$337,415 |
| (2) Discount Points | 0.61 | 0.61 | 0.54 | 0.50 | 0.50 | 0.52 | 0.73 | 0.70 | -- | -- |
| (3) Market Rate | 4.41% | 4.06% | 3.92% | 4.17% | 4.63% | 4.01% | 3.20% | 2.90% | 5.16% | 6.76% |
| (4) Adj. Sales Price | \$174,503 | \$175,938 | \$187,359 | \$202,026 | \$212,313 | \$224,278 | \$250,462 | \$299,399 | \$334,197 | \$337,415 |
| (5) FHA Mort. Amount | \$171,342 | \$172,752 | \$183,965 | \$198,367 | \$208,468 | \$220,216 | \$245,926 | \$293,977 | \$328,144 | \$331,304 |
| (6) Property Tax Rate | 3.23 | 3.23 | 3.20 | 3.19 | 3.10 | 3.03 | 2.98 | 2.86 | 2.77 | 2.32 |
| (7) Property Tax/Month | \$117 | \$118 | \$124 | \$133 | \$136 | \$141 | \$154 | \$177 | \$193 | \$163 |
| (8) Homeowners Insurance | \$115 | \$116 | \$116 | \$127 | \$134 | \$132 | \$147 | \$156 | \$171 | \$170 |
| (9) P&I/Month | \$859 | \$831 | \$870 | \$966 | \$1,072 | \$1,053 | \$1,064 | \$1,223 | \$1,794 | \$2,151 |
| (10) Monthly PITI | \$1,091 | \$1,065 | \$1,111 | \$1,227 | \$1,342 | \$1,325 | \$1,365 | \$1,556 | \$2,157 | \$2,483 |
| (11) Gross Income | \$44,379 | \$45,747 | \$47,275 | \$49,585 | \$54,566 | \$55,471 | \$58,070 | \$59,385 | \$67,701 | \$67,055 |
| Housing Cost Index | | | | | | | | | | |
| (% of Gross Income) | 29.50% | 27.93% | 28.19% | 29.70% | 29.52% | 28.67% | 28.20% | 31.44% | 38.24% | 44.44% |

Variable description, including sources and methodology:

1. **Median Purchase Price:** For the 2024 HCI, median purchase price is calculated from all home sales reported by county property assessors to Tennessee Office of the Comptroller. We then adjust this estimate using the Federal Housing Finance Agency (FHFA) quarterly House Price Index (HPI) for the third quarter of the year prior to index year. For example, for the 2024 HCI, the 2022 median home price is adjusted using the third quarter of 2023 HPI from FHFA.
2. **Discount Points:** As of November 17, 2022, Freddie Mac stopped reporting the average fees and points because under the current LPA requirements, fees and points are not always required to be provided by lenders. Since there is no other reliable and publicly available source for fees and discount points, the 2024 HCI calculations do not include discount points and fees, a departure from prior years. The implications include a potential underestimation of true housing cost, as we assume that homebuyers finance the cost of discount points.
3. **Market Rate:** Data regarding the average of weekly interest rates (2023 year to date) are from Freddie Mac PMMS®. In their November 17th, 2022 release, Freddie Mac updated its mortgage rate collection process. Rather than of surveying lenders, Freddie Mac used data from Loan Product Advisor® (LPASM). Therefore, the PMMS® results are now based on mortgage rates collected from thousands of loan applications submitted to Freddie Mac from lenders across the country when a borrower applies for a mortgage.¹ Additionally, unlike previous years, the interest rate data is released weekly. Therefore, the average interest rate is the average of previous 52 weeks as of December 1, 2023 (the most recent date the interest rate data was released).

¹ For more information, please reference a recent Research Note from Freddie Mac explaining the new enhanced methodology, which can be retrieved here: <https://www.freddiemac.com/research/pdf/202210-Note-PMMS-07.pdf>.

4. Adj. Sales Price: This value is the median Purchase Price adjusted with discount points. However, since there was no data for discount points for 2024 HCI calculations, this is equivalent to median purchase price.
5. FHA Mort. Amount: The value is the average FHA mortgage amount for 2023. This assumes a 3.5% downpayment and includes an upfront mortgage insurance premium financed into the final mortgage (1.75% of the base loan amount).
6. Property Tax Rate: Data for this value are from the Tennessee Office of the Comptroller, Division of Property Assessment.
7. Property Tax / Month: The monthly property tax is the weighted average statewide residential effective tax rates per \$100 of assessed value; 25% of assessed value.
8. Homeowner Insurance: This value is homeowners' monthly insurance payments, based on the insurance rates of THDA borrowers.
9. P&I / Month: This value is monthly principal and interest (P&I) payments, assuming 30-year fixed payments with the average interest rate.
10. Monthly PITI: Monthly fixed housing costs include principal, interest, property tax and insurance (PITI).
11. Gross Income: This value is calculated using median family gross income (MFI) and median household income (MHI) data from the 2022 1-year estimates of the American Community Survey (ACS). To estimate the MHI for 2023, we calculate the percentage change in HUD median family income (MFI) from 2022 to 2023.

RESOLUTION OF THE
BOARD OF DIRECTORS ADOPTING THE
HOUSING COST INDEX AND
AUTHORIZING THE OPERATION OF FINANCIAL ASSISTANCE
PROGRAMS
JANUARY 23, 2024

WHEREAS, pursuant to Tennessee Code Annotated Section 13-23-114, a part of the Tennessee Housing Development Agency Act (the “Act”), the Tennessee Housing Development Agency (“THDA”) is directed to establish a housing cost index as defined in Section 13-23-103 of the Act; and

WHEREAS, THDA has established a housing cost index for 2024 pursuant to Section 13-23-103(7) of the Act based on calculations as of December 11, 2023, a copy of which is attached hereto and incorporated herein by this reference (the “Housing Cost Index”); and

WHEREAS, the Housing Cost Index shows that primary housing costs exceeded 25% of an average Tennessee household’s gross monthly income; and, the Board, as authorized by Section 13-23-114 of the Act, wishes to approve the continued operation of THDA’s financial assistance programs including, but not limited to, THDA loan programs.

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

1. The Housing Cost Index for 2024, which shows that primary housing costs equal approximately 44.44% of an average Tennessee household’s gross monthly income is hereby adopted.
2. The continued operation of THDA’s financial assistance programs including, but not limited to, THDA loan programs, is hereby authorized.
3. This resolution shall take effect immediately.

This resolution was adopted by the affirmative vote of no fewer than eight (8) members of the Board of Directors of THDA at its meeting on January 23, 2024.



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM: Eric Alexander, Director of Multifamily Programs
Don Watt, Chief Programs Officer

DATE: January 8, 2024

SUBJ: 2024 National Housing Trust Fund (“NHTF”) Program Description

Recommendation:

Staff recommends the Board approve the following:

- Adoption of the attached proposed 2024 National Housing Trust Fund Program Description (“Program Description”);
- Authorize the Executive Director or a designee to award 2024 National Housing Trust Fund program funds to competitive Low Income Housing Tax Credit (“LIHTC”) applicants for projects that are in Rural Counties, as outlined in Exhibit A of the Program Description, or are proposing permanent Supportive Housing, as defined within the 2024 Qualified Allocation Plan (“QAP”). In order to receive an award of NHTF, a project must receive an allocation of 2024 competitive LIHTC. NHTF funds will be awarded to applicants until available NHTF funding for eligible applications is exhausted, subject to all requirements in the approved Program Description;
- Allow the Chief Legal Counsel or Assistant Chief Legal Counsel to make non-substantial changes and substantial changes if needed to comply with federal requirements; and,
- Allow staff to reallocate any funds not awarded to future National Housing Trust Fund activities.

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



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

THDA.org - (615) 815-2200 - Toll Free: 800-228-THDA

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Substantial Changes:

- THDA has moved administration of the NHTF Program from the Community Housing Division to the Multifamily Programs Division, effective with the 2024 NHTF Program year. All awards previously made under 2023 and prior years will continue to be administered by the Community Housing Division. As a result, certain program requirements are being adjusted to align with the competitive 2024 LIHTC program.
- Change from grant to loan. In order to preserve basis and ensure the utility of NHTF in competitive LIHTC projects, all NHTF awards will be structured as a low-interest loan, based on the Applicable Federal Rate (“AFR”), due at maturity with a Period of Affordability of thirty (30) years. In a process similar to that when NHTF was previously treated as a grant, THDA will work directly with state procurement on approval of associated NHTF loan documents.
- Change in eligibility for NHTF funds. In order to receive an award of NHTF, a project must receive an allocation of 2024 competitive LIHTC and either be a project located in a Rural County, or a project proposing permanent Supportive Housing, as defined in the 2024 NHTF Program Description and the 2024 QAP, respectively.
- Adjustment to Urban/Rural designations. THDA has adopted a new two-tier test for its HUD Community Planning and Development programs to determine the urban and rural status of all Tennessee counties. This methodology will refine our designations and be more consistent for the purposes of the NHTF program in an ever changing population landscape across Tennessee.

The methodology used to make the determination between rural and urban is:

- A county that has a population of 50,000 or less is defined as “rural” by the US Census Bureau and/or;
- A county has a minimum of 65% of its population living in a rural area is defined as “rural.”

Background:

After setting aside the 10% for agency administrative expenses, THDA is making the balance of its 2024 NHTF allocation available to provide gap financing to successful recipients of an allocation of 2024 competitive LIHTC that are in Rural Counties, as outlined in Exhibit A, or are proposing permanent Supportive Housing, as defined within the QAP. This program description makes NHTF funding competitively available to successfully receiving an allocation of 2024 competitive LIHTC. Consistent with the 2024 Program Description and the 2024 QAP, THDA will open the program for application March 4, 2024, with applications due on April 8, 2024. Funding awards will be announced on or about June 30, 2024.



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TENNESSEE HOUSING DEVELOPMENT AGENCY

NATIONAL HOUSING TRUST FUND 2024 PROGRAM DESCRIPTION

The Tennessee Housing Development Agency (“THDA”) administers the federally funded National Housing Trust Fund (“NHTF”), which is designed for the production and preservation of affordable rental housing through the acquisition, new construction, or rehabilitation of affordable housing for households with extremely low incomes. The purpose of this Program Description is to explain the program requirements and application process.

The 2024 NHTF funds will be awarded consistent with this Program Description and in conjunction with THDA’s Low-Income Housing Tax Credit 2024 Qualified Allocation Plan (“QAP”), through the competitive application process outlined therein for competitive housing credits, to projects that are in Rural Counties, as outlined in Exhibit A, or are proposing permanent Supportive Housing, as defined within the QAP. THDA anticipates notifying successful applicants on or about July 1, 2024.

Applicants meeting the above criteria that want to apply for NHTF resources must indicate the need for NHTF as a part of their Initial Application for competitive low-income housing tax credits (“LIHTC”) through THDA’s Tennessee Housing Online Management and Application System (“THOMAS”).

NHTF is governed by Title 24 Code of Federal Regulations, Parts 91 and 93. While all references in this Program Description and other related documentation refer to this funding as the National Housing Trust Fund or NHTF, all federal requirements will identify this resource as the "Housing Trust Fund" or “HTF.”

