Tennessee Housing Development Agency - Board of Directors

Committee and Board Meeting Materials
November 14, 2023

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, November 14, 2023 at 10am CT
Nashville Room, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

AUDIT & BUDGET COMMITTEE
A. Approval of Audit & Budget Committee Meeting Minutes-September 18, 2023
B. Committee Items *(* items require committee vote)*

1. Enterprise Risk Management Update
2. Analysis of Disclosure Report for Board Members
3. Analysis of Disclosure Report for THDA Staff
4. Annual Performance Evaluation of the Director of Internal Audit*
5. Annual Performance Evaluation of the Executive Director*

BOND FINANCE COMMITTEE
A. Approval of Bond Finance Committee Meeting Minutes-September 18, 2023
B. Committee Items *(* items require committee vote)*

1. THDA Financial Forecast – FY2024-2028
2. Bond Issue 2024-1*
3.Financial Advisor Selection*

THDA Board of Directors Board Meeting Agenda

(directly following Bond Finance Committee Meeting)

Tuesday, November 14, 2023 at 10am CT
Nashville Room, 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
Update on Foreclosure Rehab Program

E. Multifamily Business
Business Update

F. Board Action items *(* items require board vote)*
1. Approval of Minutes from September 26, 2023 meeting*
2. Annual Performance Evaluation of the Executive Director*
3. Election of Vice Chair*
4. Bond Issue 2024-1*
5. 2023-2 HOME Rental Housing Development - Program Description*
6. 2024 HOME Rental Housing Development Program Description*
7. 2024 HOME CHDO Homeownership Development Program Description*
8. 2024 HOME Urban-Rural Program Description*
9. 2020 HOME Bright Futures Bridge Subsidy (BFBS) Pilot Program – Extensions*
10. 2023 Eviction Prevention Program Description Amendment*
11. 2023 Emergency Repair Program (ERP) Description Amendment*
12. 2024 Emergency Solutions Grants (ESG) Program Description*
13. 2024 Tennessee Housing Trust Fund (THTF) Competitive Grants Program Description*
14. 2023 Multifamily Tax Exempt Bond Authority(MTBA) Program Description Amendment*
15. 2024 Multifamily Tax Exempt Bond Authority (MTBA) Program Description*

G. Board Briefing Items
1. 2024 THDA Board of Directors Meeting Schedule
2. Annual Cybersecurity Update
3. HUD-Veterans Affairs Supportive Housing Choice Vouchers (HUD-VASH) Award
4. 2023 HOME Rental Housing Development Program Funding Matrix

Tennessee Housing Development Agency - Board of Directors

Audit & Budget Committee

Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Audit & Budget Committee Meeting Agenda

Tuesday, November 14, 2023 at 10am CT
Nashville Room, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

A. Approval of Minutes from September 18, 2023 meeting

B. Committee Items *(*items require committee vote)*

1. Enterprise Risk Management Update
2. Analysis of Disclosure Report for Board Members
3. Analysis of Disclosure Report for THDA Staff
4. Annual Performance Evaluation of the Director of Internal Audit*
5. Annual Performance Evaluation of the Executive Director*

Committee Members:
Secretary Tre Hargett (Chair)
Treasurer David Lillard
Matt McGauley
Rick Neal
Chrissi Rhea
Austin McMullen

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
September 18, 2023

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Monday, September 18, 2023, at 1:00 p.m. CT via a WebEx call with certain staff members physically present at the THDA Offices located at 502 Deaderick Street; Andrew Jackson Building, 3rd Floor; Nashville, Tennessee 37243.

The following Committee members were present via Webex: Matt McGauley (Board Chair); Secretary of State Tre Hargett (Audit & Budgtet Committee Chair); and Katie Armstrong (for Comptroller Jason Mumpower); Alex Schuhmann (for Commissioner of Finance & Administration Butch Eley); and Sara Queirolo (for Treasurer David Lillard). Also, other Board Members present were: Rick Neal; Rob Mitchell; and Stephen Dixon.

Recognizing a quorum present, Secretary Hargett called the meeting to order at 1:00 p.m. CT and recognized Bruce Balcom, THDA Assistant Chief Legal Counsel, who presented the following statement:

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

Upon motion by Secretary Hargett and second by Chair McGauley, and with the following roll call vote, the motion carried to approve doing business in this manner with all members identified as present voting "yes".

Recognizing a quorum present, Secretary Hargett called the meeting to order at 1:00 p.m. CT. For the first order of business, Secretary Hargett called for consideration and approval of the July 25, 2023, Audit & Budget Committee Meeting Minutes. Upon motion by Secretary Hargett, second by Chair McGauley, and following a roll call vote with all members identified as present voting "yes", the motion carried to approve the July 25, 2023, minutes.

Secretary Hargett indicated the next item for consideration was the Internal Audit Director and Executive Director Evaluation process as discussed further in two memos from September 1, 2023. Secretary Hargett called for a motion to approve as it requires committee approval only and does not require board approval. Upon motion by Secretary Hargett, second by Mr. Neal, and following a roll call vote with all members identified as present voting "yes", the motion carried to approve the Internal Audit Director and Executive Director Evaluation process.

Secretary Hargett recognized Mr. Trent Ridley, THDA Chief Financial Officer, to present THDA's Proposed Budget for Fiscal Year 2024-25. Upon completion of the presentation by Mr. Ridley, Secretary Hargett called for a motion to approve THDA's Proposed Budget for Fiscal Year 2024-25, second by Chair McGauley, and following a roll call vote with all members identified as present voting "yes", the motion carried to approve.

There being no further business, Secretary Hargett called for a motion to adjourn the meeting. Upon motion by Secretary Hargett, second by Chair McGauley, and following a roll call vote with all members identified as present voting “yes”, the motion carried and the meeting adjourned at 1:10 p.m. CT.

Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit
Approved this 14th day of Novmeber, 2023.

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 Audit and Budget Committee

FROM: Gathelyn Oliver, Director of Internal Audit

SUBJECT: Review of THDA Enterprise Risk Management Report for 2023

DATE: October 30, 2023

Recommendation
Staff recommends the Audit and Budget Committee review the results of the Enterprise Risk Management process for 2023 to ensure that THDA has appropriate internal controls in place. This review should be noted in the Audit and Budget Committee minutes.

Key Points
While the Enterprise Risk Management process and accompanying reports contains a wealth of information, a key point to consider is that each division has prepared their own self-assessment which was then consolidated and reviewed by Internal Audit and executive management. The final report and supporting schedules document the results of the assessment and provide reasonable assurance that THDA's internal controls in effect on a June 30 fiscal year ending basis adequately safeguard assets and when taken as a whole provide reasonable assurance of the proper recording of financial transactions; compliance with applicable laws, regulations, rules, contracts and grant agreements; and support the achievement of operational objectives. While there is always the possibility of additional risks to be noted or that an established control is ineffective, this process documents the main areas that need to be addressed.

In reviewing the report, I would like to highlight a few key risks that have been identified:

CARES Act and American Rescue Plan Close-out and Compliance
The CARES Act and the American Rescue Plan were passed in response to the COVID-19 pandemic and have provided significant funding for THDA administered programs. Federally funded programs create significant compliance requirements for THDA. Some of the associated programs are beginning to wind

down, however, program monitoring remains in place to ensure compliance. More detail is included in the Community Services and Mortgage Assistance and Compliance risk assessments.

Secondary Markets
THDA is currently offering a Freddie Mac conventional mortgage product and is securitizing the sale of some VA, USDA and FHA mortgages to Ginnie Mae. THDA is also planning to submit an application to become a Fannie Mae seller/servicer within the next year. THDA staff time and resources have been allocated to prepare for this new implementation. THDA leadership continues to plan for and mitigate the inherent risks associated with entering new markets. More detail is included in the Secondary Market risk assessment.

Cybersecurity and IT Project Implementations
Cybersecurity threats continue to be a risk that management must mitigate. THDA's IT infrastructure includes the use of firewalls, Intrusion Prevention and Detection Systems, strict password policies and mandatory cybersecurity training for all staff. In addition, THDA has some large system implementations occurring over the next 12-24 months. THDA also now has some external partners/vendors accessing customer Private Information. Annual penetration tests are performed to ensure security risks are addressed. More detail is included in the IT division risk assessment.

Vendor Risk Management
As THDA relies on third-party providers for support in conducting business activities, there are risks associated with using third-party providers. These risks must be assessed and managed to protect THDA data; ensure regulatory compliance and achieve desired outcomes. More detail is included in the Internal Audit and IT risk assessments.

Background
As Responsibility 11 of the Audit & Budget Committee Charter requires, the Committee is responsible for reviewing management's annual risk assessment. The Enterprise Risk Management report is required to be submitted by December 31, 2023. A copy of the report is included with this memorandum for your review and approval. The supporting spreadsheet schedules were sent to the committee via email as a separate attachment.

Feel free to contact me with any questions or concerns.

Tennessee Housing Development Agency

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

Bill Lee Governor	**Ralph M. Perrey** Executive Director

November 20, 2023

The Honorable Jim Bryson, Commissioner
Department of Finance and Administration
State Capitol
Nashville, TN 37243

And

The Honorable Jason Mumpower
Comptroller of the Treasury
State Capitol
Nashville, TN 37243

Re: Tennessee Financial Integrity Act Guidelines

Dear Commissioner Bryson and Comptroller Mumpower:

This annual report addresses the agency-wide risk management and internal control requirements of the TCA §9-18-101, known as the *Tennessee Financial Integrity Act,* as amended. In order to assess the effectiveness of our internal control system and of individually significant controls, we conducted an evaluation in accordance with the guidance set forth under TCA §9-18-103. We understand that this guidance was developed using COSO's enterprise risk management framework, and, incorporate the 2014 revision of the Standards for Internal Control in the Federal Government's (known as the Green Book) adaption of COSO's Internal Control – Integrated Framework (2013) and have referred to these frameworks as necessary throughout the evaluation.

The objectives of the Tennessee Housing Development Agency's annual risk management and internal controls assessment are to provide reasonable assurance of the overall adequacy and effectiveness of internal controls related to:

- program objectives;
- operational efficiency and effectiveness;
- financial reporting;
- compliance with laws, regulations, rules, contracts and grant agreements; and,
- fraud, waste and abuse.

The concept of reasonable assurance recognizes that the costs of internal controls should not exceed the benefits derived from those controls. Reasonable assurance is a high but not an absolute level of assurance. In the course of any review, estimates and judgments are required to assess the expected benefits and related costs of control policies and procedures. Errors or fraud may occur and not be detected due to inherent limitations in any system of risk management and internal control, including those limitations resulting from resource constraints, legislative restrictions and other factors. Risk assessment allows the agency to consider the extent to which potential events have an impact on achievement of objectives and to mitigate the risk of events that could have a negative impact.

As head of this Agency, we have performed an entity-wide risk assessment and have fully complied with the requirements specified in TCA 9-18-102. To reduce the effect of unacceptable risks, a system of internal control has been implemented and tested for operating effectiveness. I acknowledge responsibility for establishing, implementing, and maintaining an adequate internal control system to prevent and detect fraud, waste, and abuse and for performing this assessment of the operating effectiveness of the department's risk management and internal controls.

The results of this assessment have given me reasonable assurance that no material weakness or lack of compliance was reported. The Agency's internal controls in effect on a June 30 fiscal year ending basis, adequately safeguard assets, and when taken as a whole provide reasonable assurance of the proper recording of financial transactions; compliance with applicable laws, regulations, rules, contracts and grant agreements; and the achievement of operational objectives, subject to the limitations described in the previous paragraph. As head of this agency, I acknowledge responsibility for establishing, maintaining and assessing internal control effectiveness for this agency.

The documented results of our agency-wide risk assessment are maintained by our Internal Audit staff and are available to you upon request.

Sincerely,

Ralph M. Perrey
Executive Director

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 Audit and Budget Committee

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

SUBJECT: Review of Potential Conflicts of Interest Disclosures

DATE: October 30, 2023

Recommendation
Staff recommends the Audit and Budget Committee review the analyses of Potential Conflicts of Interest Disclosures by THDA Staff, THDA Board Members, Voting Representatives, and Staff of Board Members who Deal Directly with THDA. This review should be noted in the Audit and Budget Committee minutes.

Key Points
We reviewed the disclosures made by all THDA staff, THDA Board Members, Voting Representatives, and Staff of Board Members who Deal Directly with THDA for the fiscal year beginning July 1, 2023. This year all THDA staff members were asked to complete an electronic version of the long form Employee Disclosure of Out-side Employment and Personal Interests, (the "Disclosure Form"). Board members and representatives completed the long form THDA Board Member and Designee Disclosure. The original responses are saved on THDA servers and are open for public inspection, upon written request, during regular THDA business hours.

Background

TCA §13-23-128 and the Staff Disclosure Policy originally adopted on March 19, 1992, as subsequently revised, (the "Staff Disclosure Policy"), require that, in addition to disclosing potential conflicts annually, any disclosure is to be noted in the official THDA minutes. TCA §13-23-128 and the THDA Conflicts of Interest Policy adopted on September 16, 2004, as subsequently amended (the "Board Disclosure Policy"), and the THDA Code of Conduct adopted on March 15, 2007, as amended on September 22, 2015 and September 28, 2021 require that in addition to disclosing potential conflicts annually, any disclosure is to be noted in the official THDA minutes.

Feel free to contact me with any questions or concerns.

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: Audit and Budget Committee

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

DATE: October 27, 2023

SUBJECT: 2023 Potential Conflicts of Interest Disclosure
By THDA Board Members, Voting Representatives, and
Staff of Board Members who Deal Directly with THDA

INTRODUCTION

We reviewed the disclosures made by THDA Board members, Voting Representatives and Staff of Board members who deal directly with THDA, (the "Board members"), for the fiscal year beginning July 1, 2023. This year Board members completed the long form THDA Board Member and Designee Disclosure, (the "Disclosure Form"). The original forms are in THDA electronic files and are documents open for public inspection, upon request, during regular THDA business hours.

TCA §13-23-128 and the THDA Conflicts of Interest Policy adopted on September 16, 2004, as subsequently amended (the "Board Disclosure Policy"), and the THDA Code of Conduct adopted on March 15, 2007, as amended on September 22, 2015 and September 28, 2021 require that in addition to disclosing potential conflicts annually, any disclosure is to be noted in the official THDA minutes.

In addition to TCA §13-23-128 and the Board Disclosure Policy, certain federal programs administered by THDA have conflicts of interest provisions that apply to Board members, staff and program participants. These include the Section 8 Housing Choice Voucher (HCV) and Performance Based Contract Administration (PBCA) Programs, the HOME Program, the Neighborhood Stabilization Program (NSP), and the Homelessness Prevention and Rapid Re-Housing Program (HPRP). The National Foreclosure Mitigation Counseling (NFMC) and the Hardest Hit Funds (HHF) programs are also federally funded programs that require homeownership educators/counselors to comply with the National Industry Standards Code of Ethics and Conduct for Homeownership Professionals relating to actual and apparent conflicts of interest. The Low Income Housing

Credit Program (LIHC), the Tax-exempt Multi-family Bond Authority Program (TEMFBA), the Tax Credit Assistance Program (TCAP), and the Tax Credit Exchange Program (1602), also administered by THDA, do not have specific conflict of interest provisions.

The disclosures made by Ms. Tennion Reed represent direct participation in a THDA programs because she received financial assistance from the TN-HAF and LIHEAP programs. TCA §13-23-128(b) specifically outlines that if THDA members do have direct interest with the agency other than those described in subsection (a), such interest must be disclosed in writing and set forth in the official minutes of the agency, and such member must refrain from participation in any discussion or activity by the agency in connection with such business or contract.

None of the other disclosures made by Board members represent conflicts resulting from prohibited interests under TCA §13-23-128, as amended. Even where no conflict actually exists, Board members must refrain from any appearance of impropriety as required by the THDA Code of Conduct adopted March 15, 2007 as amended on September 22, 2015 and September 28, 2021. Federal requirements relating to disclosed interests will be addressed in relation to the specific program in subsequent paragraphs and are based on the question numbers found in the Disclosure Form.

INCIDENTAL INTERESTS

1. (Question 8) The following Board members disclosed incidental personal banking relationships with financial institutions or entities that may be THDA originating agents. The disclosures include personal savings, checking, investments, IRAs, mortgages, etc.

Katie Armstrong	Jim Bryson	Stephen Dixon
Tre Hargett	David Lillard	Matt McGauley
Austin McMullen	Rob Mitchell	Jason Mumpower
Chris Mustain	Rick Neal	Sara Queirolo
Chrissi Rhea		

   According to the Board Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation.

2. (Question 10) The following Board members disclosed incidental personal or business relationships with THDA, THDA employees, Board members or with persons or entities that do business with THDA.

Stephen Dixon	Austin McMullen	Rob Mitchell
Jason Mumpower	Chrissi Rhea	

   According to the Board Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation.

3. (Questions 3y, 6a and 6c) The following Board members disclosed incidental personal or family employment or relationships with entities that are involved in originating THDA mortgage loans; selling property that may

be developed for housing to be sold to THDA borrowers; or selling property or houses to THDA borrowers (as a Realtor or in any other capacity).

Katie Armstrong	Stephen Dixon	Tre Hargett
Matt McGauley	Chrissi Rhea	

According to the Board Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation.

INDIRECT INTERESTS

4. (Questions 2, 3b, 3e, and 3h) Mr. Rick Neal disclosed indirect interests due to his position with the Pinnacle Bank. Indirect interests in this category may include financing or investments utilizing LIHTC, Multifamily Tax Exempt Authority and CITC. In addition to the requirements for Board members to refrain from voting and participation in discussion at committee and Board meetings on any topic that relates specifically to their disclosed indirect interest, waiver requests from the Federal agency with oversight authority for these programs may be requested as necessary.

5. (Question 10) Mr. Austin McMullen disclosed possible indirect interests due to his being employed by a law firm that may represent THDA clients involved in THDA programs. Mr. McMullen is not aware of any specific relationships.

6. (Questions 3a, 3h and 3i) Mr. Stephen Dixon disclosed indirect interests of a family member who is Board member of a Habitat for Humanity affiliate which has received HOME funding and Tennessee housing Trust funding through a THDA grantee. The organization has participated in the CITC program in the past. In addition to the requirements for Board members to refrain from voting and participation in discussion at committee and Board meetings on any topic that relates specifically to their disclosed indirect interest, waiver requests from the Federal agency with oversight authority for these programs may be requested as necessary.

7. (Question 4) Mr. Michael Miller disclosed that tenants in property he owns participate in the Section 8 Program administered by THDA. In addition to the requirements for Board members to refrain from voting and participation in discussion at committee and Board meetings on any topic that relates specifically to their disclosed indirect interest, waiver requests from the Federal agency with oversight authority for these programs may be requested as necessary.

SUMMARY OF INTERESTS DISCLOSED

The following is a summary of interests disclosed by Board members in their 2022 Disclosure Forms:

1. Ms. Jacky Akbari – None.

2. Ms. Katie Armstrong – Family member is employed as Marketing Director for a Realtor and could have clients that obtain THDA loans. Personal banking relationships with financial institutions that may be THDA Originating Agents.

3. Mr. Jim Bryson – Personal banking relationships with financial institutions that may be THDA Originating Agents.

4. Mr. Stephen Dixon – Family member is on the Board of an organization that receives HOME funds and Tennessee Housing Trust Fund grants through a THDA grantee and has participated in the CITC program. Employed by a financial institution that is a THDA Originating Agent and may have customers participate in THDA programs and/or receive funding through grants or LIHTC program. Personal banking relationships with financial institutions that may be THDA Originating Agents.

5. Mr. Tre Hargett – Personal banking relationships with financial institutions that may be THDA Originating Agents.

6. Mr. David Lillard – Personal banking relationship with financial institutions that may be THDA Originating Agents.

7. Mr. Matt McGauley – Personal banking relationship and serves as a Director with financial institutions that may be THDA Originating Agents.

8. Mr. Austin McMullen – Personal banking relationship with financial institutions that may be THDA Originating Agents. Employed by a law firm that may represent THDA clients involved in THDA programs.

9. Mr. Michael Miller – Owner/landlord for tenants who have Section 8 Rental Assistance vouchers.

10. Mr. Rob Mitchell – Personal banking relationship with financial institutions that may be THDA Originating Agents. Personal and professional relationships with THDA employees and certain developers that may participate in THDA programs.

11. Mr. Jason Mumpower – Personal banking relationship with financial institutions that may be THDA Originating Agents. Family member owns a real estate title company.

12. Mr. Chris Mustain – Personal banking relationship with financial institutions that may be THDA Originating Agents.

13. Mr. Rick Neal - Employed by a financial institution that may be a THDA Originating Agent. Employer is an investor and finances developments utilizing LIHTC, TEMFBA and CITC provided by THDA.

14. Ms. Sara Queirolo – Personal banking relationship with financial institutions that may be THDA Originating Agents.

15. Ms. Tennion Reed – Received mortgage assistance through the TN HAF Program and energy assistance through the LIHEAP program.

16. Ms. Christine Rhea – CEO of a financial institution that is a THDA Originating Agent. Family member is employed by a financial institution that is a THDA Originating Agent. Personal banking relationship with financial institutions that may be THDA Originating Agents.

17. Mr. Alex Schuhmann – None.

18. Mr. Daniel Springer - None

SUMMARY OF PROGRAM DISCLOSURES

Mr. Rick Neal disclosed indirect and incidental interests in LIHTC, TEMFBA, CITC and PBCA.

Ms. Tennion Reed disclosed direct allowable interest in TN HAF and LIHEAP.

Mr. Stephen Dixon disclosed HOME, CITC and LIHTC.

Mr. Michael Miller S8HCV.

GLO/BB

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: Audit and Budget Committee

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

DATE: October 25, 2023

SUBJECT: 2023 Potential Conflicts of Interest Disclosure Report for Staff

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INTRODUCTION

We reviewed the disclosures made by all THDA staff for the fiscal year beginning July 1, 2023. This year all THDA staff members were asked to complete an electronic version of the long form Employee Disclosure of Out-side Employment and Personal Interests, (the "Disclosure Form"). The original responses are saved on THDA servers and are open for public inspection, upon written request, during regular THDA business hours.

TCA §13-23-128 and the Staff Disclosure Policy originally adopted on March 19, 1992, as subsequently revised, (the "Staff Disclosure Policy"), require that, in addition to disclosing potential conflicts annually, any disclosure is to be noted in the official THDA minutes. Persons with potential conflicts or indirect interests that create an apparent conflict even if there is no prohibited interest are to refrain from discussion or participation in THDA activity in connection with the identified conflict. None of the disclosures made by employees indicated a conflict resulting from prohibited interests under TCA §13-23-128(a) or the Staff Disclosure Policy. Even where no conflict exists, staff members must refrain from any appearance of impropriety as required by the THDA Code of Conduct adopted by the THDA Board of Directors March 15, 2007 as amended on September 22, 2015 and September 28, 2021.

The specific items mentioned below are tied to question numbers from the Disclosure Forms completed by the employees.

NO OUTSIDE EMPLOYMENT DISCLOSED

The following individuals disclosed no outside employment as of the date of their respective 2023 Disclosure Form:

Aaron Toran	Aaron Walker	Abdulkhalik Abdi	Adrienne Nevin
Alba Jofre	Alina Truta	Allison Moore	Amara Mattingly
Amber Cosby	Amber Holland	Amber Martin	Amy Newport
Analisa Parker	Angel Cooper	Angela Martinez	Ann Salyers
Anyika Hawkins	Ashley Willis-Griffin	Azem Papraniku	Bailee Smith
Belinda Williams	Benjamin Davis	Berih Awala	Beverly Fears
Bill Lord	Briana Gardner	Brianna Schoonover Atol	Bridget Jackson
Britny Booth	Bruce Balcom	Bryan Yoshino	Cathy Salazar
Chasidy Richardson	Cherelle Hooper	Cheri Ballinger	Chernae Saka
Christina Wetzler	Christopher Marlin	Christy Hollingsworth	Chuck O’Donnell
Chuck Pickering Jr.	Clarissa Wyatt	Connie Smith	Connie Stone
Coresa Ramey	Craig Stevens	Crystal Stafford	Cynthia Buntin
Dallisa Kilcrease	Dani Brickman King	Danna Wall Wright	Darrell Robertson
Dareyl Adams	David Lord	Debra Murray	Debra Perkins
Denise Hutchinson	Denisha Buckner	Derrica McGill	Dharthia Chunduru
Dodi Hopkins	Don Watt	Donessa Rhodes	Donna Calahan
Donna Duarte	Ed Clawson	Ed Yandell	Eric Alexander
Eric Crabtree	Eric Hall	Erica Holloway	Erin Hardy
Erin Lord	Evelyn Finch	Evie Stocking	Fabiola Caferri
Fredina Martin	Gail Gordon	Gardleth Azurdia	Harriet Nolen-Bonds
Harry Symlar	Hayden Harville	Heather Reynolds	India Whatley
Iyona Toran	Jaime Fox	Jaime Talley	Janice Williams
Janie Pekanyande Harris	Jason Candido	Jason Mathews	Jason Ronnow
Java’e Bazemore	Jawon Lauderdale	Jayna Johnson	Jenia Tortora
Jennifer Carpenter	Jennifer Chilton	Jennifer Green	Jeremy Heidt
Jeremy Lenckus	Jessica Culpepper-Hilliard	Jessica Davis	Jill Hatleberg
Jodi Smith	Joe Bethel	Joe Brown	Joseph Uvanni
Joshua Thomas	Jre Jones	Juanita Hamilton	Julie Ezell
Justine Oti-Obilor	Kala Snyder-Banister	Karen Davis	Kathleen Norkus
Katie Edwards	Katie Ferguson	Katrina Brewer	Kayla Cobb
Kelly Murph	Kenyatta Mundy	Kenyell Chalmers	Kerry Maloney
Kevin Rogers	Kim Davenport	Kimberly Otts	Kimberly Pillar
Kristy Allen	Kyle KasaKaitas	Kyle Kokes	Lakeya Bryant
LaMar Brooks	Langston Glass	Larisa Stout	LaToyya Moore
Leah Sharpe	LeAnn Blankman	Lekeisah Cannon	Leslie Frierson
Linda Jones	Lindsay Kent	Lisa Brock	Lisa Brown
Lisa Shockley	Lisa Stover	LiSandra Vaughns McLaurine	Lori Cannon
Lynn Stocker-Schmidt	Mandy Garman	Maree Emberton	Marva Hemphill
Mary Crutcher	Meg Palmer	Megan Webb	Melissa Clouatre
Michael Kokodynsky	Michael Prude	Michelle Lines	Mike Clinard
Monica Rutherford	Montrice Brown-Miller	Nakeisha Tucker	Narkeshia Stanton
Natasha McLaurine	Nicholas Roberson	Nicole Drinkwater	Nicole Edwards
Nicole Lucas	Nikki Finley	Nneka Onyirioha	Pamela Whitfield
Patricia Matlock	Patrick Carmichael	Patrick Coyle	Patrick Harrell
Precious Edmonds	Quentin Peters	Rachel Johnson	Ralph M Perrey
Rashia Holmes	Reggie Woodard	Rhonda Ellis	Rhonda Groves

Rhonda Ronnow	Ricardo Moore	Robert Cline	Robert Kirtz
Robert Lucas	Russell Catron	Sandra Poarch	Sara Mosher
Sarah Black	Sarah Dickerson	Sarah Turner-Brooks	Sarita Hafford
Scott Holden	Selena Jenkins	Shana Dotson	Shannon Ward
Sharayah Carter Shattuck	Sharon Putnam	Sheila Gunsell	Shelby Walls Cantrell
Sheila Crunk	Sheniece Daphness`	Sherri Demonbreun	Sheryl Palmer
Sierra Searcy	Stella Williams	Stephanie Bounds	Steve Fisher
Tanya Jackson	Tara Herbert Lake	Tasha Overton	Taveion McCutcheon
Terry Montgomery	Tim Papraniku	Tim Robichaud	Timothy James
T'Keyah Chandler	Tomas Rivera-Colon	Toni Fondren	Toni Shaw
Tonisha Howard	Tony White	Trebia Johns	Trent Ridley
Trish Moon	Vanessa Dowdy	Wendee Luman	Wes Bunch
Yasmine Owens	Yvonne Hall		

INCIDENTAL INTERESTS

1. (Question 19) The following individuals disclosed current or prior incidental, unrelated outside employment, business interests, or volunteer work for themselves as of the date of their respective 2023 Disclosure Form:

Aleisha Carr Garrett	Alfreda Wilcox	Alonzo Davis	Angela Hall
Beth Pugh	Cassandra Ramsey	Charity Williams	Chrysanna Bruce
Courtney Carney	Daniel Morgan	Dawn Reyes	Deepika Macherla
DeJuana Lyons	Emily Kelley	Felisha Nichols	Felita Hamilton
Gay Oliver	Gwendolyn Coffey	Heather Johnson	Hillary Craig
Hulya Arik	Jeboria Scott	Josh McKinney	Julie Burnette
Julie Ridenour	Katie Moore	Keisha Smith-Hill	Kelly Dobbs
Kendra Love Richardson	Kimberly Davis	Krystian Sanders	LaFonda Rogers
Laura Swanson	Lindsay Hall	Martha Finch	Melissa Staley
Mike Costa	Myesha McCants	Nakesha Moore	Nekishia Potter
Olivia Rodriguez	Quinton Hickman	Rachel Agee	Rebecca Anderson
Rebecca Bicknell	Regina Frasier	Shameka Young	Shari Messer
Sherry Folk	Stephen Chinique	Toumie Parrot	Velma Jackson
Wayne Beard	Wayne Bennett	Wendy Weaver	William Hereford
Zelinka Randle Helsop			

According to the Staff Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation. In addition, it is assumed that all THDA staff have some relationship with financial institutions or other businesses that could interact with THDA, however, unless disclosed otherwise, this connection is considered incidental.