1) ALLOCATION OF FUNDS

NHTF funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee’s Consolidated Plan, as amended. The amount of the 2024 NHTF allocation is unknown until earnings are reported by designated Government Sponsored Enterprises (“GSE”) and a formula allocation is determined by HUD. However, THDA anticipates receipt of an amount equivalent to the amount received in FY 2023, approximately \$5.2 Million Dollars. Additionally, THDA may make available any returned or leftover funds from the 2023 or earlier funding rounds as determined at the time of award in July 2024.

- a. THDA will award ninety percent (90%) of the allocated amount in NHTF funds to successful applicants. Each award will be a minimum of one hundred thousand dollars (\$100,000) and a maximum of one million, five hundred thousand dollars (\$1,500,000).
- b. THDA will use ten percent (10%) of the NHTF allocation for its own administrative expenses.

2) ELIGIBLE RECIPIENTS

In order to receive an award of NHTF, a project must receive an allocation of 2024 competitive LIHTC and either be a project located in a Rural County or a project proposing permanent Supportive Housing.

- a. **Rural County.** A county which, according to 2020 Census Data, has a population of 50,000 or less, as defined as rural by the US Census Bureau, AND/OR a minimum of 65% of its population living in a rural area. Rural County designations can be found in Exhibit A attached hereto.
- b. **Permanent Supportive Housing.** Permanent Housing with a lease term of at least one year, renewable, and terminable only for cause, targeted to households in need of and provided with Supportive Services, as required by the QAP, which under this Program Description includes Housing for Homeless and housing for Resident Populations with Special Housing Needs.
 - i) **Housing for the Homeless.** Housing created to provide permanent supportive housing for individuals or families defined and documented as homeless under the “Criteria and Recordkeeping Requirements for Definition of Homelessness” published as HUD Guidance in January 2012, as found on the HUD Exchange website at <https://www.hudexchange.info/resource/1974/criteria-and-recordkeeping-requirements-fordefinition-of-homeless/>.
 - ii) **Housing for Special Housing Needs.** Housing that has been constructed or rehabilitated with special features (e.g. location, design, layout, or on-site services) to help people live at the highest level of independence in the community. For example, the unit may be adapted to accommodate special physical or medical needs; or provide on-site services such as staff support for older persons, individuals with mental health issues, developmental, or other social needs.
 - (1) **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.
 - (2) **Housing for Older Persons.** In order for Housing for Older Persons to not violate

fair housing, the housing must be housing (i) intended for, and solely occupied by, persons age 62 or older; or (ii) where at least 80 percent of the units have at least one occupant that is intended and operated for occupancy by at least one person age 55 years or older per unit, the project publishes and adheres to policies and procedures that demonstrate the intent to operate as “55 or older” housing, and the project complies with HUD’s regulatory requirements for age verification of residents; 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).

3) FORM OF ASSISTANCE

NHTF funds will be awarded as a low-interest loan based on the Applicable Federal Rate (“AFR”), due at maturity and secured by a note, deed of trust, and restrictive covenants. Recipients shall execute a note and record a fully and accurately executed deed of trust and restrictive covenants during the construction phase and provide copies of such to THDA prior to requesting any draws.

4) LEVEL OF SUBSIDY

The investment of NHTF funds must conform to the following minimum and maximum standards per unit:

- a. Minimum NHTF Funds: \$1,000 per unit
- b. Maximum NHTF Funds Per Unit: The maximum amount of NHTF funds that may be invested per NHTF unit, per size, is based on THDA’s subsidy limits at the time the closing documents are executed. The current approved subsidy limits are:

| | |
|-----------|------------------------------|
| \$129,758 | 0-Bedroom (Efficiency) Limit |
| \$148,748 | 1-Bedroom Limit |
| \$180,882 | 2-Bedroom Limit |
| \$234,004 | 3-Bedroom Limit |
| \$256,862 | 4-Bedroom Limit |

5) DEVELOPER FEE

The Developer Fee is the sum of the Developer’s overhead and the Developer’s profit. Consulting fees and guarantor fees are also considered part of the total Developer Fee calculation. A Developer Fee of up to fifteen percent (15%) of the NHTF development costs, net of the development fee, prorated acquisition costs and any prorated permanent financing costs, may be charged as a project soft cost. No portion of the Developer Fee may be drawn until all monitoring fees have been paid.

6) ELIGIBLE ACTIVITIES

NHTF funds must be used to produce or preserve affordable, permanent rental housing that addresses the needs of extremely low-income households. The housing may be stick built or Modular Housing as defined in Tennessee Code Annotated Title 68 -126-202 & 303, provided that the housing meets all the applicable state and local codes. NHTF funds may only be charged to NHTF units or proportionately to residential buildings where NHTF fixed or floating units are located, per the allocation formula in HUD's final rule for NHTF.

- a. Eligible housing activities include:
 - i) New construction of qualified Rural County or Supportive Housing rental housing units.
 - ii) Acquisition and/or rehabilitation of existing qualified Rural County or Supportive Housing rental housing units.
- b. **Extremely Low-Income Household.** An individual or household whose annual income does not exceed thirty percent (30%) of the area median family income of a geographic area, as determined by HUD with adjustments for smaller or larger families or households with incomes at or below the poverty line (whichever is greater).

7) UNIT DESIGNATION

In a project containing NHTF and other units, the Recipient may designate the NHTF units to be fixed or floating. This designation will be required in the application and designation of specific units must be included in the contracts between THDA and the Recipient.

8) PROHIBITED ACTIVITIES

- a. Providing tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act.
- b. Assisting or developing emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, dormitories, including those for farm workers or housing for students.
- c. Providing any form of housing that is considered short term or transitional.
- d. Providing NHTF assistance to rental units that require reconstruction.
- e. Providing NHTF assistance to rental units that are Manufactured Housing and/or Manufactured Housing lots.

- f. Using NHTF funds to refinance existing debt.
- g. Using NHTF funds for the acquisition and rehabilitation or new construction of housing for sale to home buyers.
- h. Providing non-federal matching contributions required under any other Federal program.
- i. Providing assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing).
- j. Carrying out activities authorized under 24 CFR Part 968 (Public Housing Modernization).
- k. Providing assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages).
- l. Providing assistance to a project previously assisted with NHTF funds during the period of affordability established by HUD and THDA in the written agreement with the Recipient as stated in § 93.205(a) except as permitted for renewal of funds committed to operating cost assistance. Additional NHTF funds may be committed to a project up to one year after project completion, but the amount of NHTF funds in the project may not exceed the maximum per-unit subsidy amount as determined by HUD. HUD has prescribed the use of the Section 234 – Condominium Housing Limits from the Annual Indexing of Basic Statutory Mortgage: Limits for Multi-Family Housing Programs as described in the Interim Rule; (See Paragraph 4 above)
- m. Using NHTF funds for political activities; advocacy; lobbying, whether directly or through other parties; counseling services; travel expenses; and preparing or providing advice on tax returns.
- n. Using NHTF funds for administrative, outreach, or other costs of the Recipient, or any other Recipient of such grant amounts, subject to the exception in Section 1338(c)(10)(D)(iii) of the Act,
- o. Paying for any cost that is not eligible under 24 CFR 92.730 through 93.200.

9) LAYERING

Layering is the combination of government resources on a NHTF-assisted project.

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

- b. The NHTF closing documents will require approval from the attorneys for all parties to the LIHTC transaction and, if applicable, HUD. Further, any Rental Assistance Demonstration (“RAD”) Program project will require HUD approval. This may delay closing transactions.
- c. THDA will review each project to ensure that only the minimum amount of NHTF assistance needed is allocated to the project.
- d. Total NHTF resources allocated to any project cannot exceed the current maximum per unit subsidy limit.

10) LEASE-UP AND INITIAL OCCUPANCY

- a. Projects must be fully occupied by income eligible tenants within six (6) months of issuance of a certificate of occupancy for the completed units. If all units are not fully occupied by income eligible tenants within six (6) months of completion of construction or acquisition and rehabilitation, the Recipient must report to THDA on current marketing efforts in a form and with substance as required by THDA.
- b. If a rental project has not achieved initial occupancy within eighteen (18) months of completion, all NHTF funds invested in the rental project must be repaid to THDA.

11) MARKET

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

12) MIXED INCOME TENANCY

For the purpose of the NHTF Program, a “mixed income” project contains at least one residential unit that is set aside for an extremely low income household and one or more other residential units available to tenants in other higher income designations, as defined by HUD, including very low-income, low income, moderate income and/or above. NHTF funds may only be used for NHTF qualifying residential units.

13) MIXED USE PROJECTS

For purposes of the NHTF Program, a “mixed-use” project contains, in addition to at least one residential unit, other non-residential space which is available to the public. If laundry and/or community facilities are for use exclusively by the project tenants and their guests, then the project is not considered mixed-use. Neither a leasing office nor a maintenance area will trigger the mixed-use requirements. No NHTF funds can be used to fund the commercial or non-residential portion of a mixed-use project. Therefore, if a NHTF-assisted project contains such commercial or non-residential space, other sources of funding must be used to finance that space. In order to be eligible for NHTF funding, a mixed-use project must meet the following conditions:

- a. NHTF funds can only be used to fund the residential portion of the mixed-use project which meets the NHTF rent limits and income requirements. If the rental project will contain a model apartment that will be shown to potential renters, the model apartment will be considered a non-residential area subject to the mixed-use requirements, unless the model

apartment will be rented in the event of high occupancy.

- b. Residential living space in the project must constitute at least fifty one percent (51%) of the total project space.
- c. Each building in the project must contain residential living space.

14) RENT LEVELS AND UTILITY ALLOWANCES

Every NHTF assisted unit is subject to rent limits designed to make sure that rents are affordable to extremely low-income households. These maximum rents may be referred to as NHTF rents, and are available at <https://www.hudexchange.info/programs/htf/htf-rent-limits/>.

Rents are limited for the length of the Period of Affordability. These rents are determined on an annual basis by HUD. The Recipient/Owner will be provided with these rents, which include all utilities.

- a. The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published NHTF rents to determine the maximum allowable rents.
- b. THDA must annually review and approve the rents for each NHTF-assisted rental project. In addition, THDA must determine individual utility allowances for each rental project either by using the HUD Utility Schedule Model or determining the utility allowance based on the specific utilities used at the project. Utility allowances are reviewed and updated annually. Use of utility allowances provided by public housing authorities is not permitted.
- c. NHTF rents are not necessarily representative of market conditions and NHTF rents may increase or decrease from year to year. Regardless of changes in fair market rents and in median income over time, the NHTF rents for a project are not required to be lower than the NHTF rents for the project in effect at the time of Commitment as defined at 24 CFR 93.2
- d. Each Recipient must be aware of the market conditions of the area in which the project is located. Rents shall not exceed the published NHTF rents, adjusted for utility arrangements and bedroom size.
- e. If the NHTF-assisted unit receives project-based rental subsidy, and the tenant pays a contribution toward rent of not more than 30% of the tenant's adjusted income, then the maximum rent for the NHTF-assisted unit (only and specifically for the unit in which the project based rental subsidy is designated) is the rent allowable under the project-based rental subsidy program, also known as the payment standard.
- f. For the duration of the Period of Affordability, the property must accept a Housing Choice Voucher if one is presented by a NHTF eligible tenant for a non-PBRA/PBV covered

NHTF unit.

15) PERIOD OF AFFORDABILITY

“Affordability Period,” is the thirty (30) year timeframe beginning at time of Project Completion as defined at 24 CFR §93.2 during which projects receiving NHTF assistance will be required to maintain affordability to households at or below 30% AMI and must maintain compliance with NHTF regulations.

16) LONG TERM OCCUPANCY REQUIREMENTS

Tenants whose annual incomes increase to over 30% of median may remain in occupancy, but must pay no less than thirty percent (30%) of their adjusted monthly income for rent and utilities.

17) INCOME LIMITS

NHTF funds must be used to benefit only Extremely Low-Income households.

- a. The income limits apply to the incomes of the tenants, not to the owners of the property. 100% of the tenant households in NHTF-assisted units must meet the NHTF Income Limit established by HUD and effective at the time of application for occupancy of a NHTF-assisted unit.
- b. Income Determination: To ensure that the income targeting requirements are met, a Recipient must verify that each household occupying an NHTF-assisted unit is income-eligible by determining the household’s annual income. When determining eligibility, the Recipient must calculate annual income as defined at 24 CFR 5.6091. The method for determining and calculating annual income for tenants are also addressed in the full text of the interim rule.
- c. The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other household member residing in the rental unit. Annual gross income is "anticipated" for the next twelve (12) months, based upon current circumstances or known upcoming changes, minus certain income exclusions.
- d. Current limits are available at <https://www.hudexchange.info/programs/htf/htf-rent-limits/>.
 - i) Median incomes change when HUD makes revised estimates.

18) HOUSING SET-ASIDES FOR INDIVIDUALS WITH DISABILITIES

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

<https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state->

[plan- home-and-community-based-services-5-year-period-for-waivers-provider.](#)

- a. The final rule requires that all home and community-based settings meet certain qualifications, including:
 - i) Is integrated and supports full access to the greater community.
 - ii) Is selected by the individual from among setting options.
 - iii) Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint.
 - iv) Optimizes autonomy and independence in making life choices.
 - v) Facilitates choice regarding services and who provides them.

- b. For provider owned or controlled residential settings, the following additional requirements apply:
 - i) The individual has a lease or other legally enforceable agreement providing similar protections.
 - ii) The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit.
 - iii) The individual controls his/her own schedule, including access to food at any time.
 - iv) The individual can have visitors at any time.
 - v) The setting is physically accessible.

19) PROPERTY AND DESIGN STANDARDS

Property standards must be met when NHTF funds are used for a project. All rental housing constructed or rehabilitated with NHTF funds must meet all applicable THDA Design and Rehabilitation Standards, applicable local, county and state codes, rehabilitation standards, National Standards for the Physical Inspection of Real Estate (“NSPIRE”), and zoning ordinances at the time of project completion.

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

20) BUILD AMERICA, BUY AMERICA

The Build America, Buy America Act (“BABA”) (Pub. L. No. 117-58, §§ 70901-52), enacted as part of the Infrastructure Investment and Jobs Act on November 15, 2021, requires that “none of the funds made available for a Federal financial assistance program for infrastructure, including each deficient program, may be obligated for a project unless all of the iron, steel, manufactured products,

and construction materials used in the project are produced in the United States.”

Therefore, consistent with federal intent, THDA will require projects to comply with the requirements of BABA as HUD directs.

21) ENVIRONMENTAL REVIEW

In implementing the NHTF program, regulations establish specific property standards for units assisted with NHTF funds. These standards include Environmental Provisions for projects involving new construction and rehabilitation. The NHTF Environmental Provisions for new construction and rehabilitation under the Property Standards at 24 CFR § 93.301(f)(1) and (2) are similar to HUD’s Environmental Regulations at 24 CFR Parts 50 and 58. NHTF projects are subject to the same environmental concerns to which HUD-assisted projects are subject. The main difference is that the NHTF Environmental Provisions are outcome based, and exclude consultation procedures that would be applicable if NHTF project selection was a Federal action. Parts 50 and 58 are process based, and include consultation procedures for several laws and authorities where there may be environmental impacts.

- a. THDA and the Recipient will be responsible for carrying out environmental reviews in accordance with HUD Notice CPD-16-14. Each Recipient will be responsible for gathering the information required for the environmental reviews. NHTF funds cannot be committed until the environmental review process has been completed. The Environmental Review covers the entire project, not just the portion funded by NHTF.
- b. No funds may be drawn on any project until a complete and compliant Environmental Review has been submitted and the Recipient has received a “Notice of Authority to Use Grant Funds”.

22) LEAD-BASED PAINT

Units assisted with NHTF funds are subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. Lead-based paint requirements apply to all units and common areas in the project. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at:

https://www.hud.gov/program_offices/healthy_homes/enforcement/regulations.

23) FLOOD PLAINS

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

be obtained on the units.

24) PROCUREMENT

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

- a. At a minimum all Recipients must comply with 24 CFR 200.318 - 326.
- b. All Recipients must have adopted procurement policies and procedures that meet state and federal requirements.
- c. Recipients must seek to obtain three (3) to five (5) quotes or bids using formal advertising or requests for proposals for the procurement of professional or construction services.
 - i) There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

25) CONFLICT OF INTEREST

In the procurement of property and services by THDA and Recipients, the conflict of interest provisions in 2 CFR 200.318 apply. In all cases not governed by 2 CFR 200.318, the provisions described in this Section 24 apply.

The NHTF conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA or the Recipient. No person listed above who exercise or have exercised any functions or responsibilities with respect to activities assisted with NHTF funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a NHTF-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the NHTF-assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

- a. No owner of a project assisted with NHTF funds (or officer, employee, agent, elected or appointed official, board member, consultant, of the owner or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, board member, consultant, of the owner) whether private, for profit or non-profit may occupy a NHTF-assisted affordable housing unit in a project during the required period of affordability. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered

person. This provision does not apply to an employee or agent of the owner of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

- b. Recipients shall avoid conflicts of interest associated with their NHTF funded project. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Recipients shall repay that portion of the NHTF grant related to the conflict of interest or may have all or some portion of the NHTF grant rescinded, all as determined by THDA in its sole discretion.

26) DEBARMENT AND SUSPENSION

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

27) PROFORMA

- a. Proforma is a cash flow projection for a specific period of time that takes into account expected income and expenses of a rental property and projects financial viability and affordability over the period.
- b. All Applicants must complete a Thirty (30) Year Affordability Proforma with the application. The applicant must demonstrate a need for the NHTF funds. If the project development costs require additional financing, including other grant source funding, prior to making any NHTF draws documentation must be provided by Recipient that all other financing or grant funding has been identified and secured.
- c. A project may not incur more debt in the development than the operating budget and 30 year proforma indicate that the development can support. Documentation that final debt does not exceed the supportable debt as indicated on the operating budget will be a threshold requirement.
- d. An updated final Development Budget, Operating Budget and 30 years proforma package will be required before any draw requests may be processed.

28) PROJECT SOFT COSTS

In planning their programs, Applicants may include, as a project soft cost, the reasonable and customary costs for work write-up and inspections. In addition, the costs for inspections and work write-ups, the costs for lead-based paint inspections, environmental reviews, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. All

project soft costs charged to the NHTF grant will be calculated on a prorated basis of committed NHTF units to all buildings and units in the project and count toward the maximum per unit subsidy limit.

29) REPLACEMENT RESERVE ACCOUNTS

All projects shall maintain a replacement reserve account beginning at the time of completion for the term of the NHTF Period of Affordability. If a project falls into multiple categories as set forth below, the higher minimum initial replacement reserve shall apply.

- a. The replacement reserve requirement for all National Housing Trust Fund properties shall, initially, be a minimum of three hundred dollars (\$300) per unit per year, inflated at three percent (3%) annually.
- b. .
- c. This account shall be used only for capital improvements and the replacement of long-lived capital assets, and not for routine maintenance and upkeep expenses.
- d. The replacement reserve shall be, and shall remain, an asset of the project, and shall not be distributed to the Owner or any entity or person affiliated with the Owner at any time during or after the Period of Affordability.
- e. Owners shall provide THDA with a record of all activity associated with the replacement reserve account during the prior fiscal year in conjunction with submission of the project's annual compliance monitoring materials.
- f. The replacement reserve account must be maintained in a separate account in a federally insured financial institution.
- g. Reserve accounts must also be separate from the project's ordinary operating account.

30) OPERATING RESERVE ACCOUNT

All projects shall establish and maintain, until the project has achieved a minimum of five (5) years of Stabilized Occupancy, an operating reserve equal to a minimum of six (6) months of projected operating expenses plus must-pay debt service payments and annual replacement reserve payments.

- a. Stabilized Occupancy is occupancy of at least ninety percent (90%) of the units in the property for a continuous period of at least ninety (90) calendar days.
- b. This requirement can be met with an up-front cash reserve; a guarantee from the owner with a surety bond to stand behind the guarantee; or partnership documents specifying satisfactory establishment of an operating reserve.
- c. The operating reserve account must be maintained in a separate account in a federally

insured financial institution.

- d. If operating cost assistance is provided as part of a project's NHTF award, the Owner must submit annual audited financial statements, specific to the project.
- e. Based on an analysis of the financial statements, THDA will determine the amount of operating cost assistance that is eligible to be disbursed from the operating reserve account for the previous fiscal year.
- f. The analysis will determine the deficit remaining after the annual rent revenue of the NHTF-assisted units is applied to the NHTF-assisted units' share of eligible operating costs.
- g. For purposes of this paragraph, eligible operating costs are limited to insurance, utilities, real property taxes, maintenance, and replacement reserve payments.

31) REPAYMENT

All NHTF awards will be structured as a low-interest loan, based on the Applicable Federal Rate ("AFR"), due at maturity with a Period of Affordability of thirty (30) years. Repayment of NHTF funds may be required in the event that the final total development costs were such that NHTF assistance provided by THDA exceeds established program limits, or exceeded that which was necessary to make the project financially feasible. Total Development Costs is the all-in costs of developing the project including acquisition, predevelopment costs, hard and soft construction or rehab costs, financing costs, developer fees, and reserve account capitalization.

- a. Compliance with income requirements, rent restrictions, design standards and NSPIRE requirements is required for the entire Period of Affordability for each project. Failure to comply with any of these requirements may trigger repayment of the NHTF award, plus any interest accrued.
- b. A NHTF assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and the Recipient must repay any NHTF funds invested in the project to THDA.
- c. In the event of a foreclosure or transfer in lieu of foreclosure, the Recipient must repay the full NHTF investment in the project.

32) COMPLIANCE

NHTF assisted rental units are rent and income limited for the thirty (30) year Period of Affordability.

- a. Recipients/Owners of rental property shall maintain occupancy of NHTF assisted units by Extremely Low-Income Persons for the Period of Affordability.