2. (Questions 17 & 18) The following individuals disclosed incidental, personal relationships with THDA employees, THDA board members, or persons or entities who do business with THDA:

Alina Truta	Angel Cooper	Danna Wall Wright	Jennifer Green
Larisa Stout	Martha Finch	Stephen Chinique	

According to the Staff Disclosure Policy, the disclosures made by the individuals on the list above are considered incidental and do not require specific announcement or non-participation.

3. (Questions 5, 8 & 11) The following individual disclosed that they or family members participate as either landlords or tenants in the Section 8 Program, but that the vouchers are administered by other Housing Authorities:

Angela Hall	Charity Williams	Chrysanna Bruce	Toni Shaw

According to the Staff Disclosure Policy, the disclosures made by the individual on the list above are considered incidental and do not require specific announcement or non-participation.

INDIRECT INTERESTS

Unless otherwise noted, the indirect interests disclosed by THDA staff members and discussed below are permissible under TCA §13-23-128 and the Staff Disclosure Policy so long as the relevant staff member refrains from discussion and participation in connection with the particular indirect matter disclosed.

1. (Questions 1, 13) The following individuals disclosed that they have THDA loans:

Aleisha Carr Garrrett	Angel Cooper	Eric Crabtree	Erin Hardy
Jessica Davis	Kimberly Pillar	Timothy James	William Hereford

The Staff Disclosure Policy specifically permits THDA staff members to become THDA borrowers so long as the staff member qualifies through an Originating Agent and meets THDA program requirements. In addition, the THDA staff member involved should have no responsibility for loan approval or loan administration issues as they relate to their loan. They should also refrain from discussing the matter with other THDA staff members.

2. (Questions 10, 17, 18) Ms. Danna Wall Wright disclosed that she has a close friend at Royal Properties that manages Lexington Square Apartments, a PBCA property.

3. (Question 12) Ms. Evelyn Finch disclosed that she is a realtor. Ms. Finch has been instructed and has signed a statement indicating her agreement that she will not represent a buyer or seller attempting to finance a purchase or sale through a THDA loan.

4. (Question 19) Mr. Darrell Robertson disclosed that he is a realtor. Mr. Robertson has been instructed and has signed a statement indicating his agreement that he will not represent a buyer or seller attempting to finance a purchase or sale through a THDA loan. His license is active only to be used to stay on top of market conditions and changes in the industry as it relates to his duties.

5. (Question 12) Ms. Rhonda Ronnow disclosed she has her NMLO license. This license is not active as Ms. Ronnow has to be employed by a lender. Ms. Ronnow has been instructed to disclose any changes with the status of her NMLO license.

6. (Question 19) Ms. Denise Hutchinson has a retired real estate license. Ms. Hutchinson has been instructed to disclose any changes with the status of her real estate license.

7. (Question 19) Ms. LaFonda Rogers disclosed she has rental property and a tenant in the rental property has applied for COVID-19 Rent Relief through KCDC.

8. (Questions 4,, 12) Ms. Jennifer Green disclosed that she is the Co-Chair for the Convergence Memphis Committee. She is a former employee of Mortgage Investors Group. She is a board member of TNMBA.

9. (Question 4) Mr. William Hereford disclosed that he received assistance with a partial claim/modification on his THDA loan due to COVID in 2022.

INDIRECT INTERESTS OF FAMILY MEMBERS

Unless otherwise noted, the indirect interests disclosed by THDA staff members with respect to **family members** discussed below are permissible under TCA §13-23-128 and the Staff Disclosure Policy, so long as the relevant staff member refrains from discussion and participation in connection with the disclosed matter.

1. (Question 16) The following individuals disclosed that relatives or close associates are employed by THDA:

Aaron Toran	Azem Papraniku	Bill Lord	Darrell Robertson
Denise Hutchinson	Erin Lord	Iyona Toran	Jason Ronnow
Nicole Lucas	Rhonda Ronnow	Robert Lucas	Tanya Jackson
Tim Papraniku	Toni Shaw		

2. (Question 14) The following individuals disclosed that relatives or close associates have THDA loans:

Leslie Frierson	Rebekah Bicknell	Yvonne Hall	

Since the Staff Disclosure Policy permits staff members to become THDA borrowers, relatives of THDA staff members should also be eligible to become THDA borrowers so long as they qualify through an Originating Agent and otherwise meet THDA program requirements. In addition, the THDA staff member involved should have no responsibility for loan approval or loan administration issues as they relate to their relative. They should also refrain from discussing the matter with other THDA staff members.

3. (Question 5, 8, 9 & 11) The following individuals disclosed that family members participate or have applied to participate in the Section 8 Program administered by THDA either as tenants or landlords:

Amber Martin	Christy Hollingsworth	Mary Crutcher	Narkeshia Stanton
Sarah Turner-Brooks	Velma Jackson	Yvonne Hall	

These individuals should have no responsibility with respect to administering the Section 8 program as applied to their relatives who participate in the program as tenants or landlords. Other THDA staff members in their respective field offices should be responsible for administering the Section 8 program as applied to the relatives of these individuals.

4. (Questions 12 & 18) The following individuals disclosed that family members own stock in, or are employed by financial institutions that may be THDA Originating Agents, or who otherwise may do business with THDA:

Angel Cooper	Jennifer Carpenter	Katie Moore	Martha Finch
Meg Palmer	Patricia Matlock	Yvonne Hall	

These individuals should have no direct responsibility for originating or servicing loans from family members' financial institutions if the family members are directly responsible for origination functions. Other THDA staff members should handle these loans.

5. (Questions 5, 12, 17 & 18) The following individuals disclosed that family members are Realtors, builders, contractors or otherwise involved in housing that could be sold to persons obtaining or attempting to obtain financing through THDA:

Ashley Willis-Griffin	Chrysanna Bruce	Gathelyn Oliver	Katie Moore
Martha Finch	Meg Palmer	Patricia Matlock	Rebekah Bicknell
Yvonne Hall			

Under the Staff Disclosure Policy, these interests are considered indirect, therefore, specific disclosure and non-participation is required.

6. (Questions 4, 5, 11, & 18) The following individuals disclosed other indirect interests of a family member as noted:

Ms. Hulya Arik – Husband, Murat Arik, is the Director for the Business & Economic Research Center (BERC) at MTSU. The center has a contract to prepare Quarterly Tennessee Housing Market Report for THDA. Ms. Arik is not involved with any activities related to this contract.

Mr. Josh McKinney – Wife, Ms. Becky McKinney, has joined Holston Habitat for Humanity as a member of the board.

Ms. Yvonne Hall – Sister is employed by HomeSource of East TN and works in the rental department.

Mr. Bruce Balcom – Stepson, Mr. Wolfgang Wozniak, resides in Ryman Lofts, a tax credit property.

Ms. Dallisa Kilcrease – Sister-in-law resides in Trevecca Towers.

Ms. Amy Newport – Husband, Mr. Michael Newport, is a Parole Hearings officer for the Board of Parole. THDA processes TDOC funding for ex-offenders in the Re-Entry Housing Program (RHP).

Mr. Bill Lord – Spouse, Ms. Kristin Lord is the Executive Assistant, Murfreesboro Housing Authority.

Ms. Erin Lord – Step-mother, Ms. Kristin Lord is the Executive Assistant, Murfreesboro Housing Authority.

Ms. Velma Jackson – Mother, Ms. Mary Tate, is a recipient of the LIHEAP funding.

Mr. William Hereford – Mother had applied for the TNHAF program in 2023.

Ms. Kendra Love Richardson – Son, Kaylon Love, is a recipient of the LIHEAP funding.

Under the Staff Disclosure Policy, these interests are considered indirect, therefore, specific disclosure and non-participation is required.

Two employees, Ms. Carol Buyna and Mr. Gary Goad, are out of the office on extended leave. The disclosures will be requested upon return to work.

FEDERAL PROGRAMS

As noted above, several THDA staff members disclosed interests of family members under the Section 8 Program that may rise to the level of a conflict under the Section 8 regulations for which a waiver may be needed. A determination will be made as to whether a waiver is needed and, if so, one will be requested.

GLO/BB

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, November 14, 2023 at 10am CT
Nashville Room, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

A. **Approval of Minutes from September 18, 2023 meeting**

B. **Committee Items** *(*items require committee vote)*

1. THDA Financial Forecast-FY2024-2028
2. Bond Issue 2024-1*
3. Financial Advisor Selection*

<u>Committee Members:</u>
Matt McGauley (Chair)
Commissioner Jim Bryson
Secretary Tre Hargett
Treasurer David Lillard
Comptroller Jason Mumpower

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
September 18, 2023

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Monday, September 18, 2023, at 1:10 p.m. CT via a WebEx call with certain staff members physically present at the THDA Offices located at 502 Deaderick Street; Andrew Jackson Building, 3rd Floor; Nashville, Tennessee 37243.

The following Committee members were present via Webex: Matt McGauley (Board Chair); Secretary of State Tre Hargett (Audit & Budgtet Committee Chair); Katie Armstrong (for Comptroller Jason Mumpower); Alex Schuhmann (for Commissioner of Finance & Administration Butch Eley); and Sara Queirolo (for Treasurer David Lillard). Also, other Board Members present were: Rick Neal; Rob Mitchell; and Stephen Dixon.

Recognizing a quorum present, Chair McGauley called the meeting to order at 1:10 p.m. CT and recognized Bruce Balcom, THDA Assistant Chief Legal Counsel, who presented the following statement:

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

Upon motion by Secretary Hargett and second by Chair McGauley, and with the following roll call vote, the motion carried to approve doing business in this manner with all members identified as present voting "yes".

For the first order of business, Chair McGauley called for consideration and approval of the July 25, 2023, Bond Finance Committee Meeting Minutes. Upon motion by Secretary Hargett, second by Mr. Schuhmann, and following roll call vote with all members identified as present voting "yes", the motion carried to approve the July 25, 2023, minutes.

Chair McGauley indicated the next item for consideration was the Proposed Budget for Fiscal Year 2024-2025. 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 the Proposed Budget for Fiscal year 2024-2025. Upon motion by Chair McGauley, second by Secretary Hargett and a roll call vote with all members identified as present voting "yes" and Mr. Schuhmann abstaining from the vote, the motion carried to approve the Proposed Budget for Fiscal Year 2024-2025 as described.

Chair McGauley indicated the next item for consideration was a Request for Proposal (RFP) for a Financial Advisor. THDA Chief Legal Counsel, Bruce Balcom, was recognized and presented a recommendation requesting approval for staff to work in conjunction with Tennessee Division of State Government Finance in drafting documents to issue an RFP for Financial Advisor. There was one amendment to the Resolution authorizing the RFP process to change the year referenced in the last Whereas clause from 2026 to 2023. 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 THDA's request to draft an RFP for Financial Advisor. Upon motion by Chair McGauley, second by Secretary Hargett and a roll call vote with all members identified as present voting "yes", the motion carried to recommend approval of drafting an RFP for a Financial Advisor as suggested.

Chair McGauley indicated the last item for consideration was an Amendment to Bond Issue 2023-3 for consideration and approval of the Amendment to the Authorizing Resolution. Bruce Balcom, THDA Chief Legal Counsel, described the documents to be considered, explained why the Amendment to Bond Issue 2023-3, from the original amount of $325,000,000 to the new amount not to exceed $360,000,000. Given the unexpected levels of production, an additional $35,000,000 in bonds are needed to fund the purchase of loans through the end of the year. There being no further questions, Chair McGauley called for a motion to approve the Amendment to Bond Issue 2023-3. Upon motion by Chair McGauley, second by Ms. Armstrong and a roll call vote with all members identified as present voting "yes", the motion carried to approve the Amendment to Bond Issue 2023-3 and he Amendment to the Authorizing Resolution.

There being no further business, Chair McGauley adjourned the meeting at 1:17 p.m. CT.

Respectfully submitted,

Sandi Thompson,
Assistant Secretary
Approved this 14th day of November, 2023.

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 Bond Finance Committee
THDA Board of Directors

FROM: Trent Ridley, Chief Financial Officer

SUBJECT: FY24-28 Five Year Financial Plan

DATE: October 30, 2023

Attached is THDA's FY24-28 Five Year Strategic Financial Plan (Plan). The Plan is developed using guiding principles established in our enabling legislation as well as objectives established in our Debt Management Policy approved by the Board on November 29, 2011. The main objective of the Plan is to effectively balance the use of our financial resources to fund mortgage programs and other initiatives that fulfill our statutory purpose without compromising our financial strength or credit ratings.

The Plan anticipates $3.54 billion in Single Family loan business over the next five years funded with $2.27 billion Mortgage Revenue Bonds and $1.27 billion Capital Markets Sales. All future bond issuance will be under the 2013 General Resolution, which does not carry the "moral obligation" of the State. Total net withdrawals are anticipated to be $195.4 million to fund costs related to bond issuance, lender compensation, downpayment assistance, THDA operations, and other Board-approved initiatives (Housing Trust Fund, New Start Loans). Considering these withdrawals, the Plan projects an overall Weighted Average PADR of 1.10, a maximum outstanding debt of $3.751 billion ($4.0 billion statutory debt limit), and a $376.2 million fund balance by 2028, while maintaining the $25 million set aside required by the Bond Finance Committee.

We engaged the services of our financial advisor, CSG Advisors, to provide the various scenarios, analyses, input, and graphs to ensure the plan is viable according to industry methodologies, including slow and fast prepayment speed stress tests. If you have any questions regarding the Plan or if you would like more information, please do not hesitate to call me at (615) 815-2012 or contact me via e-mail at tridley@thda.org.

Tennessee Housing Development Agency
Five Year Strategic Financial Plan Summary
FY 2024 – FY 2028

Guiding Principles:

Statutory Purpose (TCA 13-23-101)

- To promote the production of more affordable new housing units for very low, low and moderate income individuals and families in the state,
- To promote the preservation and rehabilitation of existing housing units for such persons, and
- To bring greater stability to the residential construction industry and related industries so as to assure a steady flow of production of new housing units.

Long Term Financial Objectives:

As indicated in THDA's Debt Management Policy – Section IV "Long Term Financial Objectives", THDA has made a commitment to effectively balance the use of our financial resources to fund mortgage programs and other initiatives that fulfill our statutory purpose without compromising our financial strength or credit ratings assigned by Standard & Poors and Moody's. The Five Year Strategic Financial Plan (Plan) is intended to show the potential impact THDA's decisions, relative to the use of our resources, may have on our financial position, given a set of assumptions. It should be noted that the Five Year Financial Plan is a liquidity analysis tool used by management for decision-making purposes. Thus, this plan should not be used for external financial reporting purposes.

Summary Production and Program Withdrawals

Liquidity needs are based on the assumption that total homeownership production for Whole Loans, Ginnie Mae, Freddie Mac, and Fannie Mae grows from $751 million in FY24 to $757 million in FY28. It is anticipated that 79% of production will be securitized into MBS by 2026. Liquidity assumptions for the Housing Trust Fund (HTF) and Technical Assistance Grants total $40.4 million. Withdrawals for New Start loans are estimated to be $21.9 million ($45 million less $3.1 million recoveries less $20.0 million funded with 0% Bond Proceeds). THDA withdrawals for DPA loans total $91.3 million ($165.9 million funded less $74.6 million of DPA recoveries). Lender Compensation is estimated to be $22.7 million and $12.7 million for MRB and TBA respectively over the next five years. It should be noted that Lender Compensation for TBA loans is included in Conventional Loan Product Net Cash Receipts of $11.5 million.

Financial Results

Cash & Investment Composition (1974, 2009, and 2013 Resolutions)

This slide shows the composition of our cash and investments after planned withdrawals and uses. Overall total cash and investments are projected to slightly increase from approximately $199 million in 2024 to approximately $214 million in 2028. Remaining Liquidity is projected to increase from $56 million to $761 million by 2028.

Remaining Liquidity (1974, 2009, and 2013 Resolutions)

Remaining Liquidity represents a further breakdown of cash and investments remaining by Bond Resolution after considering the loan loss reserve required by the rating agencies, $25 million BFC requirement, mortgage repays and prepays (for bond calls), bond reserve requirements, and program withdrawals. Of the $76 million in remaining liquidity at June 30, 2028, $70.7 million is projected to be in the 2013 Resolution.

Balance Sheet Measurements (1974, 2009, and 2013 Resolutions)

Balance Sheet Measurements show that, at assumed production levels and uses of liquidity total, debt outstanding is projected to be less than THDA's Statutory Debt Limit of $4.0 billion, ending at approximately $3.7 billion by 2028. The overall Weighted Average Program Asset to Debt Ratios (PADR) for THDA decreases from 1.12 in 2024 to 1.10 by 2028. The PADR for the 13 Resolution remains above levels required by Rating Agencies, with a projected 2028 PADR of 1.09. The 13 Resolution maintains a healthy fund balance above $324 million ending at $331 million by 2028. Fund Balance is vital to maintaining a strong PADR for lower cost of funds.

Detailed Assumptions

In addition to the assumptions included on the Summary of New Production and Program Withdrawals, other assumptions for each bond resolution are listed separately. Some of the additional assumptions include, but are not limited to:

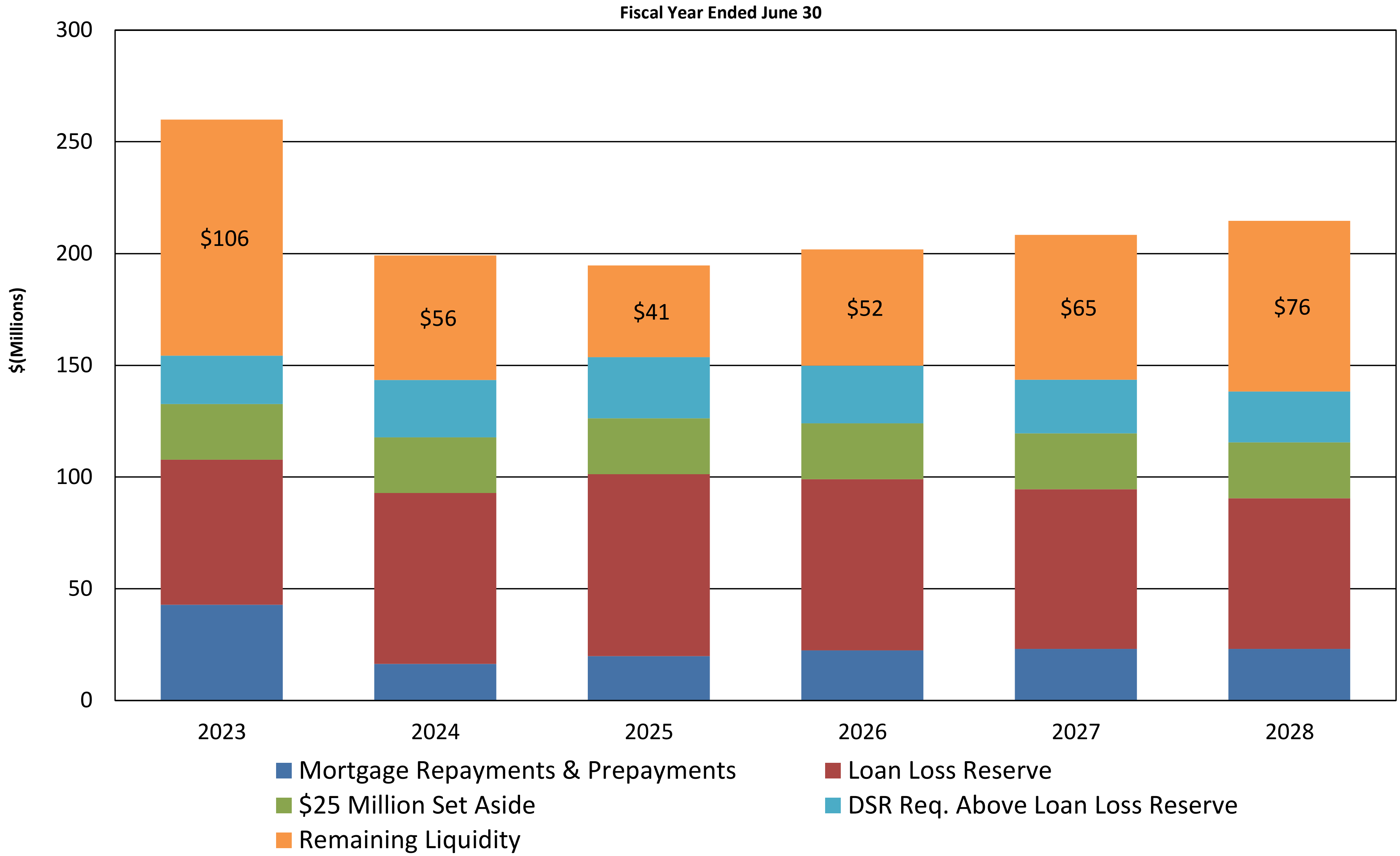
1. $25 million BFC set-aside is available each year,
2. Cash flow scenarios assume a 100% PSA based on historical prepayment speeds
3. Reinvestment rates of 5.00% in 2024 and 4.00% thereafter
4. Debt Service Reserve investment rates of 1.75%, 2.00%, and 2.5% for 2024, 2025, and 2026 respectively and 3.50% thereafter
5. 5.00% investment rate on Bond Reserve Funds of future bond issuances.

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUMMARY OF NEW PRODUCTION AND PROGRAM WITHDRAWALS
EXPECTED BOND VOLUME
STRATEGIC FINANCIAL PLAN: 2024 - 2028
100% PSA

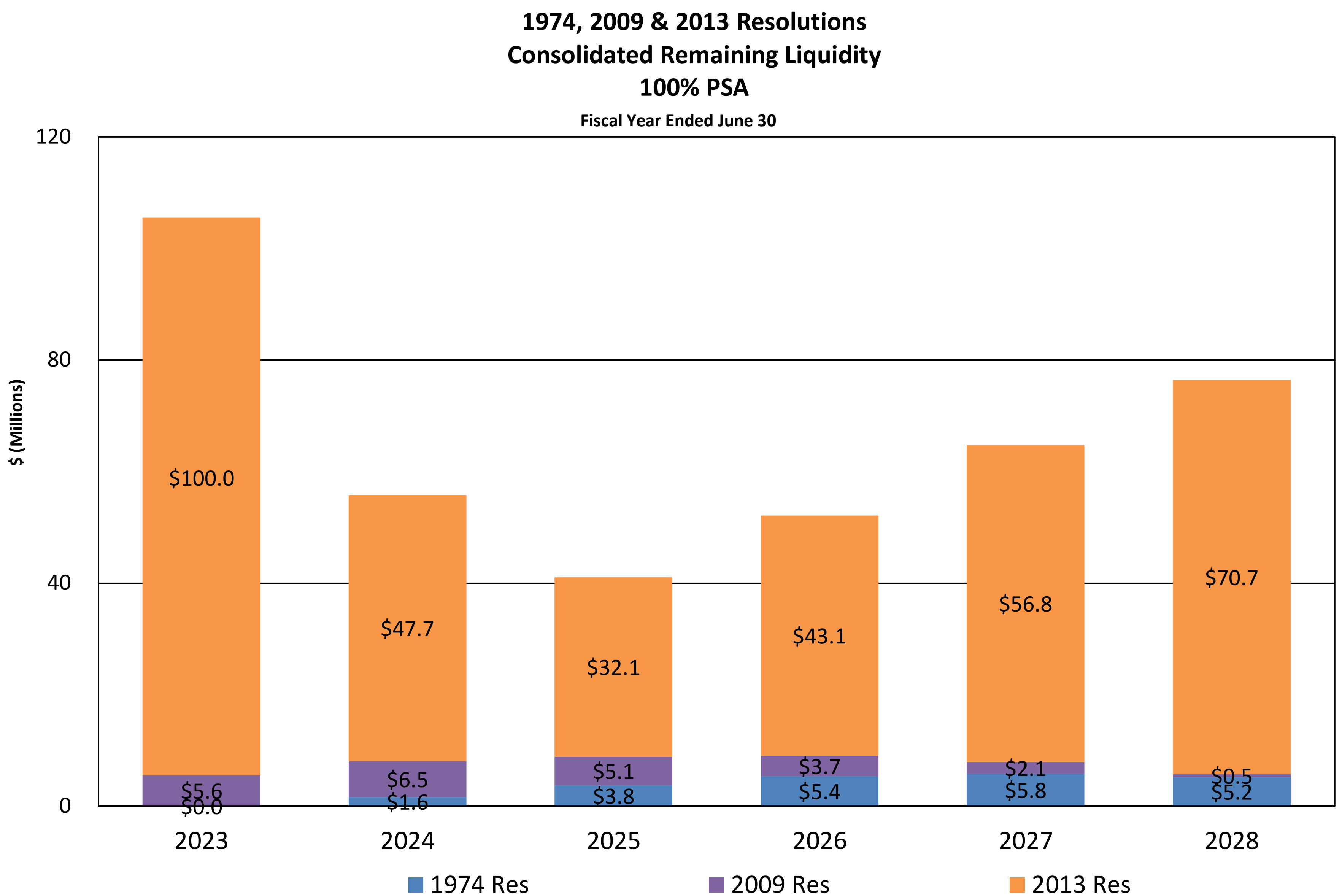
Fiscal Year Ending June 30	2024	2025	2026	2027	2028	Total
HOMEOWNERSHIP PRODUCTION:						
Whole Loans	643,000,000	496,000,000	144,000,000	151,000,000	159,000,000	1,593,000,000
Ginnie Mae	47,900,000	76,200,000	457,000,000	480,000,000	504,000,000	1,565,100,000
Freddie Mac	60,100,000	24,800,000	26,000,000	27,000,000	28,000,000	165,900,000
Fannie Mae	0	25,000,000	60,000,000	63,000,000	66,000,000	214,000,000
Total Homeownership Production	751,000,000	622,000,000	687,000,000	721,000,000	757,000,000	3,538,000,000
HOMEOWNERSHIP EXECUTION:						
Mortgage Revenue Bonds	751,000,000	622,000,000	294,800,000	302,200,000	297,600,000	2,267,600,000
Captial Markets MBS Sales	-	-	392,200,000	418,800,000	459,400,000	1,270,400,000
Total Homeownership Execution	751,000,000	622,000,000	687,000,000	721,000,000	757,000,000	3,538,000,000
MORTGAGE REVENUE BOND ISSUANCE:						
Total Bonds Issued	$720,960,000	$592,000,000	$294,800,000	$302,200,000	$297,600,000	$2,207,560,000
Zero Participation Loans from Prior Bond Deals	83,950,000	53,910,000	23,910,000	0	0	161,770,000
Zero Participation Proceeds - Future Production	(53,910,000)	(23,910,000)	(23,910,000)	0	0	(101,730,000)
Less Refunding Bonds	0	0	0	0	0	-
Total Funds Available for Production	**$751,000,000**	**$622,000,000**	**$294,800,000**	**$302,200,000**	**$297,600,000**	**$2,267,600,000**
PROGRAM WITHDRAWALS AND USES:						
Bond Reserve Fund	$6,766,876	$0	$0	$0	$0	$6,766,876
Underwriters' Fees	4,804,169	3,460,000	1,720,000	1,760,000	1,740,000	$13,484,169
Cost of Issuance	994,050	759,900	759,900	759,900	759,900	$4,033,650
Capitalized Interest (3)	2,991,150	3,552,000	1,769,000	1,813,000	1,786,000	$11,911,150
Less: Bond Premium (1) (2)	(14,841,691)	(11,840,000)	(5,896,000)	(6,044,000)	(5,952,000)	($44,573,691)
Lender Compensation	7,510,000	6,220,000	2,948,000	3,022,000	2,976,000	$22,676,000
Downpayment Assistance	35,200,000	29,200,000	32,200,000	33,800,000	35,500,000	$165,900,000
Less: 2013 DPA Loan Recoveries	(9,761,427)	(11,997,018)	(14,634,804)	(17,640,688)	(20,612,653)	($74,646,590)
Net Downpayment Assistance	25,438,573	17,202,982	17,565,196	16,159,312	14,887,347	$91,253,410
THDA Operating Expenses	11,000,000	11,330,000	11,670,000	12,020,000	12,381,000	$58,401,000
Housing Trust Fund / Technical Assistance Grants	9,675,000	7,675,000	7,675,000	7,675,000	7,675,000	$40,375,000
New Start Loans (for future production)	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	$45,000,000
Less: New Start Loans Funded with Bond Proceeds	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	($20,000,000)
Less: Future New Start Loan Recoveries	(420,000)	(540,000)	(660,000)	(720,000)	(720,000)	($3,060,000)
Housing Trust Fund / New Start Loans	18,255,000	11,135,000	11,015,000	10,955,000	10,955,000	$62,315,000
Servicing Net Cash Outlays / (Receipts)	(619,793)	(3,280,298)	(7,062,115)	(8,328,477)	(9,691,644)	($28,982,328)
Conventional Loan Net Cash Outlays / (Receipts)	637,000	656,300	(3,931,250)	(4,223,300)	(4,679,650)	($11,540,900)
Net Servicing / Conventional Loan	17,207	(2,623,998)	(10,993,365)	(12,551,777)	(14,371,294)	($40,523,228)
Program Compliance Reserve	1,046,000	1,046,000	1,046,000	1,046,000	1,046,000	$5,230,000
Funds for GNMA Buyouts (0.75%)	944,983	673,975	1,037,850	982,754	822,501	$4,462,062
Total Program Withdrawals and Uses of Cash	**$64,926,317**	**$40,915,858**	**$32,641,581**	**$29,922,188**	**$27,030,454**	**$195,436,398**

Assumptions:
1. Bond premium on new issues used to offset THDA's costs of issuance, underwriter fees and capitalized interest.
2. Bond premium generated on each new issue was assumed to equal 2.00% of the bond issuance par amount.
   (assumes PACs raise 2.00% of premium as a % of the par bonds issued FY 2024 and after.)
3. Capitalized interest, costs of issuance and underwriter fees were assumed to equal 1.3% to 1.5% of the bond issuance par amount.