- b. During the Period of Affordability, the Recipient shall:
 - i) Certify annually the income of tenants.
 - ii) Adhere to the NHTF rent and income guidelines.
 - iii) Comply with all applicable adopted housing codes and the NSPIRE.
 - iv) Report to THDA in a form and with substance as required by THDA.
- c. Prior to drawing down NHTF funds, Owners of projects with NHTF assisted units shall sign a note, deed of trust, and restrictive covenants to enforce the NHTF Period of Affordability.
- d. Once NHTF funds are awarded to a Recipient, THDA will monitor compliance by reviewing certain records related to the NHTF-assisted project. THDA will monitor compliance by conducting desk and/or on-site reviews of the project.
- e. THDA will conduct an on-site inspection at project completion in order to confirm that the project meets the Rehabilitation Standards listed THDA's Minimum Design Standards for New Construction or THDA's Minimum Design Standards for Rehabilitation, as applicable.
- f. At a minimum THDA will conduct desk compliance reviews annually.
- g. THDA will conduct on-site property inspections during the Period of Affordability in order to determine compliance with income and rent requirements, tenant selection, affirmative marketing requirements, and property and design standards and to verify any information submitted by the Recipient to THDA.
 - i) THDA will perform onsite inspection of all NHTF assisted projects no less than every three (3) years during the Period of Affordability.
 - ii) For NHTF assisted projects of four (4) NHTF assisted residential units or less, THDA will perform an on-site inspection of one hundred percent (100%) of the units no less than every three (3) years during the Period of Affordability.
 - iii) For NHTF assisted projects consisting of five (5) or more units, THDA will inspect a minimum of twenty (20%) of the NHTF assisted units no less than every three (3) years during the Period of Affordability.
 - iv) The on-site inspection may include a review of records for all or a sample of the income

and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations.

- v) The on-site review may also include a review of any local health, safety, or building code violation reports or notices and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety, and building codes, applicable THDA Design Standards, and NSPIRE standards as prescribed by HUD.
 - vi) Any reports made by state or local government units of violations, with documentation of correction, will be reviewed.
- h. Each year during the Period of Affordability, the Recipient shall submit to THDA, within one hundred twenty (120) days after the end of the project's fiscal year, each of the following:
- i) Audited financial statements for the Owner.
 - ii) Audited financial statements for the project.
 - iii) Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.
 - iv) Proof of sufficient property and liability insurance coverage with THDA listed as mortgagee.
 - v) Documentation to show the current utility allowance is being used (i.e. a copy of the utility allowance table).
 - vi) For projects that received points at initial NHTF application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project's population during the fiscal year must be provided by the provider(s) of such services.
 - vii) Compliance monitoring fees from previous years re-inspections if applicable.
 - viii) Such other information as may be requested in writing by THDA in its sole discretion.

33) MONITORING FEES

THDA charges a monitoring fee for all NHTF assisted units. NHTF Recipients shall pay the entire

fee covering the thirty (30) year Period of Affordability as indicated in the current NHTF Operating Manual - Schedule of Monitoring Fees; but no less than \$600 per NHTF assisted unit.

- a. The monitoring fee must be paid prior to the Recipient making the request for Developer Fees to be drawn from the NHTF grant.
- b. Additional fees may be charged when follow-up is required due to non-compliance findings. Failure to pay these fees will be considered an administrative noncompliance issue.
 - i) The fee will be the current approved fee as published in the NHTF manual and the most current program description at the time the fee is incurred but no less than:
 - (1) Reinspection of a file or reinspection of a 1-4 unit property: Two Hundred Dollars (\$200) per unit inspected
 - (2) Reinspection of a NHTF project with five (5) or more units:
 - (a) Two hundred dollars (\$200) per unit inspected;
 - (b) Standard mileage rate in effect under the current State of Tennessee travel regulations at the time of the reinspection from Nashville to the property and back to Nashville;
 - (c) Applicable state allowed per-diem for one staff person;
 - (d) Lodging expenses as allowed under then current State of Tennessee travel regulations;
 - (e) Any other expenses incurred by THDA relating to the project reinspection.
- c. Fees for reinspections will be due to THDA prior to issuance of reinspection results or release of any additional NHTF-funded operating subsidy.

34) RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

Recipients shall replace all occupied and vacant habitable low income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with NHTF funds.

- a. All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a working agreement committing THDA to provide funds for a project that will directly result in the demolition or conversion, THDA will make public by and submit to the HUD/Knoxville NHTF coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units shall submit the following information to THDA in connection with their application:
 - i) A description of the proposed assisted project;

- (1) The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project.
- (2) A time schedule for the commencement and completion of the demolition or conversion.
- (3) To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided.
- (4) The source of funding and a time schedule for the provision of the replacement housing.
- (5) The basis for concluding that the replacement housing will remain lower income housing for at least ten (10) years from the date of initial occupancy.
Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

35) NHTF RELOCATION REQUIREMENTS

THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION of households. Prior to application, contact THDA if you are planning any project that may involve displacement or relocation.

- a. A Displaced person is any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with NHTF funds. Relocation requirements apply to all occupants of a project/site for which NHTF assistance is sought even if less than one hundred percent (100%) of the units are NHTF assisted.
- b. Before Application displacement is triggered when a tenant moves permanently from the project before the owner submits an application for NHTF assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the NHTF project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for NHTF assistance.)
 - i) After Application displacement is triggered when a tenant moves permanently from the project after submission of the application, or, if the applicant does not have site control, the date THDA or the Recipient approves the site because:
 - (1) The owner requires the tenant to move permanently; or
 - (2) The owner fails to provide timely required notices to the tenant; or
 - (3) The tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

- (4) After Execution of Agreement displacement is triggered when tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.
- c. A Displaced person is not:
- i) A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations.
 - ii) A person with no legal right to occupy the project under State or local law (e.g., squatter).
 - iii) A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project.
 - iv) A person, after being fully informed of their rights, waives them by signing a Waiver Form.
- d. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations at 49 CFR Part 24, requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition or private acquisition carried out under a federally assisted project or program.
- e. Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with CDBG, UDAG, HOME, or NHTF funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.
- f. Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making NHTF program decisions. Concerns about relocation may cause a Recipient to consider establishing a preference for vacant buildings. However, Recipients should also consider that vacant buildings are often in various states of deterioration. Rehabilitating an occupied building, even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, Recipients must consider whether occupants will be able to return after rehabilitation and whether Section 8 assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the Recipient must consider whether the owner removed the tenants in order to apply for NHTF assistance for a vacant building. If so, these tenants are displaced persons.

- g. Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for NHTF and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.
- h. URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between THDA and the Recipient and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or household; (3) has income above or below the Section 8 Lower Income Limit.

36) SITE AND NEIGHBORHOOD STANDARDS

Housing provided through the NHTF program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities.

- a. New construction rental housing. In carrying out the site and neighborhood requirements for new construction, the Recipient shall provide documentation as THDA may require, in THDA's sole discretion, to determine that proposed sites for new construction meet the requirements in 24 CFR 93.150 with cross reference to 983.6(b) which places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas.
- b. Rehabilitation of rental housing. Site and neighborhood standards do not general apply to rehabilitation projects funded under NHTF unless project-based vouchers are used in an NHTF rehabilitation unit. In such case, the site and neighborhood standards for project-based vouchers will apply as determined by the issuing authority for the project-based vouchers.

37) EQUAL OPPORTUNITY AND FAIR HOUSING

No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by NHTF funds.

- a. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to NHTF projects:

- i) Fair Housing Act (24 CFR Part 100)
- ii) Executive Order 11063, as amended (24 CFR Part 107 - Equal Opportunity in Housing)
- iii) Title VI of the Civil Rights Act of 1964 (24 CFR Part 1 - Nondiscrimination in Federal programs)
- iv) Age Discrimination Act of 1975 (24 CFR Part 146)
- v) Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8)
- vi) Section 109 of Title I of the Housing and Community Development Act of 1974 (24 CFR Part 6)
- vii) Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.
- viii) Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity 24 CFR Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982
- ix) Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135
 - (1) Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.
- x) Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)
- xi) Executive Order 11625, as amended (Minority Business Enterprises)
- xii) Executive Order 12432, as amended (Minority Business Enterprise Development)
- xiii) Executive Order 12138, as amended (Women's Business Enterprise)
- xiv) Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that Recipients prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Recipients must also develop acceptable policies and procedures if their application is approved by THDA.

b. The HUD Office of Fair Housing also includes the following fair housing laws and

Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:

- i) Architectural Barriers Act of 1968 42 U.S.C. §4151 et seq.
 - ii) Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)
 - iii) Executive Order 12898
 - iv) Executive Order 13166 (Limited English Proficiency)
 - v) Executive Order 13217 (Community-based living arrangements for persons with disabilities)
- c. In addition to the above requirements, the Recipient must assure that its Equal Opportunity and Fair Housing policies in the NHTF Program are consistent with the State's current Consolidated Plan.

38) AFFIRMATIVE MARKETING

Prior to beginning a NHTF project, Recipients must adopt affirmative marketing procedures and requirements for all NHTF rental projects with five (5) or more units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. The Recipient must also identify and take steps to attract populations that are least likely to apply for the housing to be created. Requirements and procedures must include:

- a. Methods for informing the public, owners and potential tenants about fair housing laws and the Recipient's policies;
- b. A description of what the Recipient will do to affirmatively market housing assisted with NHTF funds;
- c. A description of what the Recipient will do to inform persons not likely to apply for housing without special outreach;
- d. Maintenance of records to document actions taken to affirmatively market NHTF-assisted units and to assess marketing effectiveness; and
- e. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.
- f. All projects that receive NHTF grants must advertise all vacant units on the www.TNhousingsearch.org website.

39) APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes submission by an eligible applicant of a complete application, including any documentation required to be submitted through THDA's THOMAS system and:

- a. Proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements of 24 CFR Parts 91 and 93, as amended.
- b. Submission of a 30-Year Proforma demonstrating a need for the NHTF funds.
- c. Proposals that will set-aside more than 20% of the units for individuals with disabilities must demonstrate that the project will meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services ("CMS") in the final rule: <https://www.federalregister.gov/articles/2014/01/16/201400487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider>.
- d. Applications meeting the threshold requirements will be scored, ranked, and awarded according to the application criteria established in QAP.
- e. When the amount of funds available is less than the request for funding identified in the application, THDA reserves the right to offer partial funding pending the applicant's ability to secure additional financing within a timeframe established by THDA or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant.
 - i) When the applicant is not able to secure additional financing within THDA's identified timeline, THDA, subsequently and at its sole discretion, may move to the next lower scoring application(s) in order to meet its commitment obligations under the NHTF program.
 - ii) When THDA opts to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant, THDA may move to the next lower scoring project(s) in order to meet its commitment obligations under the NHTF program.

EXHIBIT A
Urban/Rural County Designations

| County | 2020 Population | Population Percentage Living in Rural Area | Designation |
|---------------|----------------------------|---|--------------------|
| Anderson | 77,123 | 36.52% | URBAN |
| Bedford | 50,237 | 55.11% | URBAN |
| Benton | 15,864 | 100.00% | RURAL |
| Bledsoe | 14,913 | 100.00% | RURAL |
| Blount | 135,280 | 37.20% | URBAN |
| Bradley | 108,620 | 31.95% | URBAN |
| Campbell | 39,272 | 48.78% | RURAL |
| Cannon | 14,506 | 100.00% | RURAL |
| Carroll | 28,440 | 82.10% | RURAL |
| Carter | 56,356 | 40.74% | URBAN |
| Cheatham | 41,072 | 100.00% | RURAL |
| Chester | 17,341 | 65.94% | RURAL |
| Claiborne | 32,043 | 71.33% | RURAL |
| Clay | 7,581 | 100.00% | RURAL |
| Cocke | 35,999 | 67.89% | RURAL |
| Coffee | 57,889 | 46.08% | URBAN |
| Crockett | 13,911 | 100.00% | RURAL |
| Cumberland | 61,145 | 53.94% | URBAN |
| Davidson | 715,884 | 3.14% | URBAN |
| Decatur | 11,435 | 100.00% | RURAL |
| DeKalb | 20,080 | 75.97% | RURAL |
| Dickson | 54,315 | 69.54% | RURAL |
| Dyer | 36,801 | 54.38% | RURAL |
| Fayette | 41,990 | 74.69% | RURAL |
| Fentress | 18,489 | 100.00% | RURAL |
| Franklin | 42,774 | 67.90% | RURAL |
| Gibson | 50,429 | 70.77% | RURAL |
| Giles | 30,346 | 73.12% | RURAL |
| Grainger | 23,527 | 84.43% | RURAL |
| Greene | 70,152 | 67.33% | RURAL |
| Grundy | 13,529 | 100.00% | RURAL |
| Hamblen | 64,499 | 22.66% | URBAN |
| Hamilton | 366,207 | 12.51% | URBAN |
| Hancock | 6,662 | 100.00% | RURAL |
| Hardeman | 25,462 | 79.26% | RURAL |
| Hardin | 26,831 | 67.10% | RURAL |

| | | | |
|------------|---------|---------|-------|
| Hawkins | 56,721 | 62.08% | URBAN |
| Haywood | 17,864 | 46.14% | RURAL |
| Henderson | 27,842 | 77.17% | RURAL |
| Henry | 32,199 | 67.77% | RURAL |
| Hickman | 24,925 | 100.00% | RURAL |
| Houston | 8,283 | 100.00% | RURAL |
| Humphreys | 18,990 | 100.00% | RURAL |
| Jackson | 11,617 | 100.00% | RURAL |
| Jefferson | 54,683 | 75.82% | RURAL |
| Johnson | 17,948 | 100.00% | RURAL |
| Knox | 478,971 | 9.19% | URBAN |
| Lake | 7,005 | 100.00% | RURAL |
| Lauderdale | 25,143 | 72.47% | RURAL |
| Lawrence | 44,159 | 73.55% | RURAL |
| Lewis | 12,582 | 100.00% | RURAL |
| Lincoln | 35,319 | 71.35% | RURAL |
| Loudon | 54,886 | 35.66% | URBAN |
| Macon | 25,216 | 75.52% | RURAL |
| Madison | 98,823 | 26.32% | URBAN |
| Marion | 28,837 | 91.34% | RURAL |
| Marshall | 34,318 | 65.23% | RURAL |
| Maury | 100,974 | 37.48% | URBAN |
| McMinn | 53,276 | 61.66% | URBAN |
| McNairy | 25,866 | 100.00% | RURAL |
| Meigs | 12,758 | 100.00% | RURAL |
| Monroe | 46,250 | 73.30% | RURAL |
| Montgomery | 220,069 | 17.73% | URBAN |
| Moore | 6,461 | 99.89% | RURAL |
| Morgan | 21,035 | 100.00% | RURAL |
| Obion | 30,787 | 59.31% | RURAL |
| Overton | 22,511 | 100.00% | RURAL |
| Perry | 8,366 | 100.00% | RURAL |
| Pickett | 5,001 | 100.00% | RURAL |
| Polk | 17,544 | 100.00% | RURAL |
| Putnam | 79,854 | 38.53% | URBAN |
| Rhea | 32,870 | 70.53% | RURAL |
| Roane | 53,404 | 52.11% | URBAN |
| Robertson | 72,803 | 53.00% | URBAN |
| Rutherford | 341,486 | 15.96% | URBAN |
| Scott | 21,850 | 100.00% | RURAL |
| Sequatchie | 15,826 | 100.00% | RURAL |
| Sevier | 98,380 | 53.37% | URBAN |
| Shelby | 929,744 | 3.40% | URBAN |

| | | | |
|------------|---------|---------|-------|
| Smith | 19,904 | 100.00% | RURAL |
| Stewart | 13,657 | 100.00% | RURAL |
| Sullivan | 158,163 | 26.54% | URBAN |
| Sumner | 196,281 | 25.26% | URBAN |
| Tipton | 60,970 | 66.66% | RURAL |
| Trousdale | 11,615 | 100.00% | RURAL |
| Unicoi | 17,928 | 51.44% | RURAL |
| Union | 19,802 | 100.00% | RURAL |
| Van Buren | 6,168 | 100.00% | RURAL |
| Warren | 40,953 | 61.64% | RURAL |
| Washington | 133,001 | 25.76% | URBAN |
| Wayne | 16,232 | 100.00% | RURAL |
| Weakley | 32,902 | 67.44% | RURAL |
| White | 27,351 | 79.19% | RURAL |
| Williamson | 247,726 | 18.64% | URBAN |
| Wilson | 147,737 | 35.24% | URBAN |



Annex



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors
FROM: Bill Lord, Director, Community Housing
Don Watt, Chief Program Officer
SUBJECT: 2023 National Housing Trust Fund (NHTF) Gap Subsidy Awards
DATE: January 8, 2024

Attached is the approved funding matrix associated with the funding awards under the 2023 National Housing Trust Fund Gap Subsidy Program Description. THDA made \$1.5 million available from the NHTF carry over funds and \$879,496.95 in TCAP Program Income funds to award under the Program.

THDA received seven applications for the 2023 Round, of which five passed threshold and three were awarded funds, as detailed below:

Total Funds Awarded: \$ 2,379,496.95:

- Total NHTF Funds Awarded: \$1,500,000.00
- Total TCAP Funds Awarded: \$879,496.95

Total Funding Awards by Region:

- East: \$1,449,496.95
- West: \$ 930,000.00

The following chart is a list of applications awarded:

| Applicant & Project | County | Region | Total Awarded |
|--|----------|--------|----------------|
| Memphis Housing Authority: Edgewood @ Legends Park | Shelby | W | \$930,000.00 |
| Aim Center: Espero Chattanooga | Hamilton | E | \$1,000,000.00 |
| Greater Kingsport Alliance for Development: Oakmonte Place | Sullivan | E | \$449,496.95 |



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THDA is an equal opportunity, equal access, affirmative action employer.



The following chart provides a list of applicants that met Threshold but did not receive an award due to being below the funding line:

| Eligible/ Inadequate Funding Available | Region | Reason |
|---|---------------|------------------------------|
| Metropolitan Development and Housing Agency: 5 th & Summer | M | Eligible, below funding line |
| Franklin Housing Authority: Cherokee Place | M | Eligible, below funding line |

The following chart provides a list of applicants that did not meet threshold:

| Not Eligible/ Failed Threshold | Region | Reason |
|--|---------------|--|
| Maryville Housing Authority: Maryville Towers | E | Ineligible: Initial award was not from an eligible program year. |
| Highland Residential Services: Red Bud Village | M | Ineligible: Initial award was not from an eligible program year. |

2023 National Housing Trust Fund Gap Scoring Matrix

| | | | | Funds Available: | | \$2,379,496.95 | | | | |
|---|-------------------------|----------------|-------|-----------------------------|---|-----------------------|---------------------|-----------------------------|-------------|------------|
| Applications Received Passing Threshold | Development | Grand Division | Score | Gap Funds Requested | Maximum Additional Award Based on Subsidy Limit | Gap Funds Awarded | Previous NHTF Award | Remaining Available Balance | Total Units | NHTF Units |
| Memphis Housing Authority | Edgeview @ Legends Park | W | 83 | \$930,000.00 | \$930,000.00 | \$930,000.00 | \$754,608.00 | \$1,449,496.95 | 99 | 25 |
| AIM Center | Espero Chattanooga | M | 78 | \$1,000,000.00 | \$1,000,000.00 | \$1,000,000.00 | \$500,000.00 | \$449,496.95 | 60 | 15 |
| Greater Kingsport Alliance for Development | Oakmonte Place | E | 77 | \$675,500.00 | \$648,526.00 | \$449,496.95 | \$1,136,450.00 | \$0.00 | 12 | 12 |
| Metropolitan Development and Housing Agency | 5th & Summer | M | 66 | \$1,000,000.00 | \$540,075.00 | \$0.00 | \$523,701.00 | \$0.00 | 107 | 5 |
| Franklin Housing Authority | Cherokee Place | M | 66 | \$355,618.04 | \$831,621.00 | \$0.00 | \$806,407.00 | \$0.00 | 76 | 7 |
| | | | | Total Funds Awarded: | | \$2,379,496.95 | | | | |

| Applications Received Failed Threshold | Development | Grand Division | Reason |
|--|------------------|----------------|--|
| Maryville Housing Authority | Maryville Towers | E | 2023 NHTF Recipient (Maryville Towers), Not scored as applicant from Ineligible Grant Year |
| Highland Residential Services | Red Bud Village | M | 2023 NHTF Recipient (Redbud Village), Not Scored as applicant from Ineligible Grant Year |

| | | |
|-------------------|----------------|---------------------|
| *Funds Available: | \$2,379,496.95 | Total of NHTF Units |
| Funds Requested: | \$3,961,118.04 | 64 |
| Total Awarded: | \$2,379,496.95 | 52 |

| | |
|--------------------|--------|
| Funds Not Awarded: | \$0.00 |
|--------------------|--------|

Approved by:


 Ralph M. Berrey, Executive Director

1/4/24

Date

* Funds Available include \$1,500,000 in NHTF and \$879,496.95 in TCAP program income, that will be applied following all NHTF requirements. Awards will be split between both resources as follows:

| Applications Received Passing Threshold | Project | Gap Funds Awarded | NHTF Award Amount | TCAP PI Award Amount |
|--|-------------------------|-----------------------|-----------------------|----------------------|
| Memphis Housing Authority | Edgeview @ Legends Park | \$930,000.00 | \$630,000.00 | \$300,000.00 |
| AIM Center | Espero Chattanooga | \$1,000,000.00 | \$600,000.00 | \$400,000.00 |
| Greater Kingsport Alliance for Development | Oakmonte Place | \$449,496.95 | \$270,000.00 | \$179,496.95 |
| | | \$2,379,496.95 | \$1,500,000.00 | \$879,496.95 |



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors
FROM: Bill Lord, Director, Community Housing
Don Watt, Chief Program Officer
SUBJECT: 2023 HOME CHDO Homeownership Development Program Awards
DATE: January 8, 2024

Attached is the approved funding matrix for the award of funds under the 2023 HOME CHDO Homeownership Development Program (the “Program”). THDA made \$2.75 million available to award for the Program and \$193 thousand available of Operating Assistance

THDA received 4 applications for the 2023 Round, of which 2 passed threshold and were awarded funds, as detailed below:

Total Funds Awarded: \$2,129,300.00:

- Total Program Funds Awarded: \$1,990,000
- Total Operating Assistance Awarded: \$139,300

Total Funding Awards by Region:

- East \$2,129,300

The following chart is a list of applications awarded:

| Applicant | County | Region | Program \$ Requested | Operating \$ Requested | Total Award |
|--|-------------------------------|--------|----------------------|------------------------|-------------|
| Tennessee’s Community Assistance Corporation | Cocke, Jefferson | E | \$1,000,000 | \$70,000 | \$1,070,000 |
| Clinch Powell RC&D | Claiborne, Cumberland, Sevier | E | \$990,000 | \$69,300 | \$1,059,300 |




The following chart provides a list of applicants that did not receive an award and the reason for not passing threshold eligibility.

| Not Eligible/ Failed Threshold | Region | Reason |
|---------------------------------------|---------------|--|
| Neighborhood Housing, Inc. | E | Ineligible due to failing threshold requirements: Did not submit all required threshold documents. |
| Habitat for Humanity, Jackson, TN | W | Ineligible due to failing threshold requirements: Did not meet minimum scoring requirements for funding. |

2023 HOME CHDO Homewonership Program Funding Matrix

| Applicant | County | E M W | Program \$ Requested | CHDO Operating \$ Requested | Total Funds Requested | # of HH | Disctionary Planning and Readiness | Capacity | Energy | Universal | Additional Scoring | HUD PJ | Match | Leverage | Public Partnership | Total Score | Program Funds Awarded | Operating Funds Awarded | Program Funds Available | Operating Funds Available | |
|---|---|------------------------------------|-------------------------|-----------------------------------|--------------------------|-------------|---|----------|--------|-----------|-----------------------|--------|-------|----------|-----------------------|----------------|-----------------------------|-------------------------------|-------------------------------|---------------------------------|-----------|
| | | | | | | | | | | | | | | | | | | | \$2,752,623 | \$192,684 | |
| Applications Passing Threshold | | | | | | | | | | | | | | | | | | | | | |
| 1 | Tennessee's Community Assistance Corporation | Cocke, Jefferson | E | \$1,000,000 | \$70,000 | \$1,070,000 | 6 | 26 | 28 | 10 | 10 | -4 | 5 | 15 | 4 | 0 | 94 | \$1,000,000 | \$70,000 | \$1,752,623 | \$122,684 |
| 2 | Clinch Powell RC&D | Claiborne, Cumberland Sevier | E | \$990,000 | \$69,300 | \$1,059,300 | 5 | 22 | 30 | 10 | 10 | 0 | 5 | 1 | 1 | 0 | 79 | \$990,000 | \$69,300 | \$762,623 | \$53,384 |
| Applications Not Passing Threshold | | | | | | | | | | | | | | | | | | | | | |
| 3 | Neighborhood Housing, Inc. | Knox | E | \$936,000 | \$64,000 | \$1,000,000 | 4 | 29 | 30 | 0 | 10 | 0 | 0 | 1 | 0 | 0 | 70 | \$0 | \$0 | \$762,623 | \$53,384 |
| 4 | Habitat for Humanity Jackson, TN Area | Madison | W | \$450,000 | \$27,000 | \$477,000 | 3 | 14 | 21 | 0 | 10 | 0 | 0 | 0 | 3 | 0 | 48 | \$0 | \$0 | \$762,623 | \$53,384 |

| | | | | |
|---|-------------|-----------|-------------|----|
| Total Applications Recommended for Funding: | \$1,990,000 | \$139,300 | \$2,129,300 | 11 |
| Total Applications Received Meeting Threshold: | \$1,990,000 | \$139,300 | \$2,129,300 | 11 |
| Total Applications Received: | \$3,376,000 | \$230,300 | \$3,606,300 | 18 |

Approved: 
Ralph M. Perrey, Executive Director

12/11/23
Date



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors
FROM: Bill Lord, Director, Community Housing
Don Watt, Chief Program Officer
SUBJECT: 2024 Capacity Building Grant Program Awards
DATE: January 8, 2024

Attached is the approved funding matrix under the Tennessee Housing Trust Fund (THTF) 2024 Capacity Building Grant Program Description. THDA made \$1 million available to award on a first come, first served basis.

THDA received five applications, of which three were awarded funds as detailed below:

Total Funds Awarded: \$1,000,000

Total Funding Awards by Region:

- East \$ 639,000
- Middle \$ 361,000

The following chart is a list of applications awarded:

| Applicant | Region | Total Awarded |
|--|--------|---------------|
| Lakeway Area Habitat for Humanity | E | \$139,000 |
| Knoxville Leadership Foundation | E | \$500,000 |
| Habitat for Humanity Greater Nashville | M | \$361,000 |

The following chart lists eligible applicants that did not receive an award:

| Eligible/ Inadequate Funding Available | Region | Reason |
|--|--------|------------------------------|
| Tennessee Community Assistance Corporation | E | Eligible, below funding line |
| United Housing, Inc. | W | Eligible, below funding line |

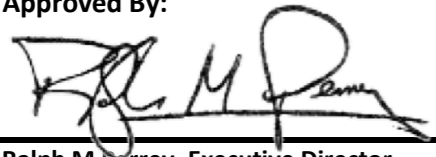


2024 Capacity Building Pilot Program Funding Matrix

Program Funds Available \$1,000,000

| Applicant | Date Received | Time Received | Grant Amount Requested | Activity | Program Funds Awarded | Program Funds Remaining |
|---|-----------------------------|---------------|------------------------|--|-----------------------|-------------------------|
| Lakeway Area Habitat For Humanity | Monday, October 23, 2023 | 2:54 PM | \$139,000.00 | Renovations for office, training and storage | \$139,000.00 | \$861,000.00 |
| Knoxville Leadership Foundation | Wednesday, November 1, 2023 | 3:29 PM | \$500,000.00 | Building conversion into office and workforce development training space | \$500,000.00 | \$361,000.00 |
| Habitat for Humanity of Greater Nashville | Friday, November 3, 2023 | 11:08 AM | \$500,000.00 | Rehabilitation of 40,000 square foot mall for office, training and storage | \$361,000.00 | \$0.00 |
| Tennessee's Community Assistance Corp. | Wednesday, November 8, 2023 | 2:46:17PM | \$500,000.00 | Finish out 2nd level of current office building. | \$0.00 | \$0.00 |
| United Housing, Inc. | Wednesday, November 8, 2023 | 2:46:59PM | \$500,000.00 | Renovate existing building in Binghampton area of Memphis for new office. | \$0.00 | \$0.00 |
| TOTALS | | | \$2,139,000.00 | | \$1,000,000.00 | \$0.00 |

Approved By:



11/17/23

Ralph M Ferrey, Executive Director

Date



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

TO: THDA Board of Directors and Bond Finance Committee
FROM: Trent Ridley, Chief Financial Officer
SUBJECT: THDA Investment Report – September 30, 2023
DATE: January 7, 2024

Attached is an Executive Summary of THDA’s Investment Report for the quarter ending September 30, 2023. This summary provides the amount of non-mortgage funds managed by our finance team and the overall performance of the portfolio.

Excluding Money Market Funds, THDA’s effective rate of return was 3.58% (up from 3.21% previous quarter and 1.60% at September 30, 2022). The increase is again due to the rise in short-term investment rates. During the quarter, THDA settled \$38.1 million in Program Securities, which are MBS created with pools of THDA-funded loans held as security for the bonds instead of whole loans. These securities are reflected in the 2013 Res Float/Equity Fund. Below is a summary of THDA’s Total Investment Holdings by Fund (book value). The full Investment Report is available on THDA’s web site. If you need any additional information, please do not hesitate to contact me at (615) 815-2012 or via email at tridley@thda.org.

Total Investment Holdings as of September 30, 2023

| Investment | General Fund | Escrow Fund | Loan Funds | Float / Equity Funds | Bond Reserve Funds | Total Investments |
|----------------------------|---------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| Money Market Funds | \$8,510,166 | \$2,623,559 | \$51,657,291 | \$93,583,636 | \$8,767,939 | \$165,142,591 |
| Federal Agency Coupons | 2,165,000 | 0 | 25,090,681 | 3,225,000 | 122,267,493 | 152,748,174 |
| Treasury Coupon Securities | 0 | 0 | 0 | 0 | 0 | 0 |
| Pass Through Securities | 0 | 0 | 0 | 63,128,363 | 0 | 63,128,363 |
| Discount Bonds | 2,899,584 | 0 | 57,421,850 | 125,353,491 | 0 | 185,674,925 |
| Total Funds | \$13,574,750 | \$2,623,559 | \$134,169,822 | \$285,290,490 | \$131,035,432 | \$566,694,053 |



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Tennessee Housing Development Agency

Investment Report

September 30, 2023

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



www.THDA.org - (615) 815-2200 - Toll Free: 800-228-THDA

EXECUTIVE SUMMARY

THDA Finance Team:

Trent Ridley, CFO

Wayne Beard, Finance Director

Joe Brown, Controller

December 3, 2023

**Important Transactions during the past quarter:*

- 1) The agency closed the \$235,000,000 Residential Finance Program Bond Issue 2023-2, on July 25, 2023. This financing provided \$204,963,000 of proceeds to fund mortgage loans and purchase GNMA mortgage backed securities and \$35,000,000 of taxable bond proceeds to purchase FHLMC mortgage backed securities. This transaction received \$45.19 million of 0% participation proceeds from the 2022-2 transaction and provided \$37.95 million of 0% participation proceeds for future transactions. The balance of 0% proceeds at the July 25, 2023 closing of 2023-2 was \$88,470,000.
- 2) The agency is scheduled to price \$360,000,000 Residential Finance Program Bond Issue 2023-3 in early October 2023. This financing is expected to provide proceeds to fund mortgage loans and purchase GNMA mortgage backed securities and FHLMC mortgage backed securities.
- 3) During the past quarter, \$43.4 million in mortgage prepayments were received by the agency. This was approximately a \$4.1 million decrease from the previous quarter (\$47.5 million) and approximately a \$27.6 million decrease from the same quarter last year (\$71 million). Prepayments are currently being accumulated to redeem bonds in January 2024, due to higher reinvestment rates.
- 4) The agency redeemed \$9,475,000 of bonds during the quarter using mortgage principal collections. An additional \$7,605,000 of bonds matured this quarter.
- 5) The agency created and settled \$38,127,274 of MBS Program Securities this quarter. Program Securities are mortgage backed securities (MBS) created with pools of mortgages funded/purchased by THDA and held as security for the bonds instead of whole loans.
- 6) The Federal Reserve funds rate target was held at the target range of 5.25% -5.50% at the September 20 meeting of the Federal Open Market Committee (FOMC). Holding the target range steady at this meeting allows the Committee to assess additional information and its implications for monetary policy. In determining the extent of additional policy firming that

may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.