1974, 2009 & 2013 Resolutions
Consolidated Cash & Investment Composition
100% PSA

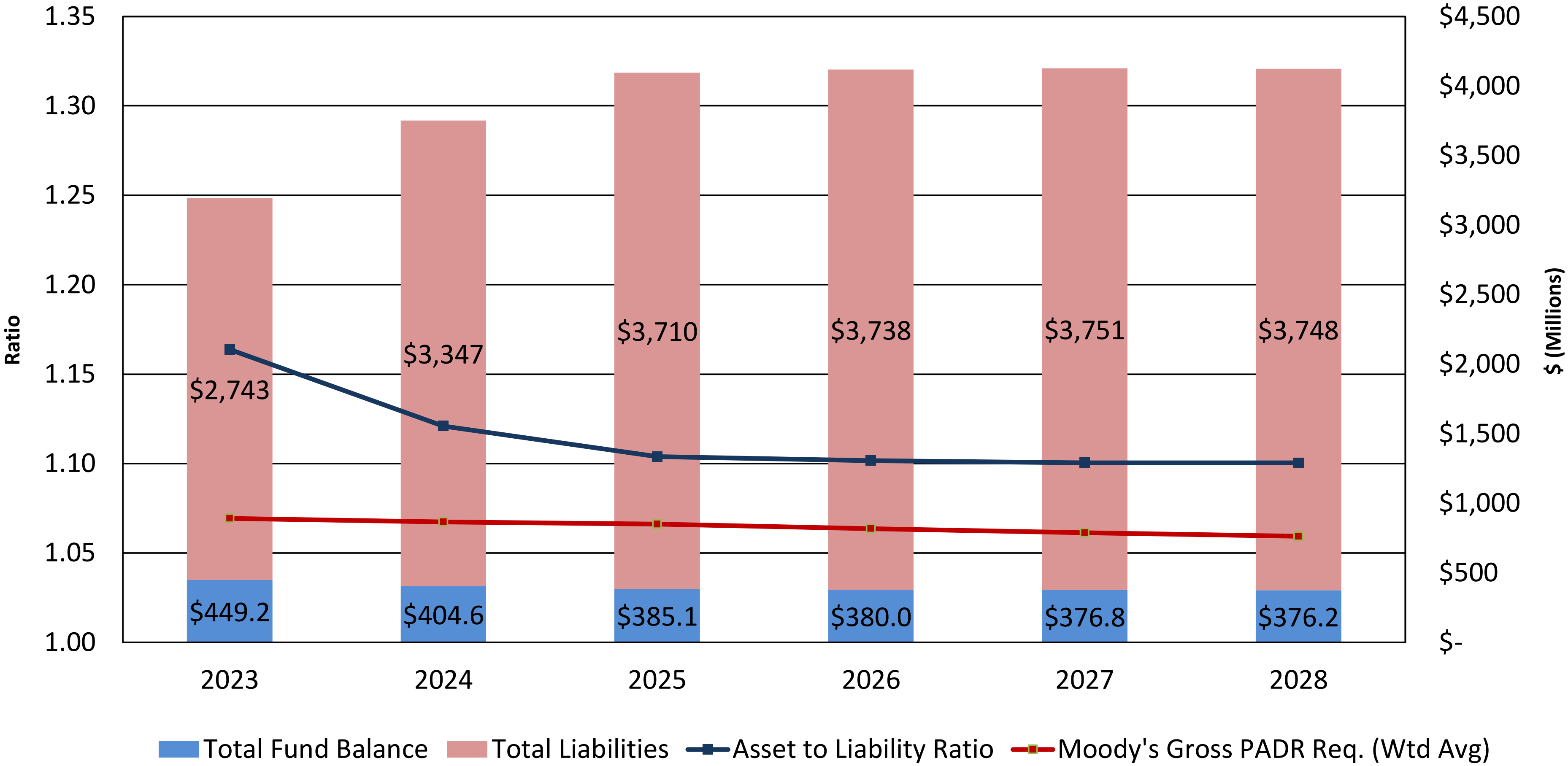


- Excluding Acquisition Funds held for the purchase of future loan originations.

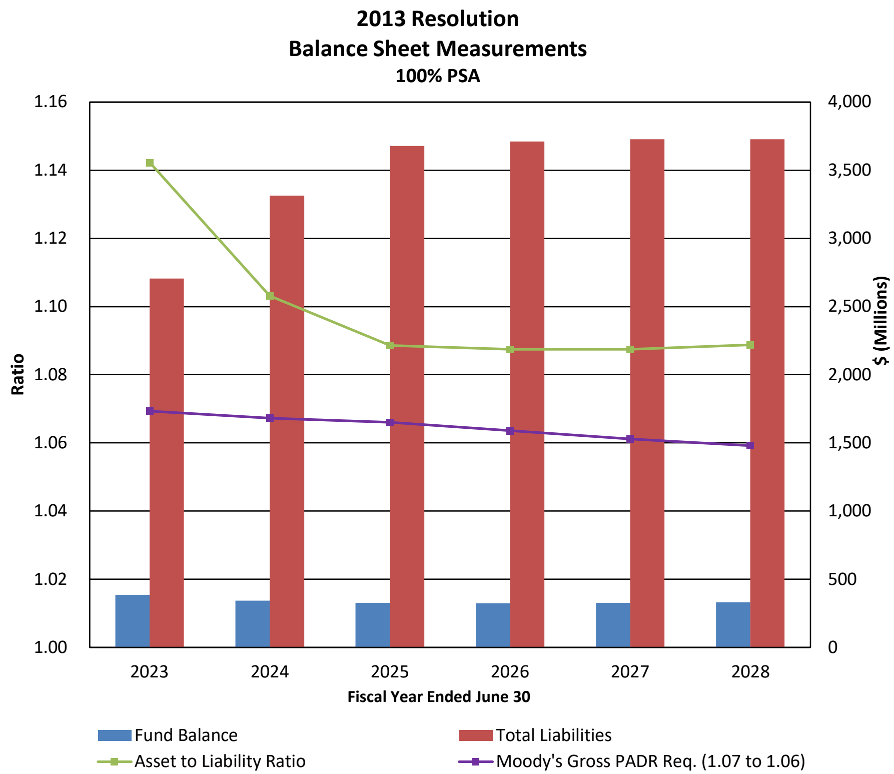


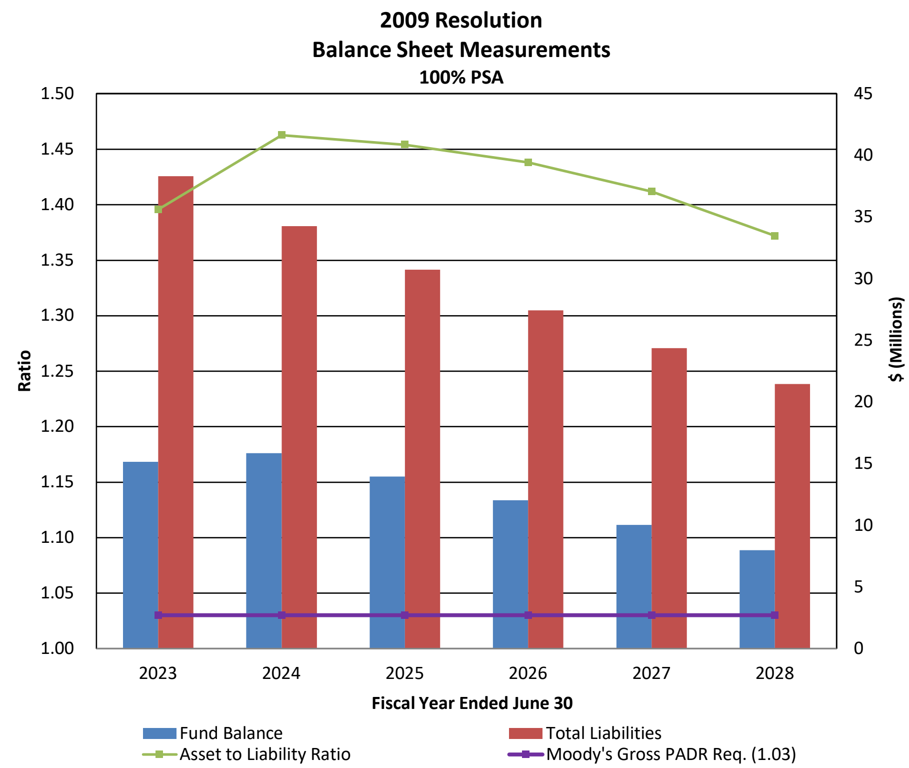
- Excluding Acquisition Funds held for the purchase of future loan originations.

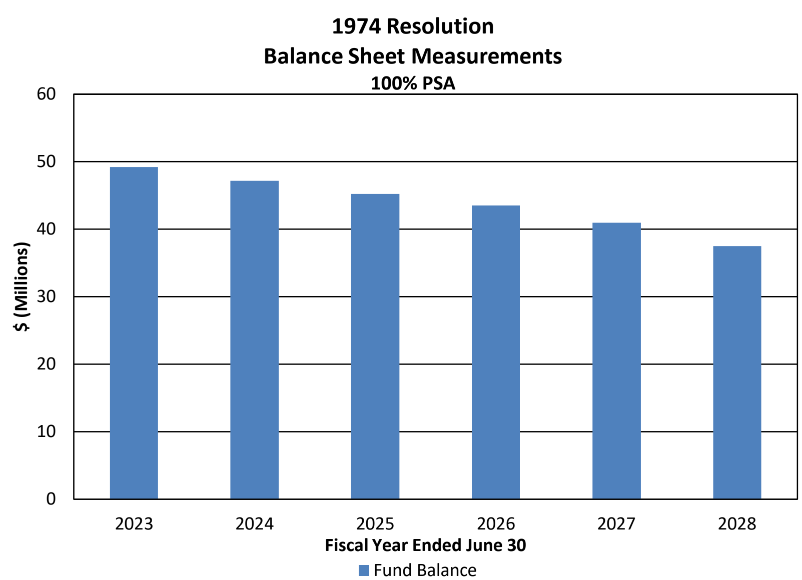
1974, 2009 & 2013 Resolutions
Balance Sheet Measurements
100% PSA
Fiscal Year Ended June 30



- Moody's Gross PADR Requirement represents the minimum PADR inclusive of Loan Loss Reserve requirements as determined by Moody's based on the percentage of loan insured (FHA, VA, RD, PMI). Assumes a 1.07 PADR requirement for whole loans, and a 1.00 requirement for MBS (GNMAs).
- Assets and Fund Balance exclude existing Plus DPA 2nd Mortgage Loans as well as $166 million of future originations during forecast period.


2013 Resolution
Balance Sheet Measurements
100% PSA
Ratio
$ (Millions)
1.16
1.14
1.12
1.10
1.08
1.06
1.04
1.02
1.00
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2023
2024
2025
2026
2027
2028
Fiscal Year Ended June 30
Fund Balance
Total Liabilities
Asset to Liability Ratio
Moody's Gross PADR Req. (1.07 to 1.06)


2009 Resolution
Balance Sheet Measurements
100% PSA
Ratio
$ (Millions)
1.50
1.45
1.40
1.35
1.30
1.25
1.20
1.15
1.10
1.05
1.00
45
40
35
30
25
20
15
10
5
0
2023
2024
2025
2026
2027
2028
Fiscal Year Ended June 30
Fund Balance
Total Liabilities
Asset to Liability Ratio
Moody's Gross PADR Req. (1.03)


1974 Resolution
Balance Sheet Measurements
100% PSA
$ (Millions)
60
50
40
30
20
10
0
2023
2024
2025
2026
2027
2028
Fiscal Year Ended June 30
Fund Balance

TENNESSEE HOUSING DEVELOPMENT AGENCY
CASH FLOW ASSUMPTIONS

Mortgage Finance Program Bonds (1974 Resolution)

Prepayment Speeds on all Mortgage Loans

-Expected Prepayment Scenario:	100% PSA
-Slow Prepayment Scenario:	50% PSA
-Fast Prepayment Scenario:	300% PSA

Reinvestment Rates

-5.00% investment rate through FY 2024, 4.00% thereafter

Surplus Revenues

-available to pay future debt service and/or to fund future program withdrawals

Additional Assumptions

-all loan and investment balances as of July 1, 2023 are derived from the June 30, 2023 audited financials
-cash and investments that is restricted for prior year program allocations are not included
-no new bond issuance under the Resolution
-multifamily loans excluded
-Future originations of New Start Loans are not included as assets of the Resolution.

TENNESSEE HOUSING DEVELOPMENT AGENCY
CASH FLOW ASSUMPTIONS

Housing Finance Program Bonds (2009 Resolution)

Prepayment Speeds on all Mortgage Loans

-Expected Prepayment Scenario:	100% PSA
-Slow Prepayment Scenario:	50% PSA
-Fast Prepayment Scenario:	300% PSA

Reinvestment Rates

-5.00% investment rate through FY 2024, 4.00% thereafter

Bond Redemptions

-modeled semi-annually
-principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

Surplus Revenues

-available to pay future debt service and/or to fund future program withdrawals subject to NIBP requirements

Bond Reserve Requirement

-THDA Reserve Requirement is 3% of outstanding Program Loans plus amounts on deposit in the Loan Fund
-0.75% investment rate through FY 2024, 2.00% through FY 2025; 4.00% thereafter

Additional Assumptions

-all loan and investment balances as of July 1, 2023 are derived from the June 30, 2023 audited financials
-no new bond issuance under the Resolution
-excess revenues not used to redeem bonds
-DPA reimbursement & agency fees were transferred to the 2013 Resolution
-Resolution rated Aa2
-asset to liability ratio maintenance of 103% (Moody's PADR requirement of 102% + 1% for loan loss)

TENNESSEE HOUSING DEVELOPMENT AGENCY
CASH FLOW ASSUMPTIONS

Residential Finance Program Bonds (2013 Resolution)

Prepayment Speeds on all Mortgage Loans

-Expected Prepayment Scenario:	100% PSA
-Slow Prepayment Scenario:	50% PSA
-Fast Prepayment Scenario:	300% PSA

Reinvestment Rates

-5.00% investment rate through FY 2024, 4.00% thereafter

Bond Redemptions

-modeled semi-annually
-principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

25MM Asset Set-Aside

-$25mm set-aside is required by the Bond Finance Committee
-$25mm is set aside in the 2013 Resolution from FY 2024 through FY 2028.
-funded from cash in the revenue fund and from excess long term investments

Bond Reserve Fund - Existing Balances

-1.75% investment rate through FY 2024, 2.00% in FY 2025, 2.50% in FY 2026, 3.50% thereafter

Bond Reserve Fund-Future Bond Issuances

-5.00% investment rate
-THDA Reserve Requirement is 3% of outstanding Program Loans plus amounts on deposit in the Loan Fund
(GNMA MBS are not consider Program Loans for purposes of 2013 Bond Reserves.)

New Mortgage Loan Mix (FY 2024 and beyond)

-Great Choice (and Vet) w/ 2nd	97.5%
-Great Choice (and Vet) without 2nd	2.5%
	100.0%

-78% of loans with downpayment assistance assumed to use amortizing Plus 2nd mortgage with 22% assumed to use 0% deferred Plus 2nd mortgage.

Additional Assumptions

-all loan and investment balances as of July 1, 2023 are derived from the June 30, 2023 audited financials

-all new bond issuance assumed in 2013 Resolution (see Summary of New Production)

-future downpayment assistance loans assumed originated from the 2013 Resolution

-With the exception of the amount of New Start loans funded with bonds ($5 million per year from FY25-FY28), additional originations of New Start Loans are not included as assets of the Resolution.

-excess revenues not used to redeem bonds

-mortgage rates for new bond issues were set at rates necessary to earn 1.00% yield spread

-Resolution rated 'Aa1' and 'AA+'

-asset to liability ratio maintenance based on the composition of whole loans and GNMAs:
- 107% for whole loans (Moody's PADR requirement of 104% + 3% for loan loss), and
- 100% for GNMA MBS

MEMORANDUM

TO: THDA Bond Finance Committee, THDA Board of Directors

FROM: Bruce Balcom, Chief Legal Counsel

SUBJECT: Approval of Issue 2024-1

DATE: October 30, 2023

Recommendation

Approval of the Plan of Financing by the Bond Finance Committee, with recommendation to the Board to approve, and subsequent Board approval, of the Authorizing Resolution, including the form of the Supplemental Resolution, and the Reimbursement Resolution.

Key Points

It is anticipated that THDA will begin committing against Issue 2024-1 in November. Pricing will occur in the February through March timeframe, depending upon production, with the expectation of closing approximately a month after pricing.

Background

Attached please find the following documents in connection with the requested authorization of the THDA bond issue, Issue 2024-1:

1. Memo from CSG Advisors Incorporated ("CSG") recommending authorization in the maximum principal amount of $350,000,000 for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. Staff expects this bond issue to be priced at the earliest in February 2024 and closed not later than May 2024. The final size and structure will be determined by the Authorized Officer.

2. THDA Plan of Financing for Issue 2024-1 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.

3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2024-1, that includes the form of Supplemental Resolution for Issue 2024-1 and that authorizes the referenced bond issue and delegates authority to the Authorized Officer to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.

4. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2024-1 in an amount not to exceed $100,000,000. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2024-1 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2024-1 complies with the Debt Management Policy as follows:

Part III - by allowing THDA "…to maintain a steadily available supply of funds to finance its mortgage loan programs at cost levels that provide competitive, fixed interest rate mortgage loans that benefit low and moderate income families, while maintaining or improving THDA's overall financial strength and flexibility…"

Part VIII - the issuance of this debt will not cause THDA to exceed the statutory debt limit contained in TCA Section 13-23-121.

Part X - the factors and items listed to be considered in planning, structuring and executing a bond issue have been and will be considered as planning, structuring and executing this bond issue moves forward.

Part XIV - serial bonds, terms bonds, convertible option bonds and PAC bonds are being considered for the structure of the bond issue.

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

Parts XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2024-1 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

Click for Board Authorizing Resolution: [2010-B Board Authorization Resolution.docx (thda.org)]
Click for Form of Supplemental Resolution: [Form-of-Supplemental-Resolution.pdf (thda.org)]
Click for Reimbursement Resolution: [A RESOLUTION OF THE BOARD OF DIRECTORS (thda.org)]

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MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee

FROM: Tim Rittenhouse, David Jones, and Eric Olson

SUBJECT: Bond Issue Authorization Recommendation

RE: Residential Finance Program Bonds, Issue 2024-1

DATE: October 30, 2023

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize up to $350 million of Issue 2024-1 bonds under the Residential Housing Finance Program Bond Resolution to fund THDA's qualified Great Choice mortgage loan pipeline as well as potentially its non-qualified mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale date based on THDA's mortgage pipeline and interest rates at the time.

- THDA is currently committing loans against Issue 2023-3, with approximately half already committed and the balance projected to be fully committed by December or January.

- Issue 2024-1, if authorized, is expected to be sold in the first quarter of 2024 and could include both non-AMT bonds and taxable bonds to a) preserve volume cap and b) potentially fund THDA's non-qualified conventional loan production. Issue 2024-1 could also potentially be used to fund second mortgage down payment assistance loans, as further described herein.

Background

On October 4th, THDA priced its $360 million Residential Finance Program Bonds, Issue 2023-3 (Non-AMT/Federally Taxable). Approximately half of the proceeds have already been committed to borrowers, with the remaining proceeds projected to be fully committed by December or January.

Once the Issue 2023-3 proceeds are fully originated, THDA would purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2024-1. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2024-1, assuming a closing sometime in the first quarter of 2024.

Proposed Sizing

Authorizing a bond issue of not to exceed $350 million is expected to allow THDA to continue purchasing mortgage loans into the spring of 2024 and potentially beyond. The ultimate size of the issue will depend on mortgage loan demand until pricing, on interest rates, and on an assessment of any negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond interest rate before the proceeds can be used to purchase mortgage loans). Current reinvestment costs are quite minimal given the favorable rates at which THDA can currently invest its bond proceeds prior to purchasing mortgage loans.

Volume Cap Usage

Of the $474 million of volume cap carried forward from 2020 available at the beginning of 2023, all such volume cap will have been used with THDA's issuances through 2023. THDA has $325.9 million of volume cap carried forward from 2021 and 2022 and expects an allocation of volume cap at the end of 2023. Issue 2024-1 is proposed to include a) new money non-AMT bonds and b) taxable bonds. The taxable bonds are recommended in order to preserve future volume cap and/or potentially fund THDA's non-qualified conventional loans, as done in Issues 2023-1 through 2023-3.

Potential Funding of Down Payment Assistance Loans

THDA should consider using a small portion of Issue 2024-1 to fund second mortgage down payment assistance loans. There has been significant demand on THDA's balance sheet and specifically its liquidity over the past year, driven by the combination of a rapid slowdown in loan prepayments due to spiking loan rates and sharply increased THDA loan originations. Balance sheet liquidity within the 2013 General Resolution has become increasingly important. Funding DPA loans out of the bond proceeds of Issue 2024-1 would help preserve liquidity at a modest cost to the yield spread of the bond issue. We recommend including this possibility in the structuring of Issue 2024-1 and will provide more analysis and recommendations as we get closer to the pricing of the bonds.

Potential Refundings of Prior Bonds

THDA's outstanding Homeownership Program Bonds Issue 2013-1 and Issue 2013-2 are optionally redeemable at par on any date, and Residential Finance Program Bonds Issue 2014-1 will be optionally redeemable at par starting 1/1/24. These bonds may be refunded by Issue 2024-1 or a future bond issue under a common plan of finance with the "new money" portion of the new transaction. However, based on current bond rates, none of these prior bond issues are economically beneficial to refund. We will continue to monitor the market in the event that it becomes beneficial to refund these issues.

Planned Amortization Class Bonds

Based on current market conditions and investor appetite, structuring Issue 2024-1 to include planned amortization class bonds ("PACs") to be sold at a premium would significantly lower the issue's bond yield. PACs are often priced at a premium and most frequently designed with an expected five-year or six-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same maturity.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed slower than 100% PSA, causing the PACs to remain outstanding longer than projected and potentially extending the period during which THDA would pay the high coupon on these bonds. However, THDA's average historical prepayment speeds have exceeded 150% PSA, though recent prepayment speeds have dipped closer to and in some cases, below 100% PSA. If actual sustained prepayment speeds are less than 100% PSA, THDA could choose (as it has recently) to redeem the PACs up to 100% PSA experience with other available funds to maintain the short average life of the PACs.

Preliminary Structuring Analysis

Two alternative bond structures are shown in Exhibit A and summarized below. Both scenarios reflect the same total bond par amount of $350 million in long-term bonds with the same bond components: $175 million of tax-exempt non-AMT bonds for qualified loan production and $175 million of taxable bonds for qualified loan production to preserve volume cap. Our analysis assumed current market bond rates, as well as THDA's current Great Choice mortgage loan rate of 7.25%.

In each case after calculating an estimated bond yield, the spread for tax compliance purposes between the mortgage loan yield and the bond yield was determined. Then, the amount of zero participation loans needed to achieve an aggregate (tax-exempt plus taxable) yield spread of 1.20% was computed, based on current bond market interest rates and THDA's mortgage rates.

- ***Scenario 1*** shows a level-debt issue with no PAC bonds and an aggregate (tax-exempt and taxable) yield spread of 1.251%. $2.675 million of zero participation loans would be created to bring the issue down to 1.20% aggregate (tax-exempt plus taxable) yield spread.

- ***Scenario 2*** includes both tax-exempt and taxable PAC bonds, with the PAC bond repayments spread throughout the overall maturity structure of the issue. The lower yield on the PAC reduces the overall bond yield by approximately .045%. This results in an aggregate yield spread of 1.297%. $5.015 million of zero participation loans would be created to bring the issue down to 1.20% aggregate (tax-exempt plus taxable) yield spread.

THDA has approximately $85.5 million in zeros that can be used to subsidize new bond issues, such as Issue 2024-1. The amount of zero participation loans that THDA accumulated helps mitigate for THDA the risk of higher bond rates on future transactions, particularly with fewer economic refunding opportunities over the next few years than in the recent past (as well as higher current interest rates that could further reduce the attractiveness of refunding opportunities).

As the financing is developed, production needs will be refined, and as the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds, to assess if further refinement of the structure could offer improvement in the pricing of Issue 2024-1.

Issuing the Issue 2024-1 Bonds under the 2013 General Resolution avoids a state moral obligation pledge on the bonds.

Method of Sale

In the current market for housing bonds THDA will continue to benefit from offering its bonds via negotiated sale, rather than by competitive bid. Factors favoring a negotiated sale include:

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

Market Volatility – A competitively bid bond issue requires that the timing and, to a significant extent, the final bond structure be established well in advance of the bid date. Continued market volatility makes it unlikely THDA could structure its bonds to obtain the lowest possible cost of debt in advance of pricing. A negotiated sale provides flexibility to price on shorter notice, to adjust the bond structure through the pricing period in response to market factors and investor indications, or to delay or accelerate the pricing as conditions warrant.

Complexity and Credit – While investors are familiar with bonds issued by housing finance agencies, a negotiated sale provides greater opportunity to communicate with investors about the more complex structure, program experience, and the credit features of THDA's bonds.

Bond Structure – Though Issue 2024-1 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, to add additional maturities or features, or to use bonds priced at a premium or discount (such as lockout premium serial bonds as recently utilized). A negotiated sale facilitates greater flexibility to make structural changes, as reflected in a number of THDA's offerings in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

Pricing Oversight – THDA's policies and practices for negotiated bond sales – including the review of co-manager price views, consensus scales, comparable pricings, historic and current spreads, other current market data, and concurrent monitoring by the Division of State Government Finance and CSG – provide THDA with the basis for confirming that its bonds are priced fairly at time of sale. In advance of the offering CSG also provides a pre-pricing memo with information related to general bond market conditions, the housing bond market, and projected interest rate levels based on recent housing bond issues, previous THDA offerings, and pending statistical releases. To manage incentives for the syndicate members and investors, CSG also advises on syndicate rules and procedures, proposed holdbacks of specific maturities, and allotments of bonds.

Current Market Conditions

Data releases throughout 2023 have largely reflected slowing inflation, however, recent inflation figures in the 3-4% range are still above the Federal Reserve's target of 2%.