PORTFOLIO MANAGEMENT SUMMARY
Portfolio Management
Portfolio Summary
September 30, 2023

THDA
 Andrew Jackson Building
 502 Deaderick St., Third Floor
 Nashville, TN 37243
 (615)815-2020

| Investments | Par Value | Market Value | Book Value | % of Portfolio | Term | Days to Mat./Call | YTM/C 360 Equiv. |
|------------------------------------|-----------------------|-----------------------|-----------------------|----------------|--------------|-------------------|------------------|
| Federal Agency Coupon Securities | 152,625,000.00 | 140,568,372.93 | 152,748,173.78 | 38.04 | 1,776 | 517 | 1.330 |
| Federal Agency Disc. -Amortizing | 187,000,000.00 | 185,726,531.12 | 185,674,925.21 | 46.24 | 82 | 49 | 5.372 |
| Pass Through Securities | 44,380,910.72 | 42,803,663.88 | 44,380,910.72 | 11.05 | 10,973 | 10,865 | 5.292 |
| Pass Through Securities (GNMA/CMO) | 18,747,452.64 | 18,347,665.25 | 18,747,452.64 | 4.67 | 10,959 | 10,889 | 5.700 |
| Investments | 402,753,363.36 | 387,446,233.18 | 401,551,462.35 | 100.00% | 2,438 | 1,928 | 3.841 |

| Total Earnings | September 30 | Period |
|---------------------------------|-----------------------|--------|
| Current Year | 3,221,526.17 | |
| Average Daily Balance | 356,798,833.44 | |
| Effective Rate of Return | 3.58% | |

 Mack W. Beard, Director of Finance

GENERAL FUND

DESCRIPTION

The General Fund was established under the 1974 Resolution and was funded from earnings above and beyond the debt cost of THDA Bond Issues that were done early in the existence of the agency.

On June 30, 2014 the agency moved assets from the 1974 Resolution to the 2013 Resolution to boost the financial strength of the 2013 Resolution. This move involved the aforementioned earnings from the early existence of the agency along with the remaining mortgage balances from the 1994-1 Bond issue.

The assets in the General Fund can be used for a variety of purposes. Some uses of the General Fund Assets are/have been:

- 1) Provide funding for special mortgage loan programs
- 2) Pre-fund mortgage loans pending the closing of a bond issue
- 3) Grants

THDA QUARTERLY INVESTMENT REPORT
GENERAL FUND
September 30, 2023

| Historical Fund Balances | 1974 Resolution | | 1985 Resolution | |
|---------------------------------|------------------------|---------------|------------------------|--------------|
| | Amortized Cost | Market Value | Amortized Cost | Market Value |
| 6/30/21 | 25,817,057.22 | 25,825,609.68 | N/A | N/A |
| 6/30/22 | 33,485,629.07 | 33,435,329.50 | N/A | N/A |
| 6/30/23 | 20,067,705.82 | 19,942,906.82 | N/A | N/A |
| 9/30/23 | 13,574,749.87 | 13,468,583.64 | N/A | N/A |

| Historical Returns (Yield) | Quarter ending 9/30/2023 | Current Fiscal Year | Last 12 Months | Last 24 Months |
|-----------------------------------|-----------------------------|------------------------|-------------------|-------------------|
| 1974 Resolution | 3.129% | 3.129% | 1.898% | 1.437% |

Benchmarks:

| | | | | |
|--------------------|--------|--------|--------|--------|
| (1) One-year CMT | 5.393% | 5.393% | 4.933% | 3.311% |
| (2) Two-year CMT | 4.917% | 4.917% | 4.489% | 3.254% |
| (3) Three-year CMT | 4.600% | 4.600% | 4.235% | 3.210% |

Duration

| | 1974 Resolution |
|--------------------------------------|------------------------|
| Average Duration to Maturity (Years) | 0.4 |
| Average Duration to Call (Years) | 0.3 |

| Asset Allocation | 1974 Resolution | | 1985 Resolution | |
|----------------------------|------------------------|----------------|------------------------|------------|
| | Dollar value* | Percentage | Dollar value* | Percentage |
| Money Market Funds | 8,510,166.11 | 62.69% | N/A | N/A |
| Federal Agency Coupons | 2,165,000.00 | 15.95% | N/A | N/A |
| Variable Rate Securities | - | 0.00% | N/A | N/A |
| Repurchase Agreements | - | 0.00% | N/A | N/A |
| Treasury Coupon Securities | - | 0.00% | N/A | N/A |
| Discount Bonds | 2,899,583.76 | 21.36% | N/A | N/A |
| Total | 13,574,749.87 | 100.00% | N/A | N/A |

*Dollar values are stated as book (amortized cost) value.

ESCROW FUND

DESCRIPTION

THDA has established an escrow fund for the purpose of holding funds that do not belong to THDA but in which the agency has an interest.

The Escrow Fund in the 1974 Bond Resolution held reserves and interest earnings for multi-family developments financed by THDA in the late 1970's and early 1980's. The final THDA financed multi-family development paid off in 2017.

Beginning in June of 2021 the escrow fund is being used to hold various fees received for the THDA Multi Family Bond and Low Income Housing Tax Credit programs. Some of these fees are potentially refundable to the program participants if they meet certain program goals and objectives. Agency staff reviews these on a regular basis to determine if/when a participants are due a refund. Amounts received that are not refundable or amounts forfeited for not meeting the aforementioned goals and objectives are transferred to income.

THDA QUARTERLY INVESTMENT REPORT
ESCROW FUNDS
September 30, 2023

| Historical Fund Balances | 1974 Resolution | | 1985 Resolution | |
|---------------------------------|------------------------|--------------|------------------------|--------------|
| | Amortized Cost | Market Value | Amortized Cost | Market Value |
| 6/30/21 | - | - | N/A | N/A |
| 6/30/22 | 9,045,154.81 | 9,045,154.81 | N/A | N/A |
| 6/30/23 | 9,227,691.79 | 9,227,691.79 | N/A | N/A |
| 9/30/23 | 2,623,558.80 | 2,623,558.80 | N/A | N/A |

| Historical Returns (Yield) | Quarter ending 9/30/2023 | Current Fiscal Year | Last 12 Months | Last 24 Months |
|-----------------------------------|-----------------------------|------------------------|-------------------|-------------------|
| 1974 Resolution | 4.854% | 4.854% | 4.871% | 4.871% |

Benchmarks:

| | | | | |
|--------------------|--------|--------|--------|--------|
| (1) One-year CMT | 5.393% | 5.393% | 4.933% | 3.311% |
| (2) Two-year CMT | 4.917% | 4.917% | 4.489% | 3.254% |
| (3) Three-year CMT | 4.600% | 4.600% | 4.235% | 3.210% |

Duration

| | 1974 Resolution |
|--------------------------------------|------------------------|
| Average Duration to Maturity (Years) | 0.0 |
| Average Duration to Call (Years) | 0.0 |

| Asset Allocation | 1974 Resolution | | 1985 Resolution | |
|-------------------------|------------------------|------------|------------------------|------------|
| | Dollar value* | Percentage | Dollar value* | Percentage |
| Money Market Funds | 2,623,558.80 | 0.00% | N/A | N/A |
| Federal Agency Coupons | - | 0.00% | N/A | N/A |
| THDA Securities | - | 0.00% | N/A | N/A |
| Repurchase Agreements | - | 0.00% | N/A | N/A |
| Discount Bonds | | 0.00% | N/A | N/A |
| Total | 2,623,558.80 | 0.00% | N/A | N/A |

**Dollar values are stated as book (amortized cost) value.*

LOAN FUNDS

DESCRIPTION

Proceeds from a new bond sale that are earmarked for funding mortgage loans are deposited into the Loan Fund. THDA invests these proceeds from the day of closing (the first day the funds are received) until the funds are needed for mortgage loans. Consideration must be given to the maintenance of liquidity so those funds are available as mortgage loans are funded.

A major challenge for THDA in managing the investments in the loan fund is minimizing “negative arbitrage”. This results because the rates that can be earned with a short-term investment instrument are usually less than the cost of the new long-term debt from which the proceeds derived.

Occasionally an amount is set aside from bond proceeds to cover this shortfall. This amount is called “capitalized interest”. Another method that is sometimes used to minimize or eliminate negative arbitrage is the purchasing of longer-term investments with higher rates in the loan fund. The intent would be to sell such investments when cash is needed either on the open market, or if advantageous, to other THDA funds that are expected to have a foreseeable need for such investments.

THDA QUARTERLY INVESTMENT REPORT

LOAN FUNDS

September 30, 2023

| Historical Fund Balances | 1985 Resolution | | 2009 Resolution | | 2013 Resolution | |
|---------------------------------|------------------------|--------------|------------------------|--------------|------------------------|----------------|
| | Amortized Cost | Market Value | Amortized Cost | Market Value | Amortized Cost | Market Value |
| 6/30/21 | 621,543.77 | 621,543.77 | 0.00 | 0.00 | 117,828,464.12 | 117,822,519.62 |
| 6/30/22 | 1,813,508.71 | 1,813,508.71 | 0.00 | 0.00 | 155,591,681.08 | 155,534,894.35 |
| 6/30/23 | 0.00 | 0.00 | 0.00 | 0.00 | 237,707,355.70 | 236,225,013.52 |
| 9/30/23 | 0.00 | 0.00 | 0.00 | 0.00 | 134,169,822.05 | 133,360,504.13 |

| Historical Returns (Yield) | Quarter ending 9/30/2023 | Current Fiscal Year | Last 12 Months | Last 24 Months |
|-----------------------------------|-----------------------------|------------------------|-------------------|-------------------|
| 1985 Resolution | N/A | N/A | N/A | N/A |
| 2009 Resolution | N/A | N/A | N/A | N/A |
| 2013 Resolution | 4.329% | 4.329% | 3.325% | 3.206% |

Benchmarks:

| | | | | |
|--------------------|--------|--------|--------|--------|
| (1) One-year CMT | 5.393% | 5.393% | 4.933% | 3.311% |
| (2) Two-year CMT | 4.917% | 4.917% | 4.489% | 3.254% |
| (3) Three-year CMT | 4.600% | 4.600% | 4.235% | 3.210% |

Duration

| | 1985 Resolution | 2009 Resolution | 2013 Resolution |
|--------------------------------------|------------------------|------------------------|------------------------|
| Average Duration to Maturity (Years) | N/A | N/A | 0.3 |
| Average Duration to Call (Years) | N/A | N/A | 0.3 |

| Asset Allocation | 1985 Resolution | | 2009 Resolution | | 2013 Resolution | |
|--------------------------|------------------------|------------|------------------------|------------|------------------------|------------|
| | Dollar value* | Percentage | Dollar value* | Percentage | Dollar value* | Percentage |
| Money Market Funds | - | 0.00% | - | 0.00% | 51,657,290.81 | 38.50% |
| Federal Agency Coupons | - | 0.00% | - | 0.00% | 25,090,680.95 | 18.70% |
| Variable Rate Securities | - | 0.00% | - | 0.00% | - | 0.00% |
| Repurchase Agreements | - | 0.00% | - | 0.00% | - | 0.00% |
| Pass Through Securities | - | 0.00% | - | 0.00% | - | 0.00% |
| Discount Bonds | - | 0.00% | - | 0.00% | 57,421,850.29 | 42.80% |
| Total | - | 0.00% | - | 0.00% | 134,169,822.05 | 100.00% |

*Dollar values are stated as book (amortized cost) value.

FLOAT/EQUITY FUNDS

DESCRIPTION

Float Funds are considered to be the portion of funds at any given time in the various funds and accounts that will be needed for the next scheduled semi-annual Debt Service payment or for bond call from mortgage prepayment proceeds. Any excess that accumulates in the accounts is considered *Equity Funds*. These funds represent the cumulative net gain in any fund or group of funds. For both the Float and Equity funds, THDA’s investment objective is a balancing act: to maximize earnings while achieving sufficient liquidity at January 1 and July 1 to meet debt service and bond call requirements.