As a result, on July 26th, the Fed both hiked rates by an additional 25 bps, bringing short-term rates to their highest level in 22 years, and indicated that it would at least temporarily pause future rate hikes to determine the impact on inflation. Although rates were unchanged at the Fed's September meeting, the Fed reiterated its message that rates will remain "higher for longer", which resulted in strong sell-offs in the long-end of the yield curve.

Amid recent public statements from the Fed indicating that it could introduce one more rate hike in 2023 and keep rates elevated through 2024, the 10-year Treasury yield rose above 4.9% in early October and breached the 5.00% yield level more recently. The yield curve remains inverted, with the 2-year Treasury around 5.05% recently and having increased to 5.20% in prior weeks. Earlier in the year, the yield curve was inverted by as much as 100 bps or more as measured by the difference in the 2-year and the 10-year UST, but with rates rising on the long-end of the Treasury curve, the spread between the 2-year and the 10-year is now only 17 bps.

Recommendations

CSG Advisors recommends that the THDA Board of Directors and THDA Bond Finance Committee:

- Authorize the sale and issuance of Residential Finance Program Bonds, Issue 2024-1, with a par amount not to exceed $350 million;
- Delegate to the Authorizing Officer authority to:
  - Establish the principal amount of Issue 2024-1;
  - Establish the structure, sub-series and pricing schedule of Issue 2024-1, including
    a. the possible use of a portion of the proceeds to fund down-payment assistance loans, and
    b. the potential issuance of taxable bonds to fund THDA's non-qualified loan production;
  - Approve fixed-rate serial and term bonds in any combination with maturities no longer than 32 years; and
  - Refund any combination of bonds that are optionally callable, based upon projected benefits under market conditions at the time of sale.
- Based on current market conditions and for the reasons described above, authorize Issue 2024-1 via a negotiated sale; and
- Select Raymond James to serve as book-running senior manager for Issue 2024-1, in view of the continuing value they have provided as a member of THDA's underwriting syndicate. (See our Underwriter Recommendation Memo for additional information.)

EXHIBIT A:
PRELIMINARY STRUCTURING ANALYSIS

EXHIBIT A: STRUCTURING SCENARIOS

Tennessee Housing Development Agency Issue 2024-1
As of 10/27/23, for Bond Authorization Recommendation Memo

		1		2	
Key Structuring Variables		***No PAC***		***PAC Throughout Maturity Schedule***	
Including PAC Bonds		No		Yes	
PAC Bond Maturity Years		N/A		2024 - 2055	
Bond Series and Amounts					
New Money	Non-AMT	175,000,000	*50%*	175,000,000	*50%*
New Money	Taxable	175,000,000	*50%*	175,000,000	*50%*
Total		350,000,000	*100%*	350,000,000	*100%*
Bond Structure					
Non-AMT	Coupon / Yield				
1A: Serials	3.850% - 4.900%	43,405,000	*25%*	27,510,000	*16%*
1A: 7/1/39 Term	5.000%	14,385,000	*8%*	9,345,000	*5%*
1A: 7/1/44 Term	5.200%	29,390,000	*17%*	19,095,000	*11%*
1A: 7/1/49 Term	5.350%	38,125,000	*22%*	24,765,000	*14%*
1A: 7/1/54 Term	5.400%	49,695,000	*28%*	32,285,000	*18%*
1A: 1/1/55 PAC Term	6.25% / 5.04%	-	*0%*	62,000,000	*35%*
Total		175,000,000	*100%*	175,000,000	*100%*
Taxable	Coupon / Yield				
1B: Serials	5.540% - 6.400%	31,795,000	*18%*	17,540,000	*10%*
1B: 7/1/39 Term	6.420%	22,495,000	*13%*	13,785,000	*8%*
1B: 7/1/44 Term	6.550%	29,720,000	*17%*	18,970,000	*11%*
1B: 7/1/49 Term	6.660%	39,225,000	*22%*	26,245,000	*15%*
1B: 7/1/54 Term	6.700%	51,765,000	*30%*	36,460,000	*21%*
1B: 1/1/55 PAC Term	6.50% / 6.16%	-	*0%*	62,000,000	*35%*
Total		175,000,000	*100%*	175,000,000	*100%*
Yields If No Loan Participations In or Out					
Overall Tax-Exempt Plus Taxable					
Mortgage Yield		7.147%		7.147%	
Bond Yield		5.895%		5.850%	
Overall Yield Spread		1.251%		1.297%	
GC Rate to Achieve Overall 1.20% Yield Spread		7.20%		7.15%	
Loan Particip. to Achieve 1.20% Yield Spread					
0% Loans (Consumed) from Past Issues		-		-	
0% Loans Created from 2024-1		2,675,000		5,015,000	
Net Zero Percent Loans (Consumed) / Created		2,675,000		5,015,000	
New Volume Cap Needed					
2024-1A (Non-AMT)		175,000,000		175,000,000	
Plus PAC Premium		-		3,248,800	
Total		175,000,000		178,248,800	

Other Key Assumptions Common to All Scenarios

7.25% Great Choice Loan Rate, 1% loan yield point on all loans, 1% of proceeds for 0% DPA seconds
First mortgage originations at $60MM/month, 88% Great Choice / 12% Homeownership for Heroes

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MEMORANDUM

TO: THDA Bond Finance Committee, Division of State Government Finance, and THDA

FROM: David Jones, Tim Rittenhouse, and Eric Olson

SUBJECT: Underwriter Recommendation
Residential Finance Program Bonds, Issue 2024-1

DATE: October 30, 2023

Background

In January 2018, THDA's Bond Finance Committee selected the current underwriting team consisting of co-senior managers Citigroup, Raymond James, and RBC; co-managers JP Morgan and Wells Fargo, with a third co-manager position to be filled by a selling group member based on performance on THDA's prior bond issue. In October 2020, the Bond Finance Committee extended the existing team's term and to accommodate the current underwriter selections, the recent underwriting team is expected to be used for Issue 2024-1.

The purpose of this memo is to recommend firms to serve on THDA's Issue 2024-1 as:

1. book-running senior manager; and
2. elevated selling group member.

1. Book-Running Senior Manager

Table 1 shows the firms that served as book-running senior managers on THDA's recent bond issues.

TABLE 1: BOOK-RUNNING SENIOR MANAGERS, RECENT THDA BOND ISSUES

Bond Issue	Par Amount of Bonds Issued	Book-Running Senior Manager
2021-1	149,990,000	Raymond James
2021-2	99,990,000	RBC Capital Markets
2021-3	170,000,000	Citigroup Global Markets
2022-1	175,000,000	Raymond James
2022-2	149,990,000	RBC Capital Markets
2022-3	160,000,000	Citigroup Global Markets
2023-1	140,000,000	Raymond James
2023-2	235,000,000	RBC Capital Markets
2023-3	360,000,000	Citigroup Global Markets

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41 Perimeter Center East, Suite 615, Atlanta, GA 30346 | (678) 319-1911 | djones@csgadvisors.com

Rather than select the book-running senior manager based on a fixed rotation, following the 2018 underwriter selection by the Bond Finance Committee, the book-running senior manager is selected from among the two firms who did not serve as the senior book-running manager on the last bond issue, based on criteria as determined by the Bond Finance Committee in consultation with the Comptroller's Office and CSG. As always, the Bond Finance Committee reserves the right to adjust the rotation or the factors to be considered at any time and for any reason. Measures of a senior manager's performance include, but are not limited to, the following:

- Bond distribution performance,
- Pricing aggressiveness,
- Ultimate execution of the sale,
- Flexibility,
- Ability to attract new investors,
- Secondary market support,
- Idea generation,
- Syndicate management,
- Willingness to underwrite unsold bonds,
- Offering of additional credit resources (lines of credit, etc.)

Raymond James continues to perform very well when selected as the book-running senior manager, evidenced by aggressive pricing and a solid book of both retail and institutional orders for Issue 2023-1, the last issue Raymond James senior-managed for THDA. When senior managing prior issues, the firm has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. In recent months, Raymond James continues to successfully manage and achieve good pricing results for other housing finance agencies, the latest being Georgia in October and Missouri, Vermont, and West Virginia priced in September.

<u>In view of their continued performance, we recommend that Raymond James serve as book-running senior manager for Issue 2024-1.</u>

2. Elevated Selling Group Member

The following table shows the retail performance of each selling group member for Issue 2023-3, including UBS which acted as the third co-manager.

TABLE 2: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2023-3 ***(thousands)***

Selling Group Member	Retail Orders	Final Allotments
UBS	$ 26,040	$ 22,575
Wiley Brothers - Aintree	13,045	11,775
Duncan Williams	500	500
Bancroft	250	250
FHN Financial	-	-
Fifth Third	-	-
RW Baird	-	-
Total	**$ 39,835**	**$ 35,100**

Excluding member orders.

UBS led the way with $26.04 million in retail orders and $22.57 million in retail allotments of bonds, however, in early October 2023, the firm announced its intention to no longer participate in the negotiated sale business within the U.S. municipal bond market. At that same time, UBS laid off most of its group of housing bankers. Discussions with the bank indicate that it will only focus on competitive issues going forward, but that its sales desk will remain. As such, starting in 2024, UBS can continue to serve HFAs like THDA as a selling group member, but not as a co-manager.

Given that UBS will not be in position to serve as a co-manager on future issues for THDA, we recommend that the next higher producer of allotments for Issue 2023-3, Wiley Brothers – Aintree be named the selling group member elevated to co-manager for THDA's Issue 2024-1.

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

EXHIBIT A: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,

LAST THREE BOND ISSUES

THDA UNDERWRITER PERFORMANCE SUMMARY -- 2023-1, 2023-2, and 2023-3 ($ thousands)

	2023-1 (RJ lead, Wiley co) 140,000		2023-2 (RBC lead, UBS co) 235,000		2023-3 (Citi lead, UBS co) 360,000		Combined 2023-1 to 2023-2 735,000	
	Orders	Allot-ments	Orders	Allot-ments	Orders	Allot-ments	Orders	Allotments
Citigroup								
Tennessee Retail	175	175	185	185	11,175	10,415	11,535	10,775
National Retail	3,300	2,735	11,000	4,870	62,625	31,700	76,925	39,305
Net Designated	0	0	720	425	804,140	241,730	804,860	242,155
Member	10,000	0	10,000	0	11,670	1,670	31,670	1,670
Total	13,475	2,910	21,905	5,480	889,610	285,515	924,990	293,905
Raymond James								
Tennessee Retail	19,390	15,745	4,670	4,535	6,560	6,560	30,620	26,840
National Retail	10,380	7,080	970	250	17,380	8,770	28,730	16,100
Net Designated	260,410	92,655	17,235	2,325	6,000	1,000	283,645	95,980
Member	890	585	39,125	125	28,000	0	68,015	710
Total	291,070	116,065	62,000	7,235	57,940	16,330	411,010	139,630
RBC Capital Markets								
Tennessee Retail	0	0	9,455	8,055	200	200	9,655	8,255
National Retail	1,535	1,535	32,005	10,770	5,620	5,320	39,160	17,625
Net Designated	0	0	902,715	180,480	10,900	4,370	913,615	184,850
Member	27,490	0	1,515	425	80,145	150	109,150	575
Total	29,025	1,535	945,690	199,730	96,865	10,040	1,071,580	211,305
J.P. Morgan								
Tennessee Retail	140	140	550	550	40	40	730	730
National Retail	4,115	2,290	3,820	1,225	9,205	7,740	17,140	11,255
Net Designated	1,540	390	5	5	0	0	1,545	395
Member	6,000	0	15,000	0	16,000	0	37,000	0
Total	11,795	2,820	19,375	1,780	25,245	7,780	56,415	12,380
Wells Fargo								
National Retail	1,780	1,630	5,300	1,950	3,445	3,385	10,525	6,965
Net Designated	1,650	580	3,200	945	3,250	1,850	8,100	3,375
Member	7,000	0	35,085	0	18,035	0	60,120	0
Total	10,430	2,210	43,585	2,895	24,730	5,235	78,745	10,340
Duncan-Williams								
National Retail	0	0	0	0	500	500	500	500
Total	0	0	0	0	500	500	500	500
Bancroft								
Tennessee Retail	0	0	0	0	250	250	250	250
National Retail	1,700	1,600	13,750	4,350	0	0	15,450	5,950
Total	1,700	1,600	13,750	4,350	250	250	15,700	6,200
FHN Financial								
Member	0	0	2,000	0	0	0	2,000	0
Total	0	0	2,000	0	0	0	2,000	0
Robert W. Baird & Co.								
Tennessee Retail	690	690	830	830	0	0	1,520	1,520
Total	690	690	830	830	0	0	1,520	1,520
UBS								
Tennessee Retail	4,900	4,900	5,000	5,000	9,140	8,355	19,040	18,255
National Retail	1,375	1,205	5,250	350	16,900	14,220	23,525	15,775
Net Designated	0	0	500	100	0	0	500	100
Member	5	0	8,400	0	19,025	0	27,430	0
Total	6,280	6,105	19,150	5,450	45,065	22,575	70,495	34,130
Wiley Bros-Aintree								
Tennessee Retail	6,000	6,000	5,450	5,450	13,045	11,775	24,495	23,225
Total	6,000	6,000	5,450	5,450	13,045	11,775	24,495	23,225
TOTAL								
Tennessee Retail	31,295	27,650	26,140	24,605	40,410	37,595	97,845	89,850
National Retail	24,185	18,075	72,095	23,765	115,675	71,635	211,955	113,475
Net Designated	263,600	93,625	924,375	184,280	824,290	248,950	2,012,265	526,855
Member	51,385	585	111,125	550	172,875	1,820	335,385	2,955
Total	370,465	139,935	1,133,735	233,200	1,153,250	360,000	2,657,450	733,135

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2024-1
November 14, 2023

Pursuant to TCA Section 13-23-120(e)(4):

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2024-1 (the "Bonds"), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the "General Resolution").

The aggregate principal amount of the Bonds shall not exceed $350,000,000. The actual aggregate principal amount shall be determined by the Authorized Officer appointed by the THDA Board of Directors (the "Authorized Officer") upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA's Bond Counsel and may take into account the following limitations and other factors:

(1) the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and

(2) the amount of Bonds which may be issued to refund bonds or notes outstanding under the General Resolution and/or the General Housing Finance Resolution (the "2009 Resolution") to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and

(3) the amount of Bonds that may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans and program securities financed from available THDA funds or other financing sources prior to the availability of proceeds from the Bonds; and

(4) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and

(5) the availability of THDA's funds, subject to the review of the Authorized Officer, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and

(6) the amount of resources (loans and cash) available under the 1985 General Resolution to over collateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

APPLICATION OF PROCEEDS:	Proceeds of the Bonds will be applied to (i) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the General Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof (iii) to finance Program Loans upon the refunding or conversion thereof; and (iv) other uses as specified below in approximately the following amounts: 90% for single-family first lien mortgage loans, single-family second lien DPA loans, refinancing outstanding bonds; 8% for bond reserve; 1% for capitalized interest; and 1% for cost of issuance and underwriter's discount/fee.
DATE, METHOD AND TERMS OF SALE:	The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than May 31, 2024. THDA will prepare for the sale with the aid of its financial advisor (TBD), and its bond counsel, Kutak Rock.
MATURITIES:	The Bonds may be any combination of tax-exempt and/or taxable long and/or short term serial, term, convertible option, and/or discounted or premium bonds as may be determined by the Authorized Officer. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance.
BOND INTEREST RATES:	The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum.
REDEMPTION TERMS:	The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Authorized Officer.
LOAN INTEREST RATES AND COST OF ADMINISTRATION:	Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA's costs of administration for the Bonds may be paid. The minimum spread necessary to finance the Issue 2024-1 Program Loans may be as low as 60 basis points.

Jason E. Mumpower
Comptroller

MEMORANDUM

TO: Members of the Bond Finance Committee

FROM: Mark Graubner, Sandi Thompson, Bruce Balcom

DATE: November 8, 2023

SUBJECT: RFP for Financial Advisor for the Tennessee Housing Development Agency

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In September 2023, the Bond Finance Committee (BFC) and the Tennessee Housing Development Agency (THDA) Board of Directors authorized a request for proposal (RFP) process for the selection of a financial advisor and directed staff to develop a RFP. The RFP was distributed by email on October 11, 2023, to nine firms that were deemed to provide only financial advisory services, as determined from the 2023 NCSHA membership directory and a distribution list from the 2018 THDA Financial Advisor RFP. The RFP was posted on the THDA's website on that date as well.

Questions regarding the RFP were due from the firms by 12:00 p.m., on October 17, 2023. No questions were received, and an email stating that no questions were received was sent to the nine firms on October 19, 2023.

Electronic proposals were due from potential proposers on November 1, 2023, at 12:00 p.m. The following two firms submitted proposals, and both proposals were received by the deadline:

- CSG Advisors
- Caine Mitter & Associates

Staff members from the Division of State Government Finance (SGF) and THDA reviewed the proposals to determine that the information provided was complete and satisfied the requirements of the RFP.

During the review, SGF and THDA staff members determined that one of the proposals was incomplete and nonconforming, whereas the second proposal was complete and satisfied all of the requirements of the RFP.

A conference call meeting was held at 9:00 a.m. on November 7, 2023, with BFC staff members to discuss the review process and develop a recommendation for the BFC. BFC staff concluded that because one of the two proposals was incomplete, there was only one complete and satisfactory proposal received to be considered by the BFC.

Based on the analysis and discussion, staff's recommendation to the Bond Finance Committee is to select the proposal submitted by CSG Advisors and to award the contract to CSG to serve as financial advisor for the THDA for a three-year contract period commencing on January 1, 2024.

Board of Directors Meeting

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 Board Meeting Agenda
(directly following Bond Finance Committee Meeting)

Tuesday, November 14, 2023 at 10am CT
Nashville Room, 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
Update on Foreclosure Rehab Program

E. Multifamily Business
Business Update

F. Board Action items *(* items require board vote)*
1. Approval of Minutes from September 26, 2023 meeting*
2. Annual Performance Evaluation of the Executive Director*
3. Election of Vice Chair*
4. Bond Issue 2024-1*
5. 2023-2 HOME Rental Housing Development - Program Description*
6. 2024 HOME Rental Housing Development Program Description*
7. 2024 HOME CHDO Homeownership Development Program Description*
8. 2024 HOME Urban-Rural Program Description*
9. 2020 HOME Bright Futures Bridge Subsidy (BFBS) Pilot Program – Extensions*
10. 2023 Eviction Prevention Program Description Amendment*
11. 2023 Emergency Repair Program (ERP) Description Amendment*

12. 2024 Emergency Solutions Grants (ESG) Program Description*
13. 2024 Tennessee Housing Trust Fund (THTF) Competitive Grants Program Description*
14. 2023 Multifamily Tax Exempt Bond Authority(MTBA) Program Description Amendment*
15. 2024 Multifamily Tax Exempt Bond Authority (MTBA) Program Description*

G. Board Briefing Items

1. 2024 THDA Board of Directors Meeting Schedule
2. Annual Cybersecurity Update
3. HUD-Veterans Affairs Supportive Housing Choice Vouchers (HUD-VASH) Award
4. 2023 HOME Rental Housing Development Program Funding Matrix

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
September 26, 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, September 26, 2023, at 10:30 AM ET in the Holston Room of the Embassy Suites Downtown Hotel, Knoxville, Tennessee.

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

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.

- THDA has now fully executed contracts with organizations participating in eviction prevention efforts and has made available $25 million for that purpose. The Agency also finalized agreements with Knox and Shelby County, which continue to operate Emergency Rental Assistance programs.

- Earlier this summer the state's Financial Stimulus Accountability Group awarded $15 million to FAHE (Federation of Appalachian Housing Enterprises) to support housing development and rehab work undertaken by FAHE's Tennessee members. Those funds will flow through THDA to FAHE, and then on to member organizations.

- THDA is proud to partner with Rural Development in Tennessee and Kentucky in their joint efforts to help communities recover from tornadoes that hit the area around South Fulton, Tennessee and Fulton, Kentucky with our programs.

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. Ms. Hall's update noted that THDA had over $100 million in loan applications for the month of August, which is an Agency record.

Next, Chair McGauley recognized Mr. Eric Alexander, the Director of Multifamily Programs for a Multifamily Programs Business Update. Mr. Alexander's update included an overview of projects in the current production pipeline and a brief overview of the recent LIHC awards.

At the conclusion of the presentation, Chair McGauley asked for consideration of the July 25, 2023 board meeting minutes. Upon motion by Ms. Rhea and a second by Ms. Reed, the motion carried and the minutes were approved.

Mr. McGauley then recognized Mr. Trent Ridley, Chief Finance Officer, to present the Proposed Budget for Fiscal Year 2024-2025, as outlined in the memo dated September 11, 2023, from himself and Joe Brown, Controller in the board packet. This was a repeat of his presentation from the Audit and Budget and Bond Finance Committees held on Monday, September 18, 2023. At the conclusion of the presentation, Mr. McGauley presented a motion and a second from the Bond Finance Committee recommending approval of the Proposed Budget to the board. Upon a vote from the full board, the motion was carried.

Mr. McGauley then presented a motion and a second from the Bond Finance Committee to approve the Amendment to Bond Issue 2023-3. Upon vote from the full Board, the motion was carried.

Mr. McGauley presented an ad hoc motion and a second from the Bond Finance Committee to approve the RFP process for a Financial Advisor. Upon vote from the full Board, the motion was carried.

Chair McGauley again recognized Ms. Lindsay Hall, Chief Operating Officer of Single Family Operations, to present on the Freddie Mac Form 988SF and Resolution, as outlined in the memo dated August 30, 2023, from herself, as found in the board packet. Ms. Hall highlighted that this form has to be approved regularly to facilitate our work with Freddie Mac. Upon motion by Ms. Rhea and a second by Mr. Neal, the motion to approve the form and resolution was carried.

Chair McGauley recognized Mr. Bill Lord, Director of Community Housing, to present on the National Housing Trust Fund (NHTF) Gap Funding Program Description, as outlined in the memo dated September 11, 2023, from himself and Don Watt, Chief Programs Officer, as found in the board packet. Mr. Lord highlighted that this program would capitalize on a $1.5 million carryover from the 2022-2023 program year and would be used to assist currently funded projects that have been impacted by construction and financing cost escalations and are creating a funding gap in the projects financing. Upon motion by Mr. Neal and a second by Mr. Miller, the motion to approve the NHTF Gap Funding Program Description was carried.

Chair McGauley recognized Mr. Bill Lord, Director of Community Housing, to present on the 2024 Capacity Building Pilot Program Description, as outlined in the memo dated September 11, 2023, from himself and Don Watt, Chief Programs Officer, as found in the board packet. Upon motion by Ms. Reed and a second by Mr. Springer, the motion to approve the 2024 Capacity Building Pilot Program was carried.

Chair McGauley recognized Mr. Eric Alexander, Director of Multifamily Programs, to present the 2024 Qualified Allocation Plan, as outlined in the memo dated September 7, 2023, from himself and Don Watt, Chief Programs Officer, as found in the board packet. During discussion, Ms. Reed asked if the partners for the Supportive Housing Set Aside were predetermined. Mr. Alexander said they were not. Credits will be made available through a competitive process and open to all. Ms. Reed also asked if the partners for the Twinning Set Aside were predetermined. Mr. Alexander said they were not. Mr. Neal expressed concern about the proportion of annual allocation, approximately 60-75%, that was now directed through set asides in the QAP. He asked that the Agency relook at the set asides each year to ensure continued relevancy. Mr. Neal also encouraged a comprehensive look at partners applying for the supportive housing set aside to ensure proper experience, both for the housing and the supportive services. Upon motion by Mr. McGauley and a second by Mr. Dixon, the motion to approve the 2024 Qualified Allocation Plan was carried.

Chair McGauley then recognized Mr. Bruce Balcom, Chief Legal Counsel, to highlight the State Form in the board packet as well as Mr. Eric Alexander, the Director of Multifamily Programs to provide any additional comments regarding the recent 2023 LIHC award selection list.

With no further business, the meeting was adjourned at 11:49 AM ET.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 14th day of November, 2023

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: Bill Lord, Director of Community Housing
Don Watt, Chief Programs Officer

DATE: November 1, 2023

SUBJ: 2023-2 HOME Rental Development Program Description

Recommendation:

Staff recommends the Board approve the following:

- Adoption of the attached proposed 2023-2 HOME Program Description for Rental Development ("Program Description");
- Authorize the Executive Director or a designee to award 2023-2 HOME funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description;
- 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 HOME activities.

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

Substantial Changes:

- Adjustment to Urban/Rural county designations. THDA has adopted a new two-tier test for our grant programs to determine the urban/rural status of all counties. This methodology will refine our designations and be more consistent for the purposes of the HOME program in an ever changing population landscape across Tennessee. We will continue to exclude Participating Jurisdictions that receive HOME funding directly from HUD from our competition. The methodology used to make the determination and results are below:

- A county has a population of 50,000 or less as 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.

Background:

THDA is setting aside approximately $4 million in 2023 HOME funds to implement the 2023-2 HOME Rental Development Program Description to encourage the construction of affordable rental housing for low income households across the state. This activity is funded through an award of the Tennessee's annual allocation of HOME funds. This program description will open the HOME funding to all eligible nonprofit and for profit housing developers and Public Housing Authorities.

THDA will open the program for application November 16, 2023, with applications due on January 11, 2024. Funding awards will be announced on or about February 1, 2024, with the Grant award period beginning on March 1, 2024.

Click for program description: 2023-HOME-Rental-Development-Program-Description.pdf (thda.org)

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: Bill Lord, Director of Community Housing
Don Watt, Chief Programs Officer

DATE: November 1, 2023

SUBJ: 2024 HOME Rental Housing Development Program Description

Recommendation:

Staff recommends the Board approve the following:

- Adoption of the attached proposed 2024 HOME Rental Housing Development Program Description ("Program Description");
- Authorize the Executive Director or a designee to award 2024 HOME funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description;
- 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 HOME activities.

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

Substantial Changes:

- Adjustment to Urban/Rural designations. THDA has adopted a new two-tier test for its grant 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 HOME program in an ever changing population landscape across Tennessee. We will continue to exclude Participating Jurisdictions that receive HOME funding directly from HUD from our competition.

  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:

THDA is setting aside approximately 50% of it 2024 HOME allocation after the following set asides; 10% administrative, 20% CHDO Homeownership Development and up to 5% CHDO Operating Assistance to implement the 2024 HOME Rental Development Program Description to encourage the construction of affordable rental housing for low income households across the State. This activity is funded through an award of Tennessee's annual allocation of HOME funds. This program description will open the HOME funding to all eligible nonprofit and for profit housing developers and Public Housing Authorities.

THDA will open the program for application February 22, 2024, with applications due on April 4, 2024. Funding awards will be announced on or about May 10, 2024, with the Grant award period beginning on July 1, 2024.

Click to view program description: 2024-HOME-Rental-Development-Program-Description.pdf (thda.org)

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: Bill Lord, Director of Community Housing
Don Watt, Chief Program Officer

DATE: November 1, 2023

SUBJ: 2024 HOME CHDO Homeownership Development Round Program Description

<u>Recommendation:</u>

Staff recommends that the Board approve the following:

- Adopt the attached proposed 2024 HOME CHDO Homeownership Development Round Program Description ("Program Description");

- Authorize the Executive Director or a designee to award 2024 HOME CHDO funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description;

- 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 qualified future HOME activities.

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

Background:

THDA is setting aside 20% of its 2024 HOME allocation to implement the 2024 HOME CHDO Homeownership Development Round Program Description to encourage the construction of affordable homes for sale to low and moderate income households across the State. This activity is funded through an award of the state's annual allocation of Federal HOME funds. This program description will open the HOME funding to all eligible Community Housing Development Organizations (CHDO), a subset of nonprofit housing developers defined under the HOME program.

THDA will open the program for application on February 1, 2024, with applications due on March 14, 2024. Funding awards will be announced on or about May 10, 2024, with the Grant award period beginning on July 1, 2024.

Substantial Changes:

- **Allocation**. The funds allocated to the program is now stated in terms of a percentage of THDA's allocation rather than a specific amount of funds. This will provide a more accurate statement of the funds set aside since no 2024 federal budget has been passed at the time of presentation of this program description.
  - Statutory Requirement of the CHDO set-aside -15%
  - Former CHDO set-aside in most recent program – 18%
  - Proposed 2024 Allocation to the CHDO set-aside - 20%

- **Underwriting Debt to Income Ratios**. Adjustment to the underwriting ratios from 29% / 41% to 33% / 43%. This change is proposed after consultation with THDA's CHDO partners and some participating lenders. In the current environment of significantly rising housing costs, and only moderate changes to the incomes of low income households, CHDOs are having increasingly difficulty to qualify lower income families and persons for mortgages. The standard for housing costs recognized by HUD is 30% of gross income. In this scenario the back end of 43% DTI still only allows 13% of gross income for ALL other monthly fixed debt above their housing costs. This would be a challenging number for most households.

  Click to view program description: 2024-HOME-CHDO-Homeownership-Development-Program-Description.pdf (thda.org)

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: Bill Lord, Director of Community Housing
Don Watt, Chief Programs Officer

DATE: November 1, 2023

SUBJ: 2024 HOME Urban Rural Round Program Description

Recommendation:

Staff recommends that the Board consider and approve the following:

- Adoption of the attached proposed 2024 HOME Urban and Rural Program Description as attached ("Program Description");
- Authorization of the Executive Director or a designee to award 2024 HOME funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description;
- Authorization of staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director or instructed by the U.S. Department of Housing and Urban Development; and,
- Authorization of the Assistant Chief Legal Counsel to make non-substantial changes and substantial changes, as needed to comply with federal requirements.

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

Substantial Changes:

The changes proposed for the 2024 HOME Urban/Rural Round Program Description include:

- Revised program allocation amount to state in terms of a percentage of the 2024 HOME Allocation. The HOME Urban/Rural allocation will be 50% of the total 2024 HOME allocation after the 10% Administrative Set Aside, 20% CHDO Set Aside, and up to 5% Operating Assistance Set Aside.

- Removed Leverage as a scoring factor.

- Removed Energy Conservation as a scoring factor.

- Increased Program Design to 60 points available.

- Limited Spend Down requirements apply only to open grants.

- Applied point deductions in the scoring criteria only to closed grants.

- Adjusted Urban/Rural designations based on a new two-tier test to determine the Urban/Rural status of all counties in Tennessee. This methodology will refine our designations and be more consistent for the purposes of the HOME program in an ever changing population landscape across Tennessee. Staff will continue to exclude Participating Jurisdictions that receive HOME funding directly from HUD from our Urban/Rural competition. The methodology used to make the determination of urban and rural status is as follows:
    - A county has a population of 50,000 or less as 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.

Click to view program description: https://thda.org/pdf/2024-HOME-Urban-Rural-Program-Description.pdf

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: Bill Lord, Director of Community Housing
Don Watt, Chief Programs Officer

SUBJECT: 2020 HOME Bright Futures Bridge Subsidy ("BFBS") Pilot Program - Extension Request

DATE: November 5, 2023

Recommendation

Staff is recommending authorization to extend the 2020 HOME Bright Futures Bridge Subsidy ("BFBS") Pilot Program grant for a period of six (6) months. The extension will lengthen the grant contract end date for the two Grantees administering the program, Omni Family Foundation, Inc. and Knoxville Leadership Foundation, from September 30, 2024 to March 31, 2025.

1. THDA will not cover any costs associated with the program (or lease) beyond the contract end date of March 31, 2025, and
2. Grantees cannot enter into a new lease for the BFBS Pilot Program with tenants beyond March 31, 2024 without supplemental funding to be provided by the Grantee.

Background

In April 2023, THDA's Executive Director, under his authority granted by the Board, approved a six (6) month extension of the BFBS Pilot Program to provide tenant-based rental assistance ("TBRA") to assist with housing opportunities for youth transitioning out of foster care to help them afford the cost of market-rate housing units for a period not to exceed 24 months. Eligible costs for the program include: rent, utilities, security deposits, utility deposits, and soft costs. Both grantees currently have leases in place with eligible tenants; yet, will only expend less than 50% of their existing grant awards.

At the time of the original extension request, the two Grantees that administer the BFBS had both faced delays in launching the program and were having had a difficult time locating affordable units due to increasing rent costs in the market and a shortage of affordable rental units.

Since the first six (6) month extension was granted both Grantees have indicated some success in putting the funds to use, but due to the one (1) year minimum lease requirement cannot enter into new agreements with tenant beneficiaries. This additional extension would allow for additional lease up time within the grant terms and allow the grantees to enter rental assistance agreements for the full one (1) year minimum lease though March 2024. As a result, THDA staff is making this recommendation to extend the grant agreements under the 2020 HOME BFBS Pilot Program for a period of six (6) months to provide the Grantees with sufficient time to assist additional clients in their pipeline through March 31, 2025.

THDA staff is currently working with each grantee to determine a production schedule and whether any further grant extension is feasible. If so, THDA may return to the board in January or March to request a further extension in order to use the full grant award made to benefit this target population.

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: Don Watt, Chief Program Officer

SUBJECT: 2024 Emergency Rental Assistance Eviction Prevention Program ("ERA-EPP")

DATE: November 14, 2023 - Revised

Recommendation

Staff recommends that the Board approve the following:

1. Authorization of the Executive Director to accept requests from entities that were awarded ERA 2 funds under the ERA-EPP 2023 Program Description either through the Community Action Agency Set-Aside or the Competitive Nonprofit Set-Aside and award additional ERA-EPP assistance to such eligible ERA-EPP grantees as follows:

    - The ERA-EPP Grantee must have a cumulative expenditure of at least 50% of its current allocation to be considered eligible for an additional award. "Expended" will mean that THDA has received and made payment of ERA-EPP resources to the Grantee. Advanced Funds will not be considered expended until the Grantee has expended the Advanced Funds for eligible expenses and submitted documentation to THDA of its use.

    - THDA may award an additional grant amount up to the lesser of:
        - 300% of its existing grant award, or
        - The monthly expenditure rate from August 1, 2022 to the most recent completed month before the additional funding request is made to THDA, multiplied by the number of months remaining in the contract period,
        - The remaining ERA-EPP funds available for award; or
        - The Grantee's requested amount of additional assistance.

    - All requests will be evaluated on a first come, first served basis.

2. Authorization of the Executive Director to allocate ERA 2 resources, as available, through ERA-EPP to other entities outside of those that have already received an allocation of funds under the ERA-EPP 2023 Program Description, but that meet the definition of one of the eligible set-asides,

if the Executive Director decides in his sole discretion that such allocation furthers the objective of ERA-EPP.

3. THDA will allocate its remaining ERA 2 funds according to paragraphs 1 and 2 above, until all of THDA's remaining ERA 2 funds are expended, subject to availability through the U.S. Department of the Treasury ("Treasury").

4. Staff will advise the Board of awards made hereunder at the Board Meeting that immediately follows the date of any such awards.

Background:

ERA-EPP was established to use available ERA 2 monies in accordance with Treasury requirements to fund local nonprofit organizations to provide financial assistance to eligible tenants to help prevent evictions and provide housing stability services to keep households that rent stably housed. THDA originally allocated $12M to fund Community Action Agencies ("CAA") that administer THDA's Low Income Home Energy Assistance Program ("LIHEAP") and other service programs for low-income families across Tennessee. An additional $12M was allocated competitively to local nonprofit organizations with established eviction prevention programs. THDA awarded over $11.8M to 12 community action agencies and $9.8M to 22 local nonprofit agencies. As a result, THDA has $2,367,496 available for award from both allocations. Grant Agreements run from August 1, 2023 – July 31, 2025.

Certain grantees are moving quickly through their allocations. THDA staff requests to provide additional available resources to those ERA-EPP Grantees and other entities that have not yet been awarded under ERA-EPP, but meet the definition of an eligible applicant, as available, to assist vulnerable households in Tennessee in accordance with the terms of ERA-EPP.

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 of Community Housing
Don Watt, Chief Program Officer

SUBJECT: 2023 Emergency Repair Program (ERP) Program Description Amendment

DATE: November 1, 2023

Recommendation

Staff recommends the following amendments to the 2023 ERP Program Description, effective immediately through the end of the program term, June 30, 2024:

1. Provide a fee for service to ERP administrators of up to $5,000 to be charged for costs associated with unrealized projects per the schedule below on a per project basis:
   a. Up to $250 for staff time;
   b. Up to $250 for initial reviews, including a scope of work, completed by ERP Administrator staff or up to $350 for initial reviews, including a scope of work, completed by a third party vendor

2. Increase the individual subsidy cap per household per property from $15,000 to $24,999 for all project contracts entered into on or after November 15, 2023 through the contract term end.

Background

THDA awarded contracts for ERP administration to four Development Districts and two Human Resource Agencies with a grant term beginning August 1, 2022, and ending June 30, 2024 under the attached 2023 ERP Program Description. THDA has lost several administrators during this period as each has determined that they cannot administer the program under the current grant conditions, primarily due to the unreimbursed administrative cost incurred of preparation work on projects that do not move forward due to cost or other factors.

The cost cap also has been a key barrier to projects not moving forward as construction costs to mitigate the emergency situation are exceeding the existing cap and qualified contractors willing to take jobs below $15,000 are increasingly difficult to attract.

Click to view program description: ERP 2023 Program Description

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: Don Watt, Chief Program Officer

SUBJECT: 2024 Emergency Solutions Grants (ESG) Program Description

DATE: November 1, 2023

Recommendation

Staff recommends that the Board approve the following:

- Adoption of the proposed 2024 ESG Program Description as attached ("Program Description");
- Authorization of the Executive Director or a designee to award 2024 ESG funds to both Set-Aside Cities and competitive applicants for applications scored by staff. Competitive scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the Program Description; and
- 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

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

Program Changes

The changes proposed for the 2024 ESG Program Description include:

1. Updated timetables and due dates as follows:
    - Application Due Date - March 14, 2024 at 4:00 pm Central
    - Set-Aside Application Due Date - March 30, 2024 at 4:00 pm Central
    - Award Announcement - By May 15, 2024
    - Contract Dates: - July 1, 2024 through June 30, 2025

2. Service Outside of ESG Entitlement:

   Modified language to allow agencies located in ESG entitlement communities (Knoxville, Memphis, and Nashville-Davidson County) to receive ESG funding to serve areas and individuals outside of the ESG entitlement.

3. Federal Requirements Clarifications:

   Added sections that clarify within the program description federal requirements applicable to all ESG grantees, including:

   a. Added requirements for participant file records;
   b. Added requirements for recordkeeping;
   c. Added language around participation of persons with lived experience;
   d. Added language to include updated requirements stipulated by the Violence Against Women Act (VAWA) in 2022; and,
   e. Added outline of written standards requirements

4. Removed purchasing of vehicles as an eligible activity and will now only allow leasing of vehicles.

5. Reduced the scoring penalty for selected missing documents that can be cured from 10 points to 5 points.

Background:

The ESG program provides resources to eligible local governments and nonprofit organizations to assist individuals who are homeless or at risk of homelessness achieve housing stability. Subject to final approval of a Federal Fiscal Year 2024 Federal budget, THDA anticipates receipt of approximately $3 million in Federal FY2024 ESG resources. Combined with any funds remaining from prior year allocations, THDA will make these resources available under this Program Description provided for your consideration.

Click to view program description: 2024-ESG-Program-Description.pdf (thda.org)

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: Bill Lord, Director of Community Housing

Don Watt, Chief Program Officer

SUBJECT: 2024 Competitive Grants Round of the Tennessee Housing Trust Fund (THTF)

DATE: November 1, 2023

Recommendation

Staff recommends the Board approve the following:

- Adoption of the proposed 2024 Competitive Grants Program Description ("Program Description");
- Authorize the Executive Director or a designee to award an allocation of THTF for the 2024 Competitive Grants applicants for applications scored and selected for funding by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description; and,
- Allow the Assistant Chief Legal Counsel to make non-substantial changes and substantial changes, as needed to comply with state and federal requirements.

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

Substantial Changes:

- There will now be only one round per year. The total amount of annual funding will be similar to previous years.

- Amount available for 2024 grant round – approximately $4 million.
- Removed state agencies and development districts as eligible applicants. Since at least 2015, no application has been received from either entity type.
- Added the following language to the program description - "The applicant must materially participate (regular, continuous, and substantial on-site involvement) in the development and operation of the development throughout the compliance period."
- Added for faith-based organizations, if religious exemption from the Fair Housing Act is requested, an attorney opinion letter must be provided.
- Applicants must meet spend down requirements for all rental development programs, not only for Competitive Grants Program.
- Included a Reservation of Funds at award, with a nine-month limit from the time of issuance for all funds to be secured.
- Required submission of final development budget with documentation of all committed sources.
- Required completion of budget and proforma worksheet instead of rental feasibility worksheet to be completed at time of application.
- Implementation of subsidy limits consistent with HOME Rental limits.

Click to view program description: 2024-THTF-Competitive-Grants-Program-Description.pdf (thda.org)

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, Multifamily Programs Division
Don Watt, Chief Programs Officer

SUBJECT: **AMENDMENT** to the Multifamily Tax-Exempt Bond Authority (MTBA) Program Description for 2023

DATE: November 1, 2023

Recommendation:

Staff recommends that the Board approve the following:

- Adoption of the proposed amendment to the 2023 MTBA 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.

Background:

The accompanying document is an amended version of the Multifamily Tax-Exempt Bond Authority Program Description for 2023. The amendment is reflected in Section 10.B., and makes provision, with conditions, for the carryforward of 2023 MTBA in instances where a Project has been unduly delayed due to a federal agency's inability to timely perform actions that are necessary to close the MTBA, or due to overwhelming neighborhood opposition that has placed the allocated Project in jeopardy.

MULTIFAMILY TAX-EXEMPT BOND AUTHORITY PROGRAM DESCRIPTION FOR 2023

Administered by

The Multifamily Programs Division of

Tennessee Housing Development Agency

Ralph M. Perrey, Executive Director

Approved by the THDA Board of Directors on November 15, 2022

Amended by the THDA Board of Directors on May 23, 2023

Table of Contents

Section 1: 2023 Multifamily Tax-Exempt Bond Authority Overview

The Tennessee Housing Development Agency ("THDA") is making private activity bond authority available to local issuers to finance multifamily housing units in Tennessee under 26 U.S.C. § 142(d) of the Internal Revenue Code ("Section 142"). The private activity bond authority can be used only for tax-exempt Private Activity Bonds issued to finance qualified residential rental projects through new construction of multifamily rental units, conversion of existing properties to multifamily rental units through Adaptive Reuse/Conversion, or acquisition and rehabilitation of Existing Multifamily Housing, hereinafter referred to as Multifamily Tax-Exempt Bond Authority ("MTBA").

THDA anticipates two funding rounds as described in Table 6-1 in Section 6.C. THDA will notify program participants by email and information posted to THDA's website. No applications submitted under this MTBA Program Description will have priority or be considered under any future MTBA Program Description.

Whenever a local jurisdiction takes action that THDA determines to be for the primary purpose of preventing proposed MTBA developments from satisfying applicable program requirements, THDA may lower the amount of MTBA available to that jurisdiction in future MTBA Program Descriptions. Examples include, without limitation, "downzoning", action restricting utilities or utility connections, action regarding required public roads, or action to preventing issuance of Certificates of Occupancy.

Applicants must apply for MTBA through THDA's online system, the Tennessee Housing Online Management Application System. Applicants applying for MTBA in THOMAS are deemed to be simultaneously applying for Noncompetitive Low-Income Housing Credits ("Housing Credit") under 26 U.S.C. § 42 of the Internal Revenue Code ("Section 42") and must meet the requirements found in the THOMAS User Manual and use the documents found on the THOMAS Documents Page. All MTBA Program Description requirements, application requirements, and Code requirements must be met. If there is any inconsistency or conflict among the requirements, the most stringent of the requirements will apply, as determined by THDA.

When this Program Description calls for some THDA action, including, but not limited to, a determination, adjustment, review, evaluation, or exercise of discretion, all such actions shall be at THDA's sole discretion, whether specifically so stated or not.

No person or entity who submits an Initial Application shall have any right to an allocation of MTBA under this Program Description based solely on the score assigned to their Initial Application. THDA decisions are final.

Section 2: Definitions

20/50 Test – The 20/50 Test is a federal minimum set–aside that may be elected by an Applicant for Housing Credit that requires at least 20% of the units in a Housing Credit Development to be both rent restricted and occupied by households whose income is less than or equal to 50% of area median gross income ("AMI"). This is an irrevocable election made in an Initial Application.

40/60 Test – The 40/60 Test is a federal minimum set–aside that may be elected by an Applicant for Housing Credit that requires at least 40% of the units in a Housing Credit Development to be both rent restricted and occupied by households whose income is less than or equal to 60% of AMI. This is an irrevocable election made in an Initial Application.

Average Income Test - The average income test is a minimum set-aside that may be elected by an applicant for Noncompetitive Housing Credits. Under this election, at least 40% of the units in a Housing Credit development are required to be both rent restricted and occupied by individuals whose incomes do not exceed the imputed income limitation designated by the applicant. This is an irrevocable election made at Initial Application. The average of the imputed income limitation designated cannot exceed 60% of AMI. The designated imputed income limitations must be in 10% increments as follows: 20%, 30%, 40%, 50%, 60%, 70%, and 80%.

42(m) Letter - A letter issued by THDA to successful applicants for Noncompetitive Housing Credits.

Acquisition - Acquiring the control of real property and assets.

Adaptive Reuse/Conversion - The renovation and reuse of a pre-existing building that has not been used for residential purposes and creates additional affordable housing units. Pre-existing buildings used as hotels or motels are eligible as Adaptive Reuse/Conversion. Adaptive Reuse/Conversion will be evaluated and reviewed as New Construction.

AMI - Area Median Income as determined by HUD.

Applicant – An applicant for Multifamily Tax-Exempt Bond Authority under this Program Description that will own the proposed development.

Application – See "Initial Application".

Appraisal - An opinion of value for land and building cost.

Basis Boost - An increase of up to 30% in eligible basis for a building in order to improve the financial feasibility of the building in a Difficult Development Area. In this MTBA Program Description, only areas defined by HUD as Difficult Development Areas are eligible for the Basis Boost.

Bond - A financial instrument issued on behalf of a local or state government for the purpose of providing special financing benefits for qualified projects.

Bond Counsel - Counsel representing the bond issuer and bondholders.

Bond Issuer - A municipality, board, or housing authority with the authority to issue bonds using MTBA for a jurisdiction.

Bond Opinion Letter - A document provided by Bond Counsel representing the issuer that opines that the bonds have been validly issued and, if tax exemption is intended, that the bonds are tax-exempt bonds.

Bond Purchase Agreement Summary Letter - The THDA Template that describes the terms of a bond purchase agreement.

Capital Needs Assessment - See Physical Needs Assessment

Carryover Allocation Application – The application and all related documentation required when a development with a Reservation Notice will not be placed in service in the same year as the Reservation Notice.

Certificate of Occupancy - A document issued by a local government agency or building department certifying a building's compliance with applicable building codes and other laws, and indicating it to be in a condition suitable for occupancy.

Certified Public Accountant - A state licensed accounting professional who provides accounting services and opinions and is committed to protecting the public interest.

Code – Internal Revenue Code of 1986, as amended, and together with Sections 42 and 142, shall include all subsequent tax legislation duly enacted by the Congress of the United States and shall be deemed to include the United States Treasury Regulations in effect with respect thereto (including regulations first promulgated under previous versions of the Code) and shall also include revenue procedures, revenue rulings, or other published determinations of the Treasury Department or the Internal Revenue Service of the United States.

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

Commitment Fee - A fee charged for a firm commitment of MTBA.

Commitment for Permanent Financing - The commitment for long term permanent financing describing all terms and conditions of such financing.

Competitive Housing Credits - Housing Credits that are available for construction or rehabilitation housing activities as allocated through the competitive process described in the Qualified Allocation Plan.

Concerted Community Revitalization Plan (CCRP) – A document that assesses the health and potential prosperity of an area less than the entire state, through public interaction and assessment of the physical, social and economic health of the citizenry, businesses, infrastructure, and built environment in the area. A CCRP must contain all of the following:

1. Clearly delineate a targeted area within a local government boundary and where the proposed site sits within that target area;
2. Include housing as a stated goal;
3. Include an assessment of the targeted area's existing infrastructure needs;

4. Designate implementation measures; and
5. Be approved or re-approved by the appropriate local government or entity no earlier than 2013.

<u>Conversion of Existing Property</u> - See Adaptive Reuse/Conversion

<u>Conditional 42(m) Letter</u> – A letter issued by THDA to Applicants seeking a determination of 4% Housing Credit in conjunction with uncommitted Multifamily Tax–Exempt Bond Authority.

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

<u>Cost Certification</u> - The certification of actual total Development costs for a development and the amount of Housing Credit eligible basis in the Development at the completion of construction for a development.

<u>Cost of Issuance</u> - Costs associated with the issuance of Private Activity Bonds, capped at 2% in accordance with Code requirements. These costs include costs permitted under the Code and the MTBA Commitment Fee.

<u>Credit Period</u> – The 10–year period over which Housing Credit may be claimed. The Credit Period begins on the first day of the taxable year in which any building that is part of a Housing Credit Development is placed in service or, if deferred by election of the Owner of the Housing Credit Development, the first day of the next calendar year, but only if the building is a qualified low–income building as of the close of the first year of such period.

<u>Developer</u> - The legal entity designated as the Developer in the Application as well as all persons, affiliates of such persons, corporations, partnerships, joint ventures, associations, or other entities that have a direct or indirect ownership interest in the Developer entity. Material participation (through Placed In Service) is required for all developers and for all entities that receive any portion of the Developer Fee.

<u>Development Team</u> - Includes any individual or member of the development team including Governors/Directors, Members and Managers/Officers of the Ownership Entity; Officers, Directors, and Stockholders of the Development Entity and Officers, Directors, and Stockholders of the Property Management Company.

<u>Difficult Development Area ("DDA")</u> –Any area designated as such by HUD or as so defined by THDA in accordance with Section 42(d)(5)(B)(v). The list is available here: https://www.huduser.gov/portal/datasets/qct.html.

<u>Disability</u> –With respect to an individual, a physical or mental impairment that substantially limits one or more major life activities of such individual; a record of such impairment; or being regarded as having such an impairment. Major life activities include, but are not limited to, caring for oneself, performing manual tasks, seeing, hearing, eating, sleeping, walking, standing, lifting, bending, speaking, breathing, learning, reading, concentrating, thinking, communicating, and working. A major life activity also includes the operation of a major bodily function, including but not limited to, functions of the immune system, normal

cell growth, digestive, bowel, bladder, neurological, brain, respiratory, circulatory, endocrine, and reproductive functions. An individual meets the requirement of "being regarded as having such an impairment" if the individual establishes that he or she has been subjected to an action prohibited by law because of an actual or perceived physical or mental impairment whether or not the impairment limits or is perceived to limit a major life activity. An individual will not be regarded as having such an impairment when the impairment is transitory and minor. A transitory impairment is an impairment with an actual or expected duration of 6 months or less. An impairment that is episodic or in remission is a disability if it would substantially limit a major life activity when active. For further definition, please see the Americans with Disabilities Act of 1990, as amended.

Downzoning - An effort to change zoning to reduce permitted density of housing and development.

Elderly – see definition of Older Persons.

ENERGY STAR - Energy efficient designation that must be obtained in order to utilize the Energy Star Utility Allowances published on the THDA website.

Evaluation Notice – A notice provided by THDA to request clarification or additional information related to a requested status report on the development, Final Application, quarterly construction report, or certified property management application; during an on–site inspection of the property during construction, after the buildings are placed in service or during the term of the Extended Use Agreement; or other compliance concern identified by THDA in its sole discretion. Failure to respond to successive Evaluation Notices by the Final deadline allows THDA, in its sole discretion, to return or reject the application, recapture the allocation, or issue an event of noncompliance under the terms of the Extended Use Agreement.

Extended Use Agreement – Also known as the Declaration of Land Use Restrictive Covenants for Low–Income Housing Tax Credits ("LURC"), is the agreement executed between THDA and Owner. The LURC:

1. Is binding on Owner and all successors of Owner;
2. Requires the Housing Credit Development to comply with the requirements of Section 42, the Qualified Allocation Plan, the Application, and THDA;
3. Evidences Applicant's federal election and any requirements pursuant to Applicant's scoring elections in the Initial Application;
4. Requires that the applicable fraction for each building for each taxable year during the term of the LURC will not be less than the applicable fraction specified the LURC;
5. Prohibits the eviction or termination of the tenancy (except for good cause) of an existing low–income resident or any increase in the gross rent with respect to a low–income unit that is not otherwise permitted;
6. Allows individuals who meet the income limitation applicable to the building (whether prospective, present, or former occupants of the building) the right to enforce in any State court the rights under (1) and (2) above;
7. Prohibits the disposition to any person of any portion of the building to which the LURC applies, unless all of the building to which the LURC applies is disposed of to such person;
8. Prohibits the refusal to lease to a holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective resident as such a holder;
9. Is recorded in the real property records of the county in which the Housing Credit Development is located as a restrictive covenant running with the land; and
10. Commences on the first day of the Compliance Period for a term of at least thirty (30) years (the "Extended Use Period").

Existing Multifamily Housing - A multifamily development that will preserve affordable housing units that are rent and income restricted or, through rehabilitation of units that were not previously affordable, create affordable housing units.

Federal Election - For purposes of MTBA; the federal election is the minimum set-aside requirement found under Section 142(d) of the Code; where a certain percentage of the units are designed low income and must be qualified by households earning no more than the associated income limit. For purposes of Noncompetitive Housing Credits; the federal election or test is the minimum set-aside requirement found under Section 42(g)(1) of the Code; where a certain percentage of the units are designed low income and must be qualified by households earning no more than the associated income limit. In the MTBA Program Description; applicants will be held to the federal election required for Noncompetitive Housing Credits.

Final Application – The application and all related documentation required when a Housing Credit Development is to be placed in service and for which IRS Forms 8609 are sought.

Firm 42(m) Letter – A letter issued by THDA to Applicants seeking a determination of 4% Housing Credit in conjunction with a commitment of Multifamily Tax–Exempt Bond Authority.

Grand Divisions – the East, Middle, and West Grand Divisions of Tennessee as described in Tennessee Code Annotated Title 4, Chapter 1, Part 2

Hard Cost - Costs that include expenses directly related to the physical construction of a building such as construction materials and construction labor.

Housing Credit – Low-Income Housing Credit as described in Section 42 of the Code.

Housing Credit Development – the proposed or existing rental housing development for which Housing Credit has been applied for or allocated.

Housing for Older Persons – Housing (i) intended for, and solely occupied by, persons age 62 or older; or (ii) where 80% of the units must be occupied by at least one person age 55 years or older, 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).

HUD – The United States Department of Housing and Urban Development.

HUD - The United States Department of Housing and Urban Development.

Incentive Fee - A potentially refundable fee charged to provide an incentive to issue and close the sale of MTBA.

Inducement Resolution – A resolution of the local issuing entity authorizing issuance of tax-exempt bonds by the local issuing entity to finance the proposed development.

Initial Application – The application submitted by an Applicant seeking an allocation of Housing Credit, including, without limitation, all information and documents entered into THOMAS.

IRS – Internal Revenue Service.

Issuer Certification – A certificate provided by a local issuer certifying willingness to issue tax-exempt bonds to finance a proposed development in a form and with substance as shown on the THOMAS Documents Page.

Local Government Notification - Following receipt of Initial Applications, THDA will notify the chief executive officer (or the equivalent) of the local government in whose jurisdiction a development proposed in an Initial Application is to be located. Such individual will have an opportunity to comment on the development proposed in the Initial Application to be located in the jurisdiction, as required by Section 42(m)(1)(A)(ii).

Market Study - An analysis of the market conditions of supply, demand and pricing for a specific property type in specific areas.

Modification - Changes to buildings, units, square footage, scoring items, etc. that determine eligibility for a commitment of MTBA and an allocation of Noncompetitive Housing Credits.

MTBA – Multifamily Tax–Exempt Bond Authority.

No Further Monitoring Status – Housing Credit Developments that are outside of the Section 42 defined Compliance Period that have failed to respond to and/or cure notices for monitoring reviews, non-submittal of annual compliance reports, and noncompliance with program requirements for 180 days from the date THDA provides the notice of noncompliance. Ineligibility will continue until the noncompliance is cured or the LURC expires.

Noncompetitive Housing Credits – 4% Housing Credits made available to qualified developments, subject to the requirements of this MTBA Program Description, when at least the statutorily required portion of the aggregate basis of the building and the land on which the building is located is financed with tax-exempt bonds using MTBA.

Other Sources of Funds – sources of funding not related to deferred developer fee or owner capital contributions, or other permanent contributions that do not require repayment. Examples of Other Sources of Funds include, without limitation, grants from THDA or local governments, grants from local trust funds, and grants from philanthropic foundations. PILOT commitments from a local government, operating subsidies, uncommitted "soft pay" loans, and construction period income will not be considered as Other Sources of Funds.

Owner - The single purpose legal entity (e.g. Corporation, Limited Partnership, Limited Liability Partnership) holding title to the Site.

Public Housing Authority ("PHA") – A public housing authority created under the Housing Authorities Law, Tennessee Code Annotated Section 13–20–101, et seq.