The following funds hold the Float/Equity funds:

Revenue Fund (2009 Resolution):

- Debt Service & Expense Account (DS&E)
- Non-Mortgage Receipts Account (NMR)

Revenue Fund (2013 Resolution):

- Debt Service & Expense Account (DS&E)
- Non-Mortgage Receipts Account (NMR)
- 2013 Old 74 Cash and Investment Account

The chart below depicts where the General Bond Resolutions specify the different types of receipts be deposited and held:

| | <u>2009 Resolution</u> | | <u>2013 Resolution</u> | |
|--------------------------------------|------------------------|----------------|------------------------|----------------|
| | DS&E | NMR | DS&E | NMR |
| | <u>Account</u> | <u>Account</u> | <u>Account</u> | <u>Account</u> |
| Mortgage Loan Principal & Interest | X | | X | |
| Prepayment & Foreclosure Receipts | X | | X | |
| Interest on Non-Mortgage Investments | | X | | X |

THDA QUARTERLY INVESTMENT REPORT
FLOAT / EQUITY FUNDS
September 30, 2023

| Historical Fund Balances | 1985 Resolution | | 2009 Resolution | | 2013 Resolution | |
|---------------------------------|------------------------|--------------|------------------------|--------------|------------------------|----------------|
| | Amortized Cost | Market Value | Amortized Cost | Market Value | Amortized Cost | Market Value |
| 6/30/21 | 4,537,994.05 | 4,537,994.05 | 9,796,981.13 | 9,796,981.13 | 124,376,398.09 | 124,438,991.72 |
| 6/30/22 | 4,673,861.66 | 4,673,798.99 | 3,743,805.58 | 3,743,756.91 | 202,700,662.01 | 202,710,489.24 |
| 6/30/23 | - | - | 3,908,225.58 | 3,907,155.14 | 198,430,937.42 | 198,186,301.97 |
| 9/30/23 | - | - | 2,629,683.14 | 2,630,202.01 | 282,660,806.90 | |

| Historical Returns (Yield) | Quarter ending 9/30/2023 | Current Fiscal Year | Last 12 Months | Last 24 Months |
|-----------------------------------|-----------------------------|------------------------|-------------------|-------------------|
| 1985 Resolution | N/A | N/A | N/A | N/A |
| 2009 Resolution | 5.450% | 5.450% | 5.058% | 5.058% |
| 2013 Resolution | 5.211% | 5.211% | 4.874% | 4.623% |

| Benchmarks: | | | | |
|--------------------|--------|--------|--------|--------|
| (1) One-year CMT | 5.393% | 5.393% | 4.933% | 3.311% |
| (2) Two-year CMT | 4.917% | 4.917% | 4.489% | 3.254% |
| (3) Three-year CMT | 4.600% | 4.600% | 4.235% | 3.210% |

| Duration | 1985 Resolution | 2009 Resolution | 2013 Resolution |
|--------------------------------------|------------------------|------------------------|------------------------|
| Average Duration to Maturity (Years) | N/A | 0.12 | 2.42 |
| Average Duration to Call (Years) | N/A | 0.12 | 2.43 |

| Asset Allocation | 1985 Resolution | | 2009 Resolution | | 2013 Resolution | |
|----------------------------|------------------------|------------|------------------------|------------|------------------------|------------|
| | Dollar value* | Percentage | Dollar value* | Percentage | Dollar value* | Percentage |
| Money Market Funds | - | 0.00% | 722,512.20 | 27.48% | 92,861,123.32 | 32.85% |
| Federal Agency Coupons | - | 0.00% | - | 0.00% | 3,225,000.00 | 1.14% |
| Treasury Coupon Securities | - | 0.00% | - | 0.00% | - | 0.00% |
| Variable Rate Securities | - | 0.00% | - | 0.00% | - | 0.00% |
| Repurchase Agreements | - | 0.00% | - | 0.00% | - | 0.00% |
| Pass Through Securities | - | 0.00% | - | 0.00% | 63,128,363.36 | 22.33% |
| Discount Bonds | - | 0.00% | 1,907,170.94 | 72.52% | 123,446,320.22 | 43.67% |
| Total | - | 0.00% | 2,629,683.14 | 100.00% | 282,660,806.90 | 100.00% |

*Dollar values are stated as book (amortized cost) value.

BOND RESERVE FUNDS

DESCRIPTION

Bond Reserve Fund (BRF) - In December of 2009, THDA established a new general bond resolution, the Housing Finance Program (the 2009 resolution). This resolution calls for a Bond Reserve Fund. The required deposit for this fund is the greater of an amount equal to the aggregate of the respective amounts for each series of bonds established in the supplemental resolution authorizing such series or an amount equal to 3% of the then current balance of the program loans plus any other amount on deposit in the loan fund which has not been designated to provide for the payment of costs of issuance or capitalized interest. An analysis was performed as of June 30, 2023 to determine the amount to be held in the Bond Reserve Fund. This analysis determined that this balance needed to be \$1,253,599.60.

In May of 2013, THDA established a new general bond resolution, the Residential Finance Program (the 2013 resolution). As with the 2009 resolution, this resolution calls for a Bond Reserve Fund. The amount of the required deposit for this fund is calculated in the same manner as in the 2009 resolution. CSG Advisors performed an analysis in conjunction with the sale of Bond Issue 2023-2 in July of 2023 under this resolution. The resulting Bond Reserve Fund requirement was \$88,363,085.

THDA QUARTERLY INVESTMENT REPORT
RESERVE FUNDS
September 30, 2023

| Historical Fund Balances | 1985 Resolution | | 2009 Resolution | | 2013 Resolution | |
|---------------------------------|------------------------|---------------|------------------------|--------------|------------------------|----------------|
| | Amortized Cost | Market Value | Amortized Cost | Market Value | Amortized Cost | Market Value |
| 6/30/21 | 23,857,841.86 | 24,948,423.77 | 6,611,813.54 | 6,613,393.73 | 111,728,216.43 | 112,333,794.57 |
| 6/30/22 | 13,401,801.73 | 14,119,103.83 | 6,615,963.05 | 6,608,317.29 | 116,619,811.58 | 116,597,580.74 |
| 6/30/23 | - | - | 6,613,157.64 | 6,356,313.95 | 121,992,197.20 | 117,679,421.08 |
| 9/30/23 | - | - | 6,629,657.18 | 6,236,520.56 | 124,405,775.05 | 113,800,902.28 |

| Historical Returns (Yield) | Quarter ending 9/30/2023 | Current Fiscal Year | Last 12 Months | Last 24 Months |
|-----------------------------------|--------------------------|---------------------|----------------|----------------|
| 1985 Resolution | N/A | N/A | N/A | N/A |
| 2009 Resolution | 0.777% | 0.777% | 0.783% | 0.748% |
| 2013 Resolution | 1.601% | 1.601% | 1.566% | 1.451% |

Benchmarks:

| | | | | |
|--------------------|--------|--------|--------|--------|
| (1) One-year CMT | 5.393% | 5.393% | 4.933% | 3.311% |
| (2) Two-year CMT | 4.917% | 4.917% | 4.489% | 3.254% |
| (3) Three-year CMT | 4.600% | 4.600% | 4.235% | 3.210% |

Duration

| | 1985 Resolution | 2009 Resolution | 2013 Resolution |
|--------------------------------------|------------------------|------------------------|------------------------|
| Average Duration to Maturity (Years) | N/A | 1.3 | 3.0 |
| Average Duration to Call (Years) | N/A | 0.0 | 1.3 |

| Asset Allocation | 1985 Resolution | | 2009 Resolution | | 2013 Resolution | |
|----------------------------|------------------------|------------|------------------------|------------|------------------------|------------|
| | Dollar value* | Percentage | Dollar value* | Percentage | Dollar value* | Percentage |
| Money Market Funds | - | 0.00% | 19,657.18 | 0.30% | 8,748,282.22 | 7.03% |
| Federal Agency Coupons | - | 0.00% | 6,610,000.00 | 99.70% | 115,657,492.83 | 92.97% |
| Treasury Coupon Securities | - | 0.00% | - | 0.00% | - | 0.00% |
| Variable Rate Securities | - | 0.00% | - | 0.00% | - | 0.00% |
| Repurchase Agreements | - | 0.00% | - | 0.00% | - | 0.00% |
| Pass Through Securities | - | 0.00% | - | 0.00% | - | 0.00% |
| Discount Bonds | - | 0.00% | - | 0.00% | - | 0.00% |
| Total | - | 0.00% | 6,629,657.18 | 100.00% | 124,405,775.05 | 100.00% |

*Dollar values are stated as book (amortized cost) value.

ARBITRAGE

DESCRIPTION

Arbitrage, in part is defined as “the simultaneous purchase and sale of the same or equivalent security in order to profit from price discrepancies”.

This relates to THDA as it is applied to the use of proceeds from tax-exempt bonds, specifically the use of such bond proceeds or earnings from such proceeds to purchase taxable non-mortgage investments. Any excess earnings over the cost of borrowing (bond rate) are arbitrage earnings and must be rebated to the Internal Revenue Service.

This is a net calculation and is computed annually. Attached is a spreadsheet showing the arbitrage liability by bond issue as of 6/30/2023. Every five years, on the anniversary date of each bond issue, for the life of the bond issue, cash settlement has to be made with the IRS. If earnings for a five-year period are less than what the investments would have earned at the bond rate, no payment is due the IRS. If the earnings are more than what would have been earned at the bond rate, cash payment of the excess must be paid to the IRS. THDA has contracted with Kutak Rock to make these complex calculations.

From an Investment management performance measurement standpoint, THDA knows that if there is a rebate liability for a bond issue, then the agency has maximized earnings for that particular issue. This is probably the best benchmark of all because as mentioned above any earnings in excess of bond cost cannot be retained by the agency.

Tennessee Housing Development Agency
 Rebate Liability as of June 30, 2023

| <i>Resolution / Bond Issue</i> | <i>Arbitrage Rebate Liability</i> |
|---------------------------------------|--|
| <u>2009 Res</u> | - |
| 2015-A | - |
| <u>Sub-total</u> | - |
| | |
| <u>2013 Res</u> | |
| 2013-1 | - |
| 2013-2 | - |
| 2014-1 | - |
| 2014-2 | - |
| 2015-1 | - |
| 2015-2 | - |
| 2016-1 | - |
| 2016-2 | - |
| 2016-3 | - |
| 2017-1 | - |
| 2017-2 | - |
| 2017-3 | - |
| 2017-4 | - |
| 2018-1 | - |
| 2018-2 | - |
| 2018-3 | - |
| 2018-4 | - |
| 2019-1 | - |
| 2019-2 | - |
| 2019-3 | - |
| 2019-4 | - |
| 2020-1 | - |
| 2020-2 | - |
| 2020-3 | - |
| 2020-4 | - |
| 2021-1 | - |
| 2021-2 | - |
| 2021-3 | - |
| 2022-1 | - |
| 2022-2 | - |
| 2022-3 | - |
| 2023-1 | 73,426.56 |
| <u>Sub-total</u> | <u>73,426.56</u> |
| | |
| TOTALS | 73,426.56 |