Physical Needs Assessment – A report prepared by licensed third party provider which contains detailed information about physical needs, deficiencies (including major systems, life safety, and ADA needs) and the capital needs requirements of existing buildings, including a detailed work plan showing all necessary and contemplated improvements and projected costs.

Private Activity Bond - Tax-exempt bonds issued by or on behalf of local or state government for the purpose of providing financing for qualified projects.

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

Qualified Census Tract ("QCT") - Any census tract identified by the Secretary of Housing and Urban Development for the most recent year for which census data are available on household income in such tract. The list is available here: https://www.huduser.gov/portal/datasets/qct.html.

Qualified Low Income Buildings - Any building that is part of a Qualified Residential Rental Project at all times during the period which runs from the first day of the Compliance Period and ends on the last day of the Compliance Period.

Qualified Low Income Development - See Qualified Low Income Project

Qualified Low Income Project - Any residential rental property if the project meets the requirements of Section 42 of the Code.

Qualified Low Income Units - Any unit that is occupied by a qualified low income household and is part of a low income housing project at all times during the period that runs from the first day of the Compliance Period and ends on the last day of the Compliance Period.

Qualified Nonprofit Organization - An organization that is described in Section 501(c)(3) or (4) of the Code that is exempt from tax under Section 501(a) of the Code, and that meets the requirements contained in Section 7 of the QAP.

Qualified Residential Rental Projects - As required by Section 142, any residential rental property that meets the Federal Election Test at all times during the Qualified Project Period.

Qualified Project Period - As required by Section 142, the period beginning on the first day on which 10% of the residential units in the project are occupied and ending on the latest of;

1. The date that is 15 years after the date on which 50% of the residential units in the project are occupied,
2. The first day on which no tax exempt private activity bond issued with respect to the project is outstanding, or
3. The date on which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937 terminates.

Related Parties – In relation to the Initial Application, any subsequent application or any request for a Modification, related parties include, the Applicant, developer, Owner, entities with commonality of one or more persons with those listed in the Ownership Entity Breakdown, entities with commonality of one or more persons with those listed in the Developer Entity Breakdown, and any of the following:

a. Any person or entity who has a right to (i) replace the developer, (ii) act as co–developer, (iii) replace any individuals or entities who comprise a developer or co–developer, or (iv) otherwise direct the activities of the developer will be considered a developer for purposes of applying this limit.
b. Any person or entity who has a right to (i) replace the general partner of the Owner or Applicant, (ii) act as co–general partner of the Owner or Applicant, (iii) replace any individuals or entities who comprise a general partner or co–general partner of the Owner or Applicant, or (iv) otherwise direct the activities of the general partner of the Owner or Applicant will be considered an Owner or Applicant, as the case may be, for purposes of applying this limit.

c. Any person or entity who has a right to (i) replace the controlling stockholder of the Owner or Applicant, (ii) act as controlling stockholder of Owner or Applicant, (iii) replace any individuals or entities who comprise a controlling stockholder of the Owner or Applicant, or (iv) otherwise direct the activities of the controlling stockholder of the Owner or Applicant will be considered an Owner or Applicant, as the case may be, for purposes of applying this limit.
d. Any person or entity who has a right to (i) replace the managing member of the Owner or Applicant, (ii) act as co–managing member of the Owner or Applicant, (iii) replace any individuals or entities who comprise a managing member or co–managing member of the Owner or Applicant, or (iv) otherwise direct the activities of the managing member of the Owner or Applicant will be considered an Owner or Applicant, as the case may be, for purposes of applying this limit.
e. Any person who is a signatory or guarantor of construction financing documents, permanent financing documents, and/or equity syndication documents.
f. This limit will also apply to any person or entity that is related to any person or entity specified above.

<u>Rural</u> - Counties identified as rural on the THOMAS Documents Page.

<u>Section 42</u> – Section 42 of the Code, as amended, together with all subsequent legislation duly enacted by the Congress of the United States affecting Section 42, all United States Treasury Regulations in effect with respect thereto (including regulations first promulgated under previous versions of the Code) and all revenue procedures, revenue rulings, or other published determinations of the Treasury Department or the Internal Revenue Service of the United States applicable to Section 42.

<u>Significant Adverse Event ("SAE")</u> – An occurrence of noncompliance (curable or incurable), program fraud or misrepresentation, or an act that adversely conflicts with THDA's mission as described in Section 6 of the QAP.

<u>Site</u> – A parcel of land on which the MTBA Development will be developed, described by a unique legal description.

<u>Special Housing Needs</u> – Housing needs served by 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.

Supplemental MTBA<u> – an allocation of THDA MTBA made to a development that has already received an allocation of MTBA, but has not yet placed in service, required to ensure that the 50% threshold as described in Section 42(h)(4)(B) of the Code to qualify for federal 4% Housing Credit can be met.</u>

<u>Supportive Services</u> – 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.

<u>Supportive Services for Older Persons</u> – Must include at least two of the following services: social and recreational programs, continuing education, information and counseling, recreation, homemaker, outside maintenance and referral services, an accessible physical environment, emergency and preventive health

care programs, congregate dining facilities, or transportation to facilitate access to social services and facilities available to them.

Suburban - Counties identified as suburban on the THOMAS Documents Page.

Tennessee Growth Policy Act – Tennessee Code Annotated Section 6-68-101 et seq. that requires growth plans approved by the Tennessee Advisory Commission on Intergovernmental Relations. Information available here: https://www.tn.gov/tacir/tennessee-county-growth-plans.html.

TEFRA Hearing - The public hearing required by the Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”).

THOMAS Documents Page - A webpage with necessary forms, templates, guidance, calendar, and links that are utilized through all application submission cycles. The THOMAS Documents Page is incorporated into this MTBA Program Description by this reference as if set forth in this MTBA Program Description verbatim.

THOMAS - The Tennessee Housing Online Management and Application System for all applications involving Housing Credits.

THOMAS User Manual - THDA provided document that gives guidance on the registration and application submission cycles in the THOMAS System. The THOMAS User Manual is incorporated into this QAP by this reference as if set forth in this QAP verbatim.

Total Development Cost - The total of actual costs associated with new construction or rehabilitation development activities, as determined to be reasonable by THDA, in its sole discretion.

Visitability - Design requirements implementing features that make a home accessible, visitable and convenient for everyone. MTBA developments are required to meet Visitability design requirements when the proposed development includes single family units, duplexes, triplexes and townhomes. To meet Visitability design requirements the proposed development must include:

1. Easy Access with a step free entrance of not more than ½ inch from a driveway, sidewalk or other firm surface into the main floor of the home, and;
2. Easy Passage throughout the home with an exterior door that provides a minimum of 32 inches of clear passage (36 inches is preferable) from the step free entrance. All interior passage doorways on the main floor also provide a minimum of 32 inches of clear passage, and;
3. Easy Use with a main floor that includes a kitchen, some entertainment area, at least one (1) bedroom and one (1) full bathroom. The full bathroom will provide at least 30 inches by 48 inches of maneuvering space that allows easy access to the sink, commode and shower or tub.

Uniform Physical Conditional Standards (“UPCS”) - The HUD requirements that govern the physical condition of Housing Credit Developments.

Urban - Counties identified as urban on the THOMAS Documents Page.

Urbanicity - The quality or fact of (an area) being urban. The degree to which a given geographical area is urban. Urbanicity designations can be found on the THOMAS Documents Page.

USDA Rural Development - The United States Department of Agriculture’s Rural Development housing programs.

Zoning - Written documentation from the appropriate local government authority demonstrating that current zoning and other local land use regulations permit the development as proposed or that no such regulations currently apply to the proposed development in an application for a commitment of MTBA and an allocation of Noncompetitive Housing Credits.

Section 3: Program Eligibility

A. Use of MTBA

Applicants applying for MTBA must demonstrate that a minimum of 50% of the outstanding principal amount of tax-exempt bonds originally issued using an award of MTBA will remain outstanding as of the placed in service date for the development. On the placed in service date, the outstanding principal amount of tax-exempt bonds originally issued using an award of MTBA must meet the requirements of Section 42(h)(4). Either Bond Counsel or a Certified Public Accountant licensed in Tennessee must certify to THDA that this financing requirement is met.

Recipients of a MTBA Firm Commitment Letter must close, issue and sell bonds no later than 11:59 PM Central Time on the closing deadline specified in the MTBA Firm Commitment Letter and must meet all federal tax requirements for Private Activity Bonds.

B. Eligible Developments

1. The proposed development must be:
   a. New construction of multifamily housing;
   b. Adaptive Reuse/Conversion of an existing property not currently being used for housing; or
   c. Acquisition and rehabilitation of Existing Multifamily Housing.
2. The proposed development must meet the following requirements:
   a. Be a Qualified Low Income Development, containing Qualified Low Income Buildings and Qualified Low Income Units.
   b. Comply with the Fair Housing Act design and construction requirements for units that are considered "covered multifamily dwellings" designed and constructed for "for first occupancy" after March 13, 1991, using one of HUD's recognized safe harbors.
   c. Comply with the Americans with Disabilities Act (ADA), as applicable.
   d. Comply with all applicable local building codes or State adopted building codes in the absence of local building codes.
   e. Certification from the design architect will be required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect will be required prior to any refund of the Incentive Fee as described in Section 11.
3. In order to participate in Group 3 or Group 6 (as described in Section 9.B.3), or participate in Group C or Group F (as described in Section 9.D.1), the PHA must be included in the Owner and must materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the project throughout the compliance period as defined in Section 42.
4. All applicants must waive the ability to participate in the qualified contract request process as described in THDA's Qualified Contract Process Guidelines, as may be amended (available here: https://thda.org/pdf/06.01.20-QUALIFIED-CONTRACT-GUIDELINES-REVISED-FOR-VENDOR-NEEDS.pdf).
5. Initial Applications proposing new construction or Adaptive Reuse/Conversion must include the following:
   a. Written documentation sufficient to satisfy the requirements of Section 13.A.3 of the 2023 QAP; and
   b. Documentation that developments proposing single family units, duplexes, or triplexes meet Visitability design requirements. An architect's certification will be required at Final Application prior to the issuance of IRS Form 8609(s) and prior to any refund of the Incentive Fee as described in Section 11.

C. Eligibility Documentation

An Initial Application shall include each of the following:

1. A Market Study sufficient to satisfy the requirements of Section 13.A.5 of the 2023 QAP.
2. An Appraisal of the land and buildings sufficient to satisfy the requirements of Section 13.A.6 of the 2023 QAP
3. A Physical Needs Assessment of the proposed rehabilitation activities proposed for an Existing Multifamily Development sufficient to satisfy the requirements of Section 14.B of the 2023 QAP
4. A Statement of Application and Certification from the ownership entity in the form and with the substance as shown on the THOMAS Documents Page.
5. A Bond Purchase Agreement Summary Letter fully executed by the bond purchaser in the form and with the substance as shown on the THOMAS Documents Page.
6. A Bond Opinion Letter provided by Bond Counsel certifying that the cost of issuance will be no more than 2% of the original outstanding principal amount of tax-exempt bonds sold to finance the proposed development in a form and with substance as shown on the THOMAS Documents Page.
7. An Issuer Certification.
8. An Inducement Resolution reflecting a MTBA amount no less than the MTBA amount requested in the Initial Application.
9. Evidence of the TEFRA Hearing.

D. Eligible Development Team Members

THDA prefers Development Teams who have successful Tennessee MTBA and/or Housing Credit experience. Successful Tennessee MTBA and/or Housing Credit experience is evidenced by successful constructing or rehabilitating a recent affordable multifamily housing development that used MTBA and/or Housing Credit, maintaining a good track record in the development and on-going operations of the development, and evidencing the capacity to sustain the development in the ever changing regulatory and rental market.

1. Applications for MTBA and Noncompetitive Housing Credits shall be ineligible under this MTBA Program Description when, as of the Initial Application date, a Development Team or individual members of a Development Team identified in the Initial Application have incurred and failed to cure any and all of the following Major SAE(s) that occurred since January 1, 2018:
   a. The General Partner/Managing Member/Sole Stockholder being removed from the ownership entity of a prior Housing Credit Development;
   b. An uncured event of default under the Section 1602 or Tax Credit Assistance Programs;
   c. A Fair Housing Act violation, including those involving a finding of discrimination by an adverse final decision from a federal court or a complaints that results in a consent decree or a judgement enforcing the terms of a consent decree;
   d. A foreclosure occurring after December 31, 2018 and involving the loss of units from the affordable housing stock or failure to notify THDA of foreclosure (including a deed in lieu of foreclosure transaction);
   e. Submitting to the IRS an IRS Form 8609 that was not created by THDA or submitting to the IRS an IRS Form 8609 that has been altered or contains information inconsistent with the IRS Form 8609 created by THDA;
   f. Failure to meet the federal placed in service deadline for a development that received Housing Credits; or
   g. A development that received Housing Credits being placed in “No Further Monitoring” status by THDA; or
   h. Uncured noncompliance; or
   i. Program fraud or misrepresentation; or
   j. Actions that adversely conflict with THDA’s mission.

2. Applications for MTBA and Noncompetitive Housing Credits shall also be ineligible under this MTBA Program Description when, as of the Initial Application date, any of the following apply to a Development Team or individual members of a Development Team identified in the Initial Application:
   a. Any individual involved in the Initial Application has any one of the following:
      i. A felony conviction of any type within the last ten (10) years; or
      ii. A fine, suspension or debarment involving financial or housing activities within the last five (5) years imposed by any federal agency; or
      iii. A current bankruptcy or a bankruptcy discharged within the last four (4) years or any organization or entity in which the individual had significant control currently is in bankruptcy or had a bankruptcy discharged within the last four (4) years;
      iv. Individual bankruptcy of a member of the board of directors of an entity that is, or is wholly controlled by, a government entity will not be grounds for ineligibility provided that the individual certifies that he/she will not have substantial decision-making authority with regard to the proposed development; or
      v. Any suspensions of required state licenses (Tennessee or any other state) within the last ten (10) years.
   b. An individual currently involved with the developer, development entity, owner, ownership entity, related parties or individuals involved (either directly or indirectly) with the developer, the ownership entity, or related parties (whether formed or to be formed) identified in the Initial Application and who is involved with another Housing Credit Development in Tennessee that has participated in the Qualified Contract Process since January 1, 2022..
   c. An individual currently involved with the developer, development entity, owner, ownership entity, related parties or individuals involved (either directly or indirectly) with the developer, the ownership entity, or related parties (whether formed or to be formed) identified in the Initial Application is currently participating in a pre-2023 Housing Credit Development with a first allocation of Competitive Housing Credits in Tennessee for which THDA has not closed the sale of the MTBA.
   d. An individual currently involved with the developer, development entity, owner, ownership entity, related parties or individuals involved (either directly or indirectly) with the developer, the ownership entity, or related parties (whether formed or to be formed) identified in the Initial Application that received an allocation of MTBA in 2022but failed to issue and sell bonds by the expiration date (original or extended) of the MTBA Firm Commitment Letter and the MTBA Firm Commitment Letter was not released as described in Section 11-G of this MTBA Program Description.
   e. If any of the following are true regarding an individual previously or currently involved with the developer, development entity, owner, ownership entity, related parties or individuals involved (either directly or indirectly) with the developer, the ownership entity, or related parties (whether formed or to be formed) identified in the Initial Application for MTBA and Noncompetitive Housing Credits for any development receiving an allocation of Competitive or Noncompetitive Housing Credits since January 1, 2018:
      i. Any Housing Credit Development with an accepted Reservation Notice, but the proposed Housing Credit development failed to meet the federal allocation timeframes and did not obtain a Carryover Allocation Agreement; or
      ii. Any Housing Credit Development with a fully executed Carryover Allocation Agreement, but the proposed Housing Credit development failed to meet the federal allocation timeframes and did not obtain IRS Form(s) 8609; or
      iii. Any Housing Credit development for which THDA issued IRS Form(s) 8609, but the Housing Credit development failed to meet the minimum set-aside test for low-income tenants as specified in the LURA by the end of the first year of the Credit Period; or

iv. Any Housing Credit development that THDA determined to be in violation of the requirements of the applicable QAP regarding developer or related party issues; or
v. Any Housing Credit development that involved a "broker" who did not remain involved in the Initial Application through the closing of permanent financing for the Housing Credit development; or
vi. Any Housing Credit development that did not meet the requirements of the applicable QAP regarding submission of permanent financing documentation to THDA; or
vii. Any Housing Credit development that involved a "consultant" who was determined to be a signatory of construction financing, permanent financing or equity syndications documents or provided a guaranty in connection with construction financing, permanent financing or equity syndication; or
viii. Any MTBA Application that received a firm commitment of bond authority but failed to meet the established deadline for issuance and sale of the bonds. Voluntary withdrawal of a MTBA Application in accordance with all applicable program requirements will not cause ineligibility; or
ix. The application is deemed ineligible pursuant to any other provisions of this MTBA Program Description.

3. Requests for Relief
Prohibition of an individual's participation in programs administered by the Multifamily Programs Division in Tennessee shall be determined by Multifamily Programs staff. Any individual prohibited due to a Major SAE may appeal the determination to the THDA Executive Director and the THDA Board Chair. The determination of prohibition shall be at the sole discretion of the THDA Executive Director and the THDA Board Chair and shall not be appealable to the THDA Board or the Tax Credit Committee of the THDA Board.

E. Identity of Interests
If an application for MTBA and Noncompetitive Housing Credits involves acquisition of land or buildings, the requirements specified in Section 42(d)(2) of the Code shall apply.

G. Extended Use Agreements - LURC
A LURC is required for developments using MTBA and Noncompetitive Housing Credits. THDA will provide a LURC based on the terms and elections under Section 142(d) of the Code, Section 42(g)(1) of the Code, the QAP, and this MTBA Program Description. The LURC must be executed and recorded in the county where the development is located. The original LURC must be returned to THDA no later than the date specified in the MTBA Firm Commitment Letter.

Section 4: Federal Election

A. Section 142(d) of the Code requires that Qualified Residential Rental Projects have income restrictions on a percentage of the Qualified Low Income Units at all times during the Qualified Project Period. One of the following Federal Elections shall be made in the Initial Application for a MTBA Firm Commitment Letter:
   1. 20/50 Test; or
   2. 40/60 Test; or.
   3. Average Income Test (only available to proposed developments with noncompetitive Housing Credit).

   This election is irrevocable once made in the Initial Application.

B. Developments involving rehabilitation of Existing Multifamily Housing with a prior Housing Credit allocation are restricted to the prior Federal Election.

Section 5: Program Limits

A. MTBA Available

1. THDA will make a total of $423,080,500 of MTBA available in early 2023.

2. THDA **anticipates** having a second round, subject to availability.

B. Maximum MTBA Per Development

1. New Construction and Adaptive Reuse/Conversion

Applications proposing New Construction or Adaptive Reuse/Conversion may not receive more MTBA than **the lesser of**:

a. Forty three million dollars ($43,000,000); or
b. 60% of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis.

2. Rehabilitation

All expenditures for Limited Rehabilitation, Moderate Rehabilitation or Substantial Rehabilitation must satisfy all requirements of Section 42(e)(3)(A)(ii) of the Code and all of the following as applicable:

a. **Limited Rehabilitation** may not receive more MTBA than **the lesser of**:
   i. Thirteen million seven hundred thousand dollars ($13,700,000); or
   ii. 60% of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis.

b. Developments proposing **Limited Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 20% of building acquisition cost or six thousand dollars ($6,000) per unit. The rehabilitation scope of work must include, at a minimum, all work specified in the Physical Needs Assessment along with corrective actions for all deficiencies noted, with regard to interior and exterior common areas, interior and exterior painting and/or power washing, gutters, parking areas, sidewalks, fencing, landscaping, and mailboxes and the replacement of exterior that is 90% or more vinyl with brick/stone veneer, stucco or fiber cement or hardiplank. The replacement of any of these components of the buildings or the site with a Remaining Useful Life of Less than 15 years, must be included in the scope of work as specified using the Fannie Mae Estimated Useful Life Table. Substantially the same scope of work in all units is required, including, without limitation, painting of the entire unit, consistent flooring throughout the development and matching cabinetry within each unit. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 11.

c. Developments proposing **Moderate Rehabilitation** may not receive more MTBA than **the lesser of**:
   i. Sixteen million dollars ($16,000,000); or
   ii. 60% of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis.

d. Developments proposing **Moderate Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 25% of building acquisition cost or seven thousand dollars ($7,000) per unit. The rehabilitation scope of work must include, at a minimum, the scope of work as outlined in the Limited Rehabilitation requirements above, all appliances in all units Energy-Star compliant, and all work specified in the Physical Needs Assessment along with corrective actions for deficiencies noted, with regard to drywall, carpet, tile, interior and exterior paint, the electrical system, heating and air conditioning systems, roof, windows, interior and exterior doors, stairwells, handrails, and mailboxes. The replacement of any of these components of buildings or the site with a Remaining Useful Life of less than 15 years must be included as specified using the Fannie Mae Estimated Useful Life Table. It is expected that substantially the same scope of work in all units including painting of the entire unit, consistent flooring throughout the development and matching cabinetry within each unit is accomplished during the rehabilitation. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 11 of this MTBA Program Description.

e. Developments proposing **Substantial Rehabilitation** may not receive more MTBA than **the lesser of**:
   i. Twenty-five million dollars (25,000,000); or
   ii. 60% of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis.

f. Developments proposing **Substantial Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 30% of building acquisition costs or eleven thousand dollars ($11,000) per unit. The rehabilitation scope of work must include, at a minimum, scope of work as outlined in the Limited Rehabilitation and Moderate Rehabilitation requirements above, as described in the Physical Needs Assessment along with corrective actions for all deficiencies noted, and the major building systems will not require further substantial rehabilitation for a period of at least fifteen (15) years from the required placed in service date. The replacement of any component of buildings or the site with a Remaining Useful Life of less than 15 years must be included in the scope of work as specified using the Fannie Mae Estimated Useful Life Table. Substantially the same scope of work is required in all units including, without limitation, painting the entire unit, consistent flooring throughout the development and matching cabinetry within each unit. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 11 of this MTBA Program Description.

3. Requests for Exceptions
   An applicant may submit a written request for an exception to the maximum MTBA amount listed in this Section 5-B. The written request must include sufficient supporting documentation and information to substantiate the need for additional MTBA. Only one (1) written request for an exception to the maximum MTBA and/or Noncompetitive Housing Credit limit per application will be considered. Written requests for exceptions to the maximum MTBA and/or Noncompetitive Housing Credit limit, and the amount of any requested additional assistance, may be granted or denied by THDA's Multifamily Programs Division staff, in its sole discretion.

B. Maximum Amount of MTBA per Developer or Related Parties

1. Prior to July 1, 2023, the maximum amount of MTBA that may be committed to a single applicant, developer, owner, or Related Parties shall not exceed sixty million dollars ($60,000,000). After June 30, 2023, the maximum amount of MTBA that may be committed to a single applicant, developer, owner, or Related Parties shall not exceed thirty percent (30%) of the maximum amount of MTBA available for 2023. THDA will determine, in its sole discretion, if Related Parties are involved and apply this limitation.
2. MTBA may not be transferred among multiple developments involving the same applicant, developer, owner, or Related Parties.

C. Limit on Developer's Fee for MTBA with Noncompetitive Housing Credits

1. Notwithstanding the provisions of Section 3-H of the QAP, the sum of developer and consultant fees reflected in THOMAS on the development costs page may not exceed 25% of total development costs (less cash reserves and the claimed developer fee). See Section C.6. below.
2. If the sum of developer and consultant fees reflected in the development costs worksheet exceeds the amount allowable for related or unrelated parties (see 2 and 3 below), then all developer and consultant fees in excess of the amount allowable for related and unrelated parties (see 2 and 3 below) must be reflected as deferred fees and included in the sources of permanent financing.
3. If the developer and the contractor are **unrelated**, the *non-deferred* developer and consultant fees cannot exceed 15% on the portion of the basis attributable to acquisition (before the addition of the fees), and cannot exceed 15% of the portion of the basis attributable to new construction or to rehabilitation (before the addition of the fees).
4. If the developer and contractor are **related** parties, then the *non-deferred* combined fees for contractor's profit, overhead, and general requirements plus the developer's and consultant's fees, cannot exceed 15% of the portion of the basis attributable to acquisition (before the addition of the fees), and cannot exceed 25% of the portion of the basis attributable to new construction or to rehabilitation (before the addition of the fees).
5. If the **deferred** developer and consultant fees are **greater than** 25% of total development cost (less cash reserves and the claimed developer fee) minus the amount described in 3 and 4 above, then the application must include evidence satisfactory to THDA, in its sole discretion, that the deferred developer and consultant fees will be repaid and will not jeopardize the financial feasibility of the development.
6. For purposes of Sections C.1. and C.5., cash reserves and the claimed developer fee are subtracted from the total development costs before the total development costs are multiplied by 25%.
7. Documentation on the terms of the deferred developer fee portion must be provided with the Initial Application.

D. Limits on Costs of Issuance

As provided in Section 147(g) of the Code, the costs of issuance financed by the proceeds of Private Activity Bonds issued to finance Qualified Residential Rental projects may not exceed 2% of the proceeds of the Private Activity Bond issue.

Section 6: THOMAS Submission of Applications

A. Applications

1. All applications involving MTBA, including Firm and Conditional Initial Applications, must be submitted electronically through THOMAS. If THDA determines that THOMAS malfunctions in a way that renders applicants unable to submit applications, THDA will provide alternative instructions via e-mail BLASTS and THDA website postings.
2. All fees required at the time of application, as specified in Section 11, must be received by THDA via wire transfer prior to any determination of eligibility or scoring for any application.
3. Initial Applications must indicate whether the applicant is requesting a MTBA Conditional Commitment Letter or a MTBA Firm Commitment Letter as described in Section 10 of this MTBA Program Description.
4. Initial Applications that do not receive a Commitment Letter in Round 1 must reapply in order to be considered in Round 2.

B. Supporting Documents

1. Supporting documents as specified on the THOMAS Documents Page and referenced in the THOMAS User Manual as part of an Initial Application for a MTBA Conditional Commitment Letter, a MTBA Firm Commitment Letter, Supplemental MTBA, or subsequent applications must be uploaded into THOMAS as specified in the THOMAS User Manual. These documents include, without limitation, the following:
   a. Statement of Application and Certification; and
   b. Issuer Certification; and
   c. Inducement Resolution; and
   d. Evidence of TEFRA Hearing; and
   e. Bond Purchase Agreement; and
   f. Bond Opinion Letter; and
   g. Current 30-year pro forma for the proposed development.
2. The THOMAS Documents Page contains required forms and templates for required third party reports.
3. THDA will not accept cost certifications, market studies, physical needs assessments and appraisals prepared by parties THDA has determined are not independent from other members of the Development Team or Related Parties.

C. Calendar of Events

Table 6–1: Calendar of Events	
Dates	2023 Application Rounds
February 17 – March 13, 2023	Round 1 Initial Application Submission Window
May 4, 2023	Round 1 Determinations Announced
[TBD]	Round 2 Initial Application Submission Window
[TBD]	Round 2 Determinations Announced

D. MTBA Firm Commitment Eligibility Documents

The Initial Application for MTBA must include the following:

1. Statement of Application and Certification; and
2. Bond Purchase Agreement Summary Letter; and

3. Bond Opinion Letter; and
4. Issuer Certification; and
5. Inducement Resolution reflecting a MTBA amount no less than the MTBA amount requested in the Initial Application; and
6. Evidence of the TEFRA Hearing; and
7. Commitment for Permanent Financing; and
8. Written documentation from each service provider that all necessary utilities (i.e., electricity, gas, sewer, and water) are available at the proposed site.

E. MTBA Conditional Commitment Eligibility Documents

The Initial Application for MTBA must include the following:

1. Statement of Application and Certification; and
2. Issuer Certification; and
3. Inducement Resolution; and
4. Evidence of the TEFRA Hearing.

F. Multiple Applications for a Single Development

Only one application may be submitted and considered for a development. Multiple applications submitted as separate phases of one development will be considered as one development and reviewed as one application. THDA reserves the right to request additional information or documentation, if necessary, to determine if applications submitted will be considered and reviewed as one or more developments.

G. Multiple Developments Tied to a Single Bond Issuance

When a single issuing entity proposes a single bond issue to provide financing for multiple developments, the following requirements, at minimum, will apply in addition to all other applicable requirements:

1. A separate and full MTBA electronic application must be submitted for each development; and
2. An application fee as described in Section 11 must be submitted with the application for each development; and
3. If one or more of the developments is outside the jurisdiction of the issuing entity, the application must include documentation satisfactory to THDA, in its sole discretion, that the issuing entity is permitted to, and the jurisdiction in which the development is located consents to, the issuance of the bonds.

Section 7: Application Review Process

A. Applications Must Be Complete

1. An application must be complete, as determined by THDA in its sole discretion, based on the requirements in this MTBA Program Description and the on-line application in THOMAS.
2. **The applicant is solely responsible for the submission of an application with complete and current information.**

B. Information Must Be Current

Appraisal, Physical Needs Assessment, and Market Study information older than six (6) months, as determined by the date prepared and information contained therein will not be considered current. Other documentation, including any commitments, with expiration dates or approval dates that have passed will not be considered current. Applications are incomplete when they include materials that are not considered current.

C. Review of Applications Requesting a Commitment of MTBA

THDA will issue Evaluation Notices that may request additional documentation and/or information for purposes of clarification of eligibility, scoring and financial feasibility. Evaluation Notices will be issued in the following manner.

Table 7 - 1: Schedule of Evaluation Notices and Deadlines FOR ROUND 1	
Evaluation Notice	Deadline for Response
1	4 business days
2	2 business days
3	1 business day

Table 7 - 2: Schedule of Evaluation Notices and Deadlines FOR ROUND 2	
Evaluation Notice	Deadline for Response
1	7 **calendar** days

Applications with uncured deficiencies may be removed from consideration under this MTBA Program Description if the deficiencies are uncured after all Evaluation Notices have been sent. Applicants may resubmit the application in Round 2, but will be subject to a resubmission fee as described in Section 11 of this MTBA Program Description.

Section 8: Threshold Requirements and Scoring

A. Threshold Requirements

Developments requesting Noncompetitive Housing Credits must satisfy the applicable requirements of Section 21 of the QAP.

B. Minimum QAP Score

An eligible application must propose scoring of at least 60 points under the scoring system specified in Section 21 of the QAP.

C. PD Score

1. **For purposes of ranking Initial Applications, points awarded according to Section 21 of the QAP will not be considered. Only points awarded according to this Section 9.C will be considered.**
2. Development Team Track Record
   a. No individual involved in the Owner Entity or Developer Entity has been involved in a 2020, 2021, or 2022 MTBA application that received and subsequently returned a Firm Commitment Letter. ***10 points***
3. Other Sources of Funds
   a. Number of points awarded will be proportional to Other Sources of Funds expressed as a percentage of total development costs (e.g. if Other Sources of Funds expressed as a percentage of total development costs = 23.456%, then 2.3456 points will be awarded). **Points will only be awarded for funds for which a fully executed agreement, award letter, or contract is included with the Initial Application.** Note: points will be carried out four places to the right of the decimal point. ***Up to 10 points***
4. Deepest Rehabilitation
   a. Number of points awarded will be proportional to rehabilitation hard costs expressed as a percentage of total development costs (e.g. if rehabilitation hard costs expressed as a percentage of total development costs = 23.456%, then 2.3456 points will be awarded). Note points will be carried out four places to the right of the decimal point.
   Up to 10 points
5. In the event of a scoring tie among 2 or more Initial Applications under this Section 8.C, priority will be given to the Initial Application in the census tract with the **highest** percentile rank as reflected in the following table: https://thda.org/pdf/MTBA-Tie-Breaker-for-Posting.pdf, as determined by THDA, in its sole discretion.

Section 9: Ranking Process

A. Bundled USDA Rural Development Initial Application

1. Multiple Applications for a Single Development
   a. Multiple applications submitted as separate phases of one development will be considered as one development and reviewed as one application. THDA reserves the right to request additional information or documentation, if necessary, to determine if applications submitted will be considered and reviewed as one or more developments.
   b. Only one application may be submitted and be considered for a development. THDA reserves the right to request additional information or documentation to determine if applications submitted will be considered and reviewed as one or more developments.
   c. A single allocation may be requested for multiple developments provided that **each** of the following conditions applies to **each** development:
      (i) Development is currently financed through USDA Rural Development.
   d. An application submitted under this Section 9 will be treated as an application for a single development for purposes of applying the limits in Section 5 of this Program Description.
   e. In cases involving a single issuing entity conducting a single bond issuance to provide financing for multiple developments, the following requirements, at minimum, will apply in addition to all other applicable requirements as described herein:
      (i) A separate and full MTBA electronic application must be submitted for each development; and
      (ii) An application fee as described in Section 11 must be submitted with the application for each development; and
      (iii) If one or more of the developments is outside the jurisdiction of the issuing entity, the application must include documentation satisfactory to THDA certifying that that the issuing entity is permitted to, and the jurisdiction in which the development is located consents to, the issuance of the bonds.

B. Round 1

1. MTBA remaining after Section 9.A above will be divided as follows:
   a. East Grand Division: 34% of the MTBA remaining after Section 9.A above;
   b. Middle Grand Division: 44% of the MTBA remaining after Section 9.A above;
   c. West Grand Division: 22% of the MTBA remaining after Section 9.A above.
2. All eligible Initial Applications will be separated by Grand Division.
3. Within each Grand Division, eligible Initial Applications will be grouped in the following priority order:
   i) **Group 1**: requests for Supplemental MTBA (**these requests _will count_ against the MTBA for the Grand Division as described in Section 9.B.1 above**);
   ii) **Group 2**: eligible Initial Applications proposing **rehabilitation of existing housing that IS currently income/rent restricted housing**;
   iii) **Group 3**: eligible Initial Applications proposing **new construction** of **public housing, where a PHA is included in the organizational structure of the Ownership entity in accordance with Section 3.B.3**;
   iv) **Group 4**: eligible Initial Applications proposing **rehabilitation of existing housing that IS NOT currently income/rent restricted**.
   v) **Group 5**: eligible Initial Applications proposing **new construction outside a QCT**;
   vi) **Group 6**: eligible Initial Applications proposing **rehabilitation** of **public housing, where a PHA is included in the organizational structure of the Ownership entity in accordance with Section 3.B.3**;

vii) **Group 7**: eligible Initial Applications proposing **new construction in a QCT and covered by a CCRP**;
viii) **Group 8**: eligible Initial Applications proposing **new construction in a QCT not covered by a CCRP**; and

4. Within each group, eligible Initial Applications will be sorted in descending order by score as determined pursuant to Section 8.C.
5. THDA will proceed down the list of eligible Initial Applications for each Grand Division, taking into account (without limitation) the limits described in Section 5.A.1, and the grouping and sorting process described in Section 9.B.2 through Section 9.B.3, making full commitments of MTBA until the point is reached where there is insufficient MTBA remaining in the Grand Division to make a full commitment of MTBA to the next eligible Initial Application. Remaining funds in each Grand Division will be combined to create a pool of funds available in accordance with Section 9.B.6 and Section 9.B.7 below.
6. THDA will then list all eligible Initial Applications that have not yet received a commitment, regardless of Grand Division, and the statewide list will be grouped according to Section 9.B.3 and sorted according to Section 9.B.3.
7. THDA will proceed down the statewide list of eligible Initial Applications, making full commitments of MTBA until the point is reached where there is insufficient MTBA remaining in Round 1 to make a full commitment of MTBA to the next eligible Initial Application. Any remaining funds will be carried forward to Round 2.
8. No partial commitments will be made.

C. Round 2

1. All eligible Initial Applications will be grouped and sorted statewide as follows:
   i) **Group A**: requests for Supplemental MTBA;
   ii) **Group B**: eligible Initial Applications proposing **rehabilitation of existing housing that IS currently income/rent restricted housing**;
   iii) **Group C**: eligible Initial Applications proposing **new construction** of **public housing, where a PHA is included in the organizational structure of the Ownership entity in accordance with Section 3.B.3**;
   iv) **Group D**: eligible Initial Applications proposing **rehabilitation of existing housing that IS NOT currently income/rent restricted**.
   v) **Group E**: eligible Initial Applications proposing **new construction outside a QCT**;
   vi) **Group F**: eligible Initial Applications proposing **rehabilitation** of **public housing, where a PHA is included in the organizational structure of the Ownership entity in accordance with Section 3.B.3**;
   vii) **Group G**: eligible Initial Applications proposing **new construction in a QCT and covered by a CCRP**;
   viii) **Group H**: eligible Initial Applications proposing **new construction in a QCT not covered by a CCRP**; and
2. Within each group, eligible Initial Applications will be sorted in descending order by score as determined pursuant to Section 8.C.
   i) THDA will proceed down the statewide list of eligible Initial Applications, taking into account (without limitation) the grouping and sorting process described in Section 9.C.1 and Section 9.C.2, making full commitments of MTBA until the point is reached where there is insufficient MTBA remaining in the round to make a full commitment of MTBA to the next eligible Initial Application.
3. THDA will then offer a commitment to the highest ranking eligible Initial Application that requests an amount of MTBA that is equal to or less than the remaining balance after Section 9.C.2.i.

Section 10: Commitment of MTBA

A. MTBA Conditional Commitment Letter

1. THDA will issue a conditional commitment letter for 2023 MTBA ("Conditional Commitment Letter") after determining that an eligible applicant has met all applicable requirements of this MTBA Program Description as determined by THDA in its sole discretion.
2. The expiration date of any MTBA Conditional Commitment Letter is December 15, 2023.
3. **A Conditional Commitment Letter DOES NOT GUARANTEE an applicant that THDA will issue a Firm Commitment Letter**.
4. An applicant with a Conditional Commitment Letter must notify THDA of its intent to convert a Conditional Commitment Letter to a Firm Commitment Letter no less than 45 calendar days prior to the date the applicant wishes to receive the Firm Commitment Letter and THDA may issue a Firm Commitment Letter, subject to the availability of MTBA at the time THDA receives such notification and subject to compliance with all requirements for a Firm Commitment Letter.
5. **THDA may issue Conditional Commitment Letters that, in the aggregate, exceed the amount of MTBA available under this MTBA Program Description**.

B. MTBA Firm Commitment Letter

1. THDA will issue a firm commitment letter for 2023 MTBA ("Firm Commitment Letter") after determining that an eligible application has met all applicable requirements of this MTBA Program Description.
2. A Firm Commitment Letter will have an expiration date either ninety (90) or one hundred and twenty (120) calendar days from the date of issuance. The expiration date will be determined by THDA, in its sole discretion.
   a. If the sources of funds include grant funds that are not considered in the PD score, the fully executed agreement, contract, or award letter must be submitted to THDA prior to the issuance of a Firm Commitment Letter.

Any Firm Commitment Letter issued before September 16, 2023 will expire ninety (90) calendar days from the date of issuance.

   b. Any Firm Commitment Letter issued on or after September 17, 2023 will expire on December 15, 2023.
3. A Firm Commitment Letter issued before August 17, 2023, may be extended one time for a maximum of thirty (30) calendar days following the original expiration date. An Extension Fee as described in Section 11 must accompany the extension request. An extension request may be approved or denied by THDA, in its sole discretion.
4. THDA will only consider exceptions to the above timelines when a Project can prove that it is unduly delayed due to a federal agency's inability to timely perform actions that are necessary to close the MTBA or due to overwhelming neighborhood opposition that placed the allocated Project in jeopardy as solely determined by THDA. In such cases, a Project must submit a formal request to THDA by 11:59 PM Central Time, December 1, 2023 to carry forward the MTBA. The formal request must include a commitment by the Issuer that the MTBA will only be used for the intended Project, unless otherwise subsequently agreed by THDA. If the carryforward is approved by THDA, the MTBA must close by 11:59 PM Central Time, June 30, 2024. Until such time as the MTBA is closed, the individuals involved in the Project will not be eligible to apply for MTBA on any other project.
5. **THDA will not issue Firm Commitment Letters that, in the aggregate, exceed the amount of MTBA available under this MTBA Program Description**.

Section 11: Fees, Partial Refunds of Fees, and Fees Retained by THDA

A. Wiring Instructions
All fees should be in the form of an electronic wire.

Table 11 - 1: Wiring Instructions	
Bank:	US Bank
ABA:	064000059
BNF:	THDA Clearing Housing
BNF A/C:	151203673398
BNF ADDRESS:	502 Deaderick Street Andrew Jackson Building, Third Floor Nashville, TN 37243
OBI:	Housing Credit/Bond Application Fees + TN ID Number(s). Applicants may send one wire to cover multiple applications however, applicants must enter the applicable TN ID Number(s) in the OBI field on the wire.

Applicants are encouraged to send the wire confirmation to thomas@thda.org.

B. Application Fee
An Application Fee of one thousand five hundred dollars ($1,500) must be submitted to THDA at the time an application is submitted, except as provided in the subsequent paragraph. **THE APPLICATION FEE IS NOT REFUNDABLE**. If the fee is not submitted at the time an application is submitted, THDA will not review the application and will notify the applicant that the application has been rejected.

Initial Applications that do not receive a Commitment Letter in Round 1 and that reapply in Round 2 are not required to submit a second Application Fee for Round 2.

C. Resubmission Fee
A Resubmission Fee of seven hundred and fifty dollars ($750) must be submitted to THDA if an application is resubmitted after rejection for uncured deficiencies based on requests for additional documentation and/or information for purposes of clarification as specified in the Evaluation Notice described in Section 7. **THE RESUBMISSION FEE IS NOT REFUNDABLE**.

D. Conditional Commitment Letter Fee
A Conditional Commitment Letter Fee of five thousand dollars ($5,000) must be submitted in order for the Conditional Commitment Letter to be processed. **THE COMMITMENT FEE FOR A CONDITIONAL COMMITMENT LETTER IS NOT REFUNDABLE**.

E. MTBA Firm Commitment Letter Fee and Incentive Fee

1. Following issuance of a Firm Commitment Letter, Initial Applications must submit a Firm Commitment Letter Fee and an Incentive Fee in order for the Firm Commitment Letter to be processed.
2. Fees for a ninety (90) day Firm Commitment Letter:
   a. The Commitment Fee is an amount equal to 1% of the MTBA approved by THDA.
   b. The Incentive Fee is an amount equal to 20% of the Commitment Fee.
3. Fees for a one hundred and twenty (120) day Firm Commitment Letter:
   a. The Commitment Fee is an amount equal to 1.5% of the MTBA allocated to the local issuer.
   b. The Incentive Fee is an amount equal to 20% of the Commitment Fee.
4. **THE COMMITMENT FEE FOR A FIRM COMMITMENT LETTER IS NOT REFUNDABLE**.

F. Refund of Incentive Fee Following Issuance of MTBA

1. The following documentation, without limitation, must be submitted by the applicable deadlines to be eligible for a refund of the Incentive Fee:
   a. Documentation from Bond Counsel (including, without limitation, a closing confirmation letter) must be submitted no later than the expiration date of the Firm Commitment Letter;
   b. Acceptable proof that all units are constructed and the development is placed in service must be submitted no later than two years after the expiration of the MTBA Firm Commitment Letter;
   c. Acceptable proof that all forms to be filed by the Bond Issuer have been completed and filed to THDA's satisfaction must be submitted no later than two years after the expiration of the Firm Commitment Letter.
2. If the bonds were issued and sold on or before 11:59 PM Central Time on the date specified in the Firm Commitment Letter without a receiving an extension and all the conditions of Section 11 have been met, THDA will refund the **FULL** Incentive Fee.

G. Release of Commitments and Refund of Incentive Fee

If recipients of Conditional Commitment Letters or Firm Commitment Letters release the MTBA allocated to them before the deadline in the Firm Commitment Letter when bonds will not be sold using the MTBA, THDA will refund a percentage of the Incentive Fee to support the earliest release of the committed MTBA. Voluntary withdrawal of a MTBA Commitment Letter in accordance with all applicable program requirements will not cause ineligibility as described in Section 3 of this MTBA Program Description, but will affect scoring as described in 8.C.2 of this MTBA Program Description.

Table 11 - 2: Deadline for Commitment to be Released and Incentive Fee Refund			
Phase	90 - Day Commitments	120 - Day Commitments	Amount Refunded
A	days 1 - 30	days 1 - 45	100%
B	days 31 - 60	days 46 - 90	50%
C	days 61 - 89	days 91 -119	25%
D*	days 90 - 119	days 120 - 149	0%
* only applicable if a deadline extension is granted by THDA			

H. Incentive Fee Retained by THDA

1. If a request for an extension to the deadline for closing the sale of the bonds beyond 11:59 PM Central Time on the original date specified in the Firm Commitment Letter is approved in accordance with Section 10, THDA will **RETAIN** the **FULL** amount of the Incentive Fee.
2. If the bonds are not issued and sold by the expiration date (original or extended) of the Firm Commitment Letter, and the Firm Commitment Letter has not been released as described in Section 11-G, and no extension has been requested or granted as described in Section 11-H, THDA will **RETAIN** the **FULL** amount of the Incentive Fee and a MTBA application for the development may not be resubmitted in 2023.
3. If the bonds are issued and sold, but the development is not placed in service, THDA will **RETAIN** the **FULL** amount of the Incentive Fee.

I. Monitoring Fee

Developments that receive MTBA and Noncompetitive Housing Credits are subject to all monitoring fees set out in Section 5 of the QAP.

J. Modification Fee

Developments that receive MTBA and Noncompetitive Housing Credits and request modification are subject to Modification Fees as set out in Section 5 of the QAP. Payment of this fee does not guarantee approval of proposed changes or modifications.

K. Extension Fee

Developments that receive MTBA and Noncompetitive Housing Credits and request an extension are subject to Extension Fees as set out in Section 5 of the QAP. Payment of this fee does not guarantee approval of an extension.

L. Requests for Refunds

If the applicant is eligible for any refund as described in Section 11-G or Section 11-H above, the applicant must submit a written request for a refund. The written request for a refund must be submitted no later than 1 year after the issuance date reflected on IRS Form(s) 8609. If the last day to submit a written request for a refund is not a THDA business day (e.g. weekend or holiday), the deadline will be the following THDA business day.

Section 12: Noncompetitive Housing Credits

A. THDA will determine eligibility for Noncompetitive Housing Credits and the amount of Noncompetitive Housing Credit to be allocated to a development, up to the maximum amount permissible with MTBA financing. Any development seeking Noncompetitive Housing Credits must apply for and is subject to the applicable QAP in the same calendar year in which MTBA is committed. An application for Noncompetitive Housing Credits is subject to eligibility and threshold requirements as well as fees, including monitoring fees, found in the applicable QAP. **Receipt of a Firm Commitment Letter does not guarantee receipt of Noncompetitive Housing Credits.**

B. If an Initial Application for Competitive Housing Credits and an application for MTBA and Noncompetitive Housing Credits are submitted for the same development, the Initial Application for Competitive Housing Credits will be deemed ineligible.

C. The maximum obtainable rents supported by the Market Study must be proposed for the proposed development and must support reasonable operating expenses and maximum mortgage debt service prior to Noncompetitive Housing Credits filling any financial "gaps". This may require additional financing from other sources over and above the maximum amount of MTBA or Noncompetitive Housing Credit committed to the development by THDA.

Section 13: Requests for Supplemental MTBA

A. Allocations of Supplemental MTBA are subject to availability of MTBA.
B. Requests for Supplemental MTBA may be submitted outside the time periods specified in Table 6-1.
B. Any Firm Commitment Letter for an allocation of Supplemental MTBA under this Program Description will expire on December 15, 2023.

Section 14: Controlling Document

Although there is one application for MTBA and Noncompetitive Housing Credits; the MTBA Program Description applies to the MTBA and the 2023 QAP applies to the Noncompetitive Housing Credits.

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 Program Officer

SUBJECT: Draft 2024 Multifamily Tax-Exempt Bond Authority (MTBA) Program Description

DATE: November 1, 2023

Recommendation:

Staff recommends that the Board approve the following:

- Adopt the Draft 2024 MTBA 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.

Background:

This memorandum provides a summary of the changes incorporated into the accompanying draft 2024 Multifamily Tax-Exempt Bond Authority Program Description (PD). Where appropriate, this summary will reference associated comments received during the public comment and review process. A separate memo summarizing the public comments received is also being provided.

Main Changes from 2023:

- Section 3.D.3: The PD has added provisions that require new program participants that receive a first allocation of MTBA in 2024 to await the issuance of IRS Form(s) 8609 for the first allocation before applying for subsequent allocations for a new project. Participants that received their first allocation prior to 2024 may apply for a concurrent allocation.

- Section 5.A.2: The PD will set aside MTBA volume cap for the "bundled" USDA RD transaction that was previously awarded in 2022 that experienced federal agency delays outside their control.

- Section 5.A.3: The PD will accommodate up to two Twinning developments as outlined in the 2024 Low Income Housing Credit Qualified Allocation Plan.

- Section 8: Waiver of Qualified Contract is required to participate in the bond program. As a result, previous sections awarding points for waiving the qualified contract and for development intended for eventual resident ownership have been deleted, and points previously awarded in those categories have been evenly distributed across the pertinent Development Characteristics scoring sections (Section 8.D.3. for New Construction and Section 8.E.3. for Rehabilitation).

- Section 9: The ranking process for Round 1 will prioritize Rehabilitation, and for Round 2 the priority will be New Construction. Supplemental Requests will only be funded in Round 2, but requests can be submitted at any time.

- Section 10.B.4: Applicants that encounter undue delays due to a Federal Agency's inability to adhere to timelines may be considered for a carryforward of MTBA volume authority.

- Standardized new construction and rehabilitation minimum standards have been incorporated by reference, ensuring flexibility is built in to allow for amendments to be made administratively as may be necessary. In response to comments, the standards are under a 30-day review process to ensure any building codes references are properly incorporated by reference, and to emphasize certain requirements can be waived where practical.

Ancillary Changes from 2023:

- Section 2: Defined terms have been edited or added as needed to add clarity in response to changes.

- Section 3.C.10.: Supporting documents now must be no older than 6 months prior to application, to ensure reliability and project viability in the current dynamic development environment.

- Section 3.D.2.b.: Pending or threatened litigation is added as an eligibility threshold consideration. In response to concerns expressed in public comments, explicit exception is included for cases merely arising from opposition to the development of a project.

- Section 5.B: The maximum amount of MTBA Authority per development has been increased for rehabilitation and new construction due to the current dynamic development environment.

- Section 8.D: The Noncompetitive scoring has been divided into two distinct scoring tracks for new construction and rehabilitation developments. Additionally a scrivener's error has been corrected in Section 8.D.2.a. & b., making the points available consistent.

- Section 11.F: A Supplemental Request fee of $3,000 has been included for the review of supplemental applications.

Tennessee Housing Development Agency

MULTIFAMILY TAX-EXEMPT BOND AUTHORITY DRAFT PROGRAM DESCRIPTION FOR 2024

Administered by

The Multifamily Programs Division of

Tennessee Housing Development Agency

Ralph M. Perrey, Executive Director

Approved by the THDA Board of Directors on [DATE]

Table of Contents

Section 1: 2024 Multifamily Tax-Exempt Bond Authority Overview

The Tennessee Housing Development Agency ("THDA") is making private activity bond authority available to local issuers to finance multifamily housing units in Tennessee under 26 U.S.C. § 142(d) of the Internal Revenue Code ("Section 142"). The private activity bond authority can be used only for tax-exempt Private Activity Bonds issued to finance qualified residential rental projects through new construction of multifamily rental units, conversion of existing properties to multifamily rental units through Adaptive Reuse/Conversion, or acquisition and rehabilitation of Existing Multifamily Housing, hereinafter referred to as Multifamily Tax-Exempt Bond Authority ("MTBA").

THDA anticipates two funding rounds as described in Table 6-1 in Section 6.C. THDA will notify program participants by email and information posted to THDA's website. No applications submitted under this MTBA Program Description will have priority or be considered under any future MTBA Program Description.

Whenever a local jurisdiction takes action that THDA determines to be for the primary purpose of preventing proposed MTBA developments from satisfying applicable program requirements, THDA may lower the amount of MTBA available to that jurisdiction in future MTBA Program Descriptions. Examples include, without limitation, "downzoning", action restricting utilities or utility connections, action regarding required public roads, or action to preventing issuance of Certificates of Occupancy.

Applicants must apply for MTBA through THDA's online system, the Tennessee Housing Online Management Application System ("THOMAS"). Applicants applying for MTBA in THOMAS are deemed to be simultaneously applying for Noncompetitive Low-Income Housing Tax Credits ("Housing Credit") under 26 U.S.C. § 42 of the Internal Revenue Code ("Section 42") and must meet the requirements found in the THOMAS User Manual and use the documents found on the THOMAS Documents Page. All MTBA Program Description requirements, application requirements, and Code requirements must be met. If there is any inconsistency or conflict among the requirements, the most stringent of the requirements will apply, as determined by THDA.

When this Program Description calls for some THDA action, including, but not limited to, a determination, adjustment, review, evaluation, or exercise of discretion, all such actions shall be at THDA's sole discretion, whether specifically so stated or not.

No person or entity who submits an Initial Application shall have any right to an allocation of MTBA under this Program Description based solely on the score assigned to their Initial Application. THDA decisions are final.

Section 2: Definitions

20/50 Test – The 20/50 Test is a federal minimum set–aside that may be elected by an Applicant for Housing Credit that requires at least 20% of the units in a Housing Credit Development to be both rent restricted and occupied by households whose income is less than or equal to 50% of area median gross income (“AMI”). This is an irrevocable election made in an Initial Application.

40/60 Test – The 40/60 Test is a federal minimum set–aside that may be elected by an Applicant for Housing Credit that requires at least 40% of the units in a Housing Credit Development to be both rent restricted and occupied by households whose income is less than or equal to 60% of AMI. This is an irrevocable election made in an Initial Application.

Average Income Test - The average income test is a minimum set-aside that may be elected by an applicant for Noncompetitive Housing Credits. Under this election, at least 40% of the units in a Housing Credit development are required to be both rent restricted and occupied by individuals whose incomes do not exceed the imputed income limitation designated by the applicant. This is an irrevocable election made at Initial Application. The average of the imputed income limitation designated cannot exceed 60% of AMI. The designated imputed income limitations must be in 10% increments as follows: 20%, 30%, 40%, 50%, 60%, 70%, and 80%.

42(m) Letter - A letter issued by THDA to successful applicants for Noncompetitive Housing Credits.

Acquisition - Acquiring the control of real property and assets.

Adaptive Reuse/Conversion - The renovation and reuse of a pre-existing building that has not been used for residential purposes and creates additional affordable housing units. Pre-existing buildings used as hotels or motels are eligible as Adaptive Reuse/Conversion. Adaptive Reuse/Conversion will be evaluated and reviewed as New Construction.

AMI - Area Median Income as determined by HUD.

Applicant – An applicant for Multifamily Tax-Exempt Bond Authority under this Program Description that will own the proposed development.

Application – See “Initial Application”.

Appraisal - An opinion of value for land and building cost.

Basis Boost - An increase of up to 30% in eligible basis for a building in order to improve the financial feasibility of the building in a Difficult Development Area. In this MTBA Program Description, only areas defined by HUD as Difficult Development Areas are eligible for the Basis Boost.

Bond - A financial instrument issued on behalf of a local or state government for the purpose of providing special financing benefits for qualified projects.

Bond Counsel - Counsel representing the bond issuer and bondholders.

Bond Issuer - A municipality, board, or housing authority with the authority to issue bonds using MTBA for a jurisdiction.

Bond Opinion Letter - A document provided by Bond Counsel representing the issuer that opines that the bonds have been validly issued and, if tax exemption is intended, that the bonds are tax-exempt bonds.

Bond Purchase Agreement Summary Letter - The THDA Template that describes the terms of a bond purchase agreement.

Capital Needs Assessment - See Physical Needs Assessment

Carryover Allocation Application – The application and all related documentation required when a development with a Reservation Notice will not be placed in service in the same year as the Reservation Notice.

Certificate of Occupancy - A document issued by a local government agency or building department certifying a building's compliance with applicable building codes and other laws, and indicating it to be in a condition suitable for occupancy.

Certified Public Accountant - A state licensed accounting professional who provides accounting services and opinions and is committed to protecting the public interest.

Code – Internal Revenue Code of 1986, as amended, and together with Sections 42 and 142, shall include all subsequent tax legislation duly enacted by the Congress of the United States and shall be deemed to include the United States Treasury Regulations in effect with respect thereto (including regulations first promulgated under previous versions of the Code) and shall also include revenue procedures, revenue rulings, or other published determinations of the Treasury Department or the Internal Revenue Service of the United States.

Compliance Period – The period of 15 taxable years, commencing on the first day of the taxable year in which any building that is part of the Housing Credit Development is placed in service or, if deferred by election of the Owner of the Housing Credit Development, the first day of the next calendar year, but only if the building is a qualified low–income building as of the close of the first year of such period. This definition may be revised under the land use restrictive covenants for a longer duration based on Applicant's election under Section 10 of the Qualified Allocation Plan.

Commitment Fee - A fee charged for a firm commitment of MTBA.

Commitment for Permanent Financing - The commitment for long term permanent financing describing all terms and conditions of such financing.

Competitive Housing Credits - Housing Credits that are available for construction or rehabilitation housing activities as allocated through the competitive process described in the Qualified Allocation Plan.

Concerted Community Revitalization Plan (CCRP) – A document that assesses the health and potential prosperity of an area less than the entire state, through public interaction and assessment of the physical, social and economic health of the citizenry, businesses, infrastructure, and built environment in the area. A CCRP must contain all of the following:

1. Clearly delineate a targeted area within a local government boundary and where the proposed site sits within that target area;
2. Include housing as a stated goal;
3. Include an assessment of the targeted area's existing infrastructure needs;

4. Designate implementation measures; and
5. Be approved or re-approved by the appropriate local government or entity no earlier than 2013.

Conversion of Existing Property - See Adaptive Reuse/Conversion

Conditional 42(m) Letter – A letter issued by THDA to Applicants seeking a determination of 4% Housing Credit in conjunction with uncommitted Multifamily Tax–Exempt Bond Authority.

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

Cost Certification - The certification of actual total Development costs for a development and the amount of Housing Credit eligible basis in the Development at the completion of construction for a development.

Cost of Issuance - Costs associated with the issuance of Private Activity Bonds, capped at 2% in accordance with Code requirements. These costs include costs permitted under the Code and the MTBA Commitment Fee.

Credit Period – The 10-year period over which Housing Credit may be claimed. The Credit Period begins on the first day of the taxable year in which any building that is part of a Housing Credit Development is placed in service or, if deferred by election of the Owner of the Housing Credit Development, the first day of the next calendar year, but only if the building is a qualified low–income building as of the close of the first year of such period.

Developer - The legal entity designated as the Developer in the Application as well as all persons, affiliates of such persons, corporations, partnerships, joint ventures, associations, or other entities that have a direct or indirect ownership interest in the Developer entity. Material participation (through Placed In Service) is required for all developers and for all entities that receive any portion of the Developer Fee.

Development Team - Includes any individual or member of the development team including Governors/Directors, Members and Managers/Officers of the Ownership Entity; Officers, Directors, and Stockholders of the Development Entity and Officers, Directors, and Stockholders of the Property Management Company.

Difficult Development Area ("DDA") –Any area designated as such by HUD or as so defined by THDA in accordance with Section 42(d)(5)(B)(v). The list is available here: https://www.huduser.gov/portal/datasets/qct.html.

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

Downzoning - An effort to change zoning to reduce permitted density of housing and development.

Elderly – see definition of Older Persons.

ENERGY STAR - Energy efficient designation that must be obtained in order to utilize the Energy Star Utility Allowances published on the THDA website.

Evaluation Notice – A notice provided by THDA to request clarification or additional information related to a requested status report on the development, Final Application, quarterly construction report, or certified property management application; during an on–site inspection of the property during construction, after the buildings are placed in service or during the term of the Extended Use Agreement; or other compliance concern identified by THDA in its sole discretion. Failure to respond to successive Evaluation Notices by the Final deadline allows THDA, in its sole discretion, to return or reject the application, recapture the allocation, or issue an event of noncompliance under the terms of the Extended Use Agreement.

Extended Use Agreement – Also known as the Declaration of Land Use Restrictive Covenants for Low–Income Housing Tax Credits ("LURC"), is the agreement executed between THDA and Owner. The LURC:

1. Is binding on Owner and all successors of Owner;
2. Requires the Housing Credit Development to comply with the requirements of Section 42, the Qualified Allocation Plan, the Application, and THDA;
3. Evidences Applicant's federal election and any requirements pursuant to Applicant's scoring elections in the Initial Application;
4. Requires that the applicable fraction for each building for each taxable year during the term of the LURC will not be less than the applicable fraction specified the LURC;
5. Prohibits the eviction or termination of the tenancy (except for good cause) of an existing low–income resident or any increase in the gross rent with respect to a low–income unit that is not otherwise permitted;
6. Allows individuals who meet the income limitation applicable to the building (whether prospective, present, or former occupants of the building) the right to enforce in any State court the rights under (1) and (2) above;
7. Prohibits the disposition to any person of any portion of the building to which the LURC applies, unless all of the building to which the LURC applies is disposed of to such person;
8. Prohibits the refusal to lease to a holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective resident as such a holder;
9. Is recorded in the real property records of the county in which the Housing Credit Development is located as a restrictive covenant running with the land; and
10. Commences on the first day of the Compliance Period for a term of at least thirty (30) years (the "Extended Use Period").

Existing Multifamily Housing - A multifamily development that will preserve affordable housing units that are rent and income restricted or, through rehabilitation of units that were not previously affordable, create affordable housing units.

Federal Election - For purposes of MTBA; the federal election is the minimum set-aside requirement found under Section 142(d) of the Code; where a certain percentage of the units are designed low income and must be qualified by households earning no more than the associated income limit. For purposes of Noncompetitive Housing Credits; the federal election or test is the minimum set-aside requirement found under Section 42(g)(1) of the Code; where a certain percentage of the units are designed low income and must be qualified by households earning no more than the associated income limit. In the MTBA Program Description; applicants will be held to the federal election required for Noncompetitive Housing Credits.

Final Application – The application and all related documentation required when a Housing Credit Development is to be placed in service and for which IRS Forms 8609 are sought.

Firm 42(m) Letter – A letter issued by THDA to Applicants seeking a determination of 4% Housing Credit in conjunction with a commitment of Multifamily Tax–Exempt Bond Authority.

Grand Divisions – the East, Middle, and West Grand Divisions of Tennessee as described in Tennessee Code Annotated Title 4, Chapter 1, Part 2

Hard Cost - Costs that include expenses directly related to the physical construction of a building such as construction materials and construction labor.

Housing Credit – Low-Income Housing Credit as described in Section 42 of the Code.

Housing Credit Development – the proposed or existing rental housing development for which Housing Credit has been applied for or allocated.

Housing for Older Persons – Housing (i) intended for, and solely occupied by, persons age 62 or older; or (ii) where 80% of the units must be occupied by at least one person age 55 years or older, 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).

HUD – The United States Department of Housing and Urban Development.

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Incentive Fee - A potentially refundable fee charged to provide an incentive to issue and close the sale of MTBA.

Inducement Resolution – A resolution of the local issuing entity authorizing issuance of tax-exempt bonds by the local issuing entity to finance the proposed development.

Initial Application – The application submitted by an Applicant seeking an allocation of Housing Credit, including, without limitation, all information and documents entered into THOMAS.

IRS – Internal Revenue Service.

Issuer Certification – A certificate provided by a local issuer certifying willingness to issue tax-exempt bonds to finance a proposed development in a form and with substance as shown on the THOMAS Documents Page.

Local Government Notification - Following receipt of Initial Applications, THDA will notify the chief executive officer (or the equivalent) of the local government in whose jurisdiction a development proposed in an Initial Application is to be located. Such individual will have an opportunity to comment on the development proposed in the Initial Application to be located in the jurisdiction, as required by Section 42(m)(1)(A)(ii).

Market Study - An analysis of the market conditions of supply, demand and pricing for a specific property type in specific areas.

Modification - Changes to buildings, units, square footage, scoring items, etc. that determine eligibility for a commitment of MTBA and an allocation of Noncompetitive Housing Credits.

MTBA – Multifamily Tax–Exempt Bond Authority.

No Further Monitoring Status – Housing Credit Developments that are outside of the Section 42 defined Compliance Period that have failed to respond to and/or cure notices for monitoring reviews, non-submittal of annual compliance reports, and noncompliance with program requirements for 180 days from the date THDA provides the notice of noncompliance. Ineligibility will continue until the noncompliance is cured or the LURC expires.

Noncompetitive Housing Credits – 4% Housing Credits made available to qualified developments, subject to the requirements of this MTBA Program Description, when at least the statutorily required portion of the aggregate basis of the building and the land on which the building is located is financed with tax-exempt bonds using MTBA.

Other Sources of Funds – sources of funding not related to deferred developer fee or owner capital contributions, or other permanent contributions that do not require repayment. Examples of Other Sources of Funds include, without limitation, grants from THDA or local governments, grants from local trust funds, and grants from philanthropic foundations. PILOT commitments from a local government, operating subsidies, uncommitted "soft pay" loans, and construction period income will not be considered as Other Sources of Funds.

Owner - The single purpose legal entity (e.g. Corporation, Limited Partnership, Limited Liability Partnership) holding title to the Site.

Public Housing Authority ("PHA") – A public housing authority created under the Housing Authorities Law, Tennessee Code Annotated Section 13–20–101, et seq.

Physical Needs Assessment – A report prepared by licensed third party provider which contains detailed information about physical needs, deficiencies (including major systems, life safety, and ADA needs) and the capital needs requirements of existing buildings, including a detailed work plan showing all necessary and contemplated improvements and projected costs.

Private Activity Bond - Tax-exempt bonds issued by or on behalf of local or state government for the purpose of providing financing for qualified projects.

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

Qualified Census Tract ("QCT") - Any census tract identified by the Secretary of Housing and Urban Development for the most recent year for which census data are available on household income in such tract. The list is available here: https://www.huduser.gov/portal/datasets/qct.html.

Qualified Low Income Buildings - Any building that is part of a Qualified Residential Rental Project at all times during the period which runs from the first day of the Compliance Period and ends on the last day of the Compliance Period.

Qualified Low Income Development - See Qualified Low Income Project

Qualified Low Income Project - Any residential rental property if the project meets the requirements of Section 42 of the Code.

Qualified Low Income Units - Any unit that is occupied by a qualified low income household and is part of a low income housing project at all times during the period that runs from the first day of the Compliance Period and ends on the last day of the Compliance Period.

Qualified Nonprofit Organization - An organization that is described in Section 501(c)(3) or (4) of the Code that is exempt from tax under Section 501(a) of the Code, and that meets the requirements contained in Section 7 of the QAP.

Qualified Residential Rental Projects - As required by Section 142, any residential rental property that meets the Federal Election Test at all times during the Qualified Project Period.

Qualified Project Period - As required by Section 142, the period beginning on the first day on which 10% of the residential units in the project are occupied and ending on the latest of;

1. The date that is 15 years after the date on which 50% of the residential units in the project are occupied,
2. The first day on which no tax exempt private activity bond issued with respect to the project is outstanding, or
3. The date on which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937 terminates.

Related Parties – In relation to the Initial Application, any subsequent application or any request for a Modification, related parties include, the Applicant, developer, Owner, entities with commonality of one or more persons with those listed in the Ownership Entity Breakdown, entities with commonality of one or more persons with those listed in the Developer Entity Breakdown, and any of the following:

a. Any person or entity who has a right to (i) replace the developer, (ii) act as co–developer, (iii) replace any individuals or entities who comprise a developer or co–developer, or (iv) otherwise direct the activities of the developer will be considered a developer for purposes of applying this limit.
b. Any person or entity who has a right to (i) replace the general partner of the Owner or Applicant, (ii) act as co–general partner of the Owner or Applicant, (iii) replace any individuals or entities who comprise a general partner or co–general partner of the Owner or Applicant, or (iv) otherwise direct the activities of the general partner of the Owner or Applicant will be considered an Owner or Applicant, as the case may be, for purposes of applying this limit.

c. Any person or entity who has a right to (i) replace the controlling stockholder of the Owner or Applicant, (ii) act as controlling stockholder of Owner or Applicant, (iii) replace any individuals or entities who comprise a controlling stockholder of the Owner or Applicant, or (iv) otherwise direct the activities of the controlling stockholder of the Owner or Applicant will be considered an Owner or Applicant, as the case may be, for purposes of applying this limit.
d. Any person or entity who has a right to (i) replace the managing member of the Owner or Applicant, (ii) act as co–managing member of the Owner or Applicant, (iii) replace any individuals or entities who comprise a managing member or co–managing member of the Owner or Applicant, or (iv) otherwise direct the activities of the managing member of the Owner or Applicant will be considered an Owner or Applicant, as the case may be, for purposes of applying this limit.
e. Any person who is a signatory or guarantor of construction financing documents, permanent financing documents, and/or equity syndication documents.
f. This limit will also apply to any person or entity that is related to any person or entity specified above.

Rural - Counties identified as rural on the THOMAS Documents Page.

Section 42 – Section 42 of the Code, as amended, together with all subsequent legislation duly enacted by the Congress of the United States affecting Section 42, all United States Treasury Regulations in effect with respect thereto (including regulations first promulgated under previous versions of the Code) and all revenue procedures, revenue rulings, or other published determinations of the Treasury Department or the Internal Revenue Service of the United States applicable to Section 42.

Significant Adverse Event ("SAE") – An occurrence of noncompliance (curable or incurable), program fraud or misrepresentation, or an act that adversely conflicts with THDA's mission as described in Section 5 of the QAP.

Site – A parcel of land on which the MTBA Development will be developed, described by a unique legal description.

Special Housing Needs – Housing needs served by 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.

Supplemental MTBA – an allocation of THDA MTBA made to a development that has already received an allocation of MTBA, but has not yet placed in service, required to ensure that the 50% threshold as described in Section 42(h)(4)(B) of the Code to qualify for federal 4% Housing Credit can be met.

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

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

Suburban - Counties identified as suburban on the THOMAS Documents Page.

Tennessee Growth Policy Act – Tennessee Code Annotated Section 6-68-101 et seq. that requires growth plans approved by the Tennessee Advisory Commission on Intergovernmental Relations. Information available here: https://www.tn.gov/tacir/tennessee-county-growth-plans.html.

TEFRA Hearing - The public hearing required by the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA").

THOMAS Documents Page - A webpage with necessary forms, templates, guidance, calendar, and links that are utilized through all application submission cycles. The THOMAS Documents Page is incorporated into this MTBA Program Description by this reference as if set forth in this MTBA Program Description verbatim.

THOMAS - The Tennessee Housing Online Management and Application System for all applications involving Housing Credits.

THOMAS User Manual - THDA provided document that gives guidance on the registration and application submission cycles in the THOMAS System. The THOMAS User Manual is incorporated into this QAP by this reference as if set forth in this QAP verbatim.

Total Development Cost - The total of actual costs associated with new construction or rehabilitation development activities, as determined to be reasonable by THDA, in its sole discretion.

Twinning - Combining Competitive and Noncompetitive Housing Credits within the same development proposal and within the same Initial Application.

Visitability - Design requirements implementing features that make a home accessible, visitable and convenient for everyone. MTBA developments are required to meet Visitability design requirements when the proposed development includes single family units, duplexes, triplexes and townhomes. To meet Visitability design requirements the proposed development must include:

1. Easy Access with a step free entrance of not more than ½ inch from a driveway, sidewalk or other firm surface into the main floor of the home, and;
2. Easy Passage throughout the home with an exterior door that provides a minimum of 32 inches of clear passage (36 inches is preferable) from the step free entrance. All interior passage doorways on the main floor also provide a minimum of 32 inches of clear passage, and;
3. Easy Use with a main floor that includes a kitchen, some entertainment area, at least one (1) bedroom and one (1) full bathroom. The full bathroom will provide at least 30 inches by 48 inches of maneuvering space that allows easy access to the sink, commode and shower or tub.

Uniform Physical Conditional Standards ("UPCS") - The HUD requirements that govern the physical condition of Housing Credit Developments.

Urban - Counties identified as urban on the THOMAS Documents Page.

Urbanicity - The quality or fact of (an area) being urban. The degree to which a given geographical area is urban. Urbanicity designations can be found on the THOMAS Documents Page.

USDA Rural Development - The United States Department of Agriculture's Rural Development housing programs.

Zoning - Written documentation from the appropriate local government authority demonstrating that current zoning and other local land use regulations permit the development as proposed or that no such regulations currently apply to the proposed development in an application for a commitment of MTBA and an allocation of Noncompetitive Housing Credits.

Section 3: Program Eligibility

A. Use of MTBA

Applicants applying for MTBA must demonstrate that a minimum of 50% of the outstanding principal amount of tax-exempt bonds originally issued using an award of MTBA will remain outstanding as of the placed in service date for the development. On the placed in service date, the outstanding principal amount of tax-exempt bonds originally issued using an award of MTBA must meet the requirements of Section 42(h)(4). Either Bond Counsel or a Certified Public Accountant licensed in Tennessee must certify to THDA that this financing requirement is met.

Recipients of a MTBA Firm Commitment Letter must close, issue and sell bonds no later than 11:59 PM Central Time on the closing deadline specified in the MTBA Firm Commitment Letter and must meet all federal tax requirements for Private Activity Bonds.

B. Eligible Developments

1. The proposed development must be:
    a. New construction of multifamily housing;
    b. Adaptive Reuse/Conversion of an existing property not currently being used for housing; or
    c. Acquisition and rehabilitation of Existing Multifamily Housing.
2. The proposed development must meet the following requirements:
    a. Be a Qualified Low Income Development, containing Qualified Low Income Buildings and Qualified Low Income Units.
    b. Comply with the Fair Housing Act design and construction requirements for units that are considered "covered multifamily dwellings" designed and constructed for "for first occupancy" after March 13, 1991, using one of HUD's recognized safe harbors.
    c. Comply with the Americans with Disabilities Act ("ADA"), as applicable.
    d. Comply with all applicable local building codes or State adopted building codes in the absence of local building codes.
    e. Certification from the design architect will be required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect will be required prior to any refund of the Incentive Fee as described in Section 11.
3. In order to participate in Group 2 or Group 5 (as described in Section 9.A.3), or participate in Group A or Group G (as described in Section 9.B.1), the PHA must be included in the Owner and must materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the project throughout the compliance period as defined in Section 42.
4. All applicants must waive the ability to participate in the qualified contract request process as described in THDA's Qualified Contract Process Guidelines, as may be amended (available here: https://thda.org/pdf/06.01.20-QUALIFIED-CONTRACT-GUIDELINES-REVISED-FOR-VENDOR-NEEDS.pdf).
5. Initial Applications proposing new construction or Adaptive Reuse/Conversion must include the following:
    a. Written documentation sufficient to satisfy the requirements of Section 6.A.3 of the 2024 QAP; and
    b. Documentation that developments proposing single family units, duplexes, or triplexes meet Visitability design requirements. An architect's certification will be required at Final Application prior to the issuance of IRS Form 8609(s) and prior to any refund of the Incentive Fee as described in Section 11.

C. Eligibility Documentation

An Initial Application shall include each of the following:

1. A Market Study sufficient to satisfy the requirements of Section 6.A.5 of the 2024 QAP.
2. An Appraisal of the land and buildings sufficient to satisfy the requirements of Section 6.A.6 of the 2024 QAP
3. A Physical Needs Assessment of the proposed rehabilitation activities proposed for an Existing Multifamily Development sufficient to satisfy the requirements of Section 2 of the 2024 QAP
4. A Statement of Application and Certification from the ownership entity in the form and with the substance as shown on the THOMAS Documents Page.
5. A Bond Purchase Agreement Summary Letter fully executed by the bond purchaser in the form and with the substance as shown on the THOMAS Documents Page.
6. A Bond Opinion Letter provided by Bond Counsel certifying that the cost of issuance will be no more than 2% of the original outstanding principal amount of tax-exempt bonds sold to finance the proposed development in a form and with substance as shown on the THOMAS Documents Page.
7. An Issuer Certification.
8. An Inducement Resolution reflecting a MTBA amount no less than the MTBA amount requested in the Initial Application.
9. Evidence of the TEFRA Hearing.
10. Other supporting documents should be dated no earlier than 6 months prior to the applicable application deadline, unless otherwise specified in the PD.

D. Eligible Development Team Members

THDA prefers Development Teams that have successful experience in Tennessee with THDA's MTBA and/or Housing Credit programs. Such experience is evidenced by successful construction or rehabilitation and the placing in service of a recent Housing Credit Development that used MTBA and/or Housing Credit, maintaining a good track record in the development and on-going operations of the Housing Credit Development, and evidencing the capacity to sustain the development in the ever changing regulatory and rental market. Consequently, an Initial Application for MTBA and Noncompetitive Housing Credit is ineligible under this Program Description when, as of date of the Initial Application, a Development Team, or any individual identified in the Initial Application as a member of the Development Team, has, with respect to any prior Housing Credit Development, incurred and failed to cure any and all Major SAE(s) that have occurred since January 1, 2019 or is otherwise ineligible based on any other event listed under Other Ineligibility (below).

1. Major SAEs.
   a. The General Partner/Managing Member/Sole Stockholder being removed from the ownership entity of a prior Housing Credit Development;
   b. Returning Housing Credits due to the development not being able to meet its targeted place in service deadline, and requesting THDA to approve and make an Exchange of Credit Allocation. (No Major SAE will be imposed when THDA determines that an Exchange was necessitated by circumstances beyond the Applicant's anticipation or control);
   c. An uncured event of default under the Section 1602 or Tax Credit Assistance Programs;
   d. A Fair Housing Act violation, which resulted in a finding of discrimination by an adverse final decision from HUD, an equivalent state or local fair housing agency, or a federal or state court;
   e. A foreclosure occurring after December 31, 2019 and involving the loss of units from the affordable housing stock or failure to notify THDA of foreclosure (including a deed in lieu of foreclosure transaction);
   f. Submitting to the IRS an IRS Form 8609 that was not created by THDA or submitting to the IRS an IRS Form 8609 that has been altered or contains information inconsistent with the IRS Form 8609 created by THDA;

g. Failure to meet the federal placed in service deadline for a development that received Housing Credit; or
h. Other actions that adversely conflict with THDA's mission.

2. Other Ineligibility. An Initial Application for MTBA and Noncompetitive Housing Credits is also ineligible under this MTBA Program Description if any of the following apply:
   a. Any individual involved, either directly or indirectly, with the developer, development entity, owner, ownership entity, or a related party, whether formed or to be formed, has any one of the following:
      i. A felony conviction of any type within the last ten (10) years;
      ii. A fine, suspension or debarment involving financial or housing activities within the last five (5) years imposed by any state or federal agency;
      iii. A current bankruptcy or a bankruptcy discharged within the last four (4) years or any organization or entity in which the individual had significant control currently is in bankruptcy or had a bankruptcy discharged within the last four (4) years. An individual bankruptcy of a member of the board of directors of an entity that is, or is wholly controlled by, a government entity will not be grounds for ineligibility provided that the individual certifies that he/she will not have substantial decision making authority with regard to the proposed development;
      iv. A suspension of a required state license (Tennessee or any other state) within the last ten (10) years regarding an individual or any entity that individual is/was involved in at the time of the suspension;
      v.
      v. Involvement in a pre-2024 Housing Credit Development with a first allocation of Noncompetitive Housing Credits in Tennessee that has not placed in service;
      vi. Involvement in a proposed Housing Credit Development that received an allocation of MTBA in 2023, but failed to issue and sell bonds by the expiration date (original or extended) of the MTBA Firm Commitment Letter and the MTBA Firm Commitment Letter was not released as described in Section 11-G of this MTBA Program Description;
      vii. Involvement in another Housing Credit Development in Tennessee that has participated in the Qualified Contract Process since January 1, 2019;
      viii. Involvement in a Housing Credit Development that has uncured noncompliance;
      ix. Involvement in a Housing Credit Development that has been placed in "No Further Monitoring" status by THDA;
      x. Involvement in a Housing Credit Development where misrepresentation or fraud occurred;
      xi. Involvement in a Housing Credit Development receiving an allocation of Competitive or Noncompetitive Housing Credits since January 1, 2014 that:
         a). Accepted a Reservation Notice, but failed to meet the federal allocation timeframes and did not obtain a Carryover Allocation Agreement;
         b). Had a fully executed Carryover Allocation Agreement, but failed to meet the federal allocation timeframes and did not obtain IRS Form(s) 8609;
         c). Failed to meet the minimum set-aside test for low-income tenants as specified in the LURC by the end of the first year of the Credit Period;
         d). Was determined to be in violation of the requirements of the applicable QAP regarding developer or related party issues;
         e). Involved a "broker" who did not remain involved in the Initial Application through the closing of permanent financing for the Housing Credit Development;
         f). Did not meet the requirements of the applicable QAP regarding submission of permanent financing documentation to THDA;

g). Involved a "consultant" who was determined to be a signatory of construction financing, permanent financing, or equity syndications documents or provided a guaranty in connection with construction financing, permanent financing or equity syndication; or

h). That received a firm commitment of bond authority, but failed to meet the established deadline for issuance and sale of the bonds. Voluntary withdrawal of a MTBA Application in accordance with all applicable program requirements will not cause ineligibility.

b. There is pending or threatened litigation with regard to (i) an entity or individual that is involved in the Initial Application; (ii) an entity or individual that will be involved in the Ownership Entity; or (iii) any other aspect of the proposed project, where THDA determines that the existence of such could be detrimental to the success or feasibility of the project. This does not include cases merely arising from opposition to the development of the Project.

c. The application is deemed ineligible pursuant to any other provisions of this MTBA ProgramDescription.

3. New participants, where 2024 is the first year in which they receive an allocation of MTBA, may not receive an additional allocation for a new project prior to the issuance of IRS Form(s) 8609 for the initial development. Once the 8609 is issued for the first allocation, individuals that were involved are eligible to receive multiple, concurrent allocations.

4. Requests for Relief
The ineligibility of an Initial Application under this MTBA Program Description is determined by Multifamily Programs staff. The Development Team of an Initial Application deemed ineligible hereunder may appeal the determination to THDA's Executive Director and THDA's Board Chair. The determination of ineligibility is at the sole discretion of the Executive Director and the Board Chair and is not be appealable to THDA's Board of Directors.

E. Identity of Interests
If an application for MTBA and Noncompetitive Housing Credits involves acquisition of land or buildings, the requirements specified in Section 42(d)(2) of the Code shall apply.

F. Extended Use Agreements - LURC
A LURC is required for developments using MTBA and Noncompetitive Housing Credits. THDA will provide a LURC based on the terms and elections under Section 142(d) of the Code, Section 42(g)(1) of the Code, the QAP, and this MTBA Program Description. The LURC must be executed and recorded in the county where the development is located. The original LURC must be returned to THDA no later than the date specified in the MTBA Firm Commitment Letter.

Section 4: Federal Election

A. Section 142(d) of the Code requires that Qualified Residential Rental Projects have income restrictions on a percentage of the Qualified Low Income Units at all times during the Qualified Project Period. One of the following Federal Elections shall be made in the Initial Application for a MTBA Firm Commitment Letter. This election is irrevocable once made in the Initial Application:

1. 20/50 Test; or
2. 40/60 Test; or.
3. Average Income Test (only available to proposed developments with noncompetitive Housing Credit).

B. Developments involving rehabilitation of Existing Multifamily Housing with a prior Housing Credit allocation are restricted to the prior Federal Election.

Section 5: Program Limits

A. MTBA Available

1. THDA will make a total of [AMOUNT] of MTBA available in early 2024.

2. Of the [AMOUNT], THDA will first make $35,650,000 available to the Tursky-Hollway "bundled" USDA Rural Development Deal previously awarded in 2023.

3. Additionally, THDA may reserve an additional amount to be determined based on anticipated MTBA requests associated with up to two (2) "Twinning" deals, as outlined in the 2024 Qualified Allocation Plan.

4. THDA anticipates having two rounds, subject to availability.

B. Maximum MTBA Per Development

1. **New Construction and Adaptive Reuse/Conversion**
   Applications proposing New Construction or Adaptive Reuse/Conversion may not receive more MTBA than **the lesser of**:
   a. FORTY-EIGHT MILLION AND 00/100 DOLLARS ($48,000,000.00); or
   b. 60% of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis.

2. **Rehabilitation**
   All expenditures for Limited Rehabilitation, Moderate Rehabilitation, or Substantial Rehabilitation must satisfy all requirements of Section 42(e)(3)(A)(ii) of the Code and all of the following as applicable:

   a. **Limited Rehabilitation** may not receive more MTBA than **the lesser of**:
      i. FIFTEEN MILLION AND 00/100 DOLLARS ($15,000,000.00); or
      ii. 60% of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis.

   b. Developments proposing **Limited Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 20% of building acquisition cost or SIX THOUSAND AND 00/100 DOLLARS ($6,000.00) per unit. The rehabilitation scope of work must include, at a minimum, all work specified in the Physical Needs Assessment along with corrective actions for all deficiencies noted, with regard to interior and exterior common areas, interior and exterior painting and/or power washing, gutters, parking areas, sidewalks, fencing, landscaping, and mailboxes and the replacement of exterior that is 90% or more vinyl with brick/stone veneer, stucco or fiber cement or hardiplank. The replacement of any of these components of the buildings or the site with a Remaining Useful Life of Less than 15 years, must be included in the scope of work as specified using the Fannie Mae Estimated Useful Life Table. Substantially the same scope of work in all units is required, including, without limitation, painting of the entire unit, consistent flooring throughout the development and matching cabinetry within each unit. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 11.

c. Developments proposing **Moderate Rehabilitation** may not receive more MTBA than **the lesser of**:
   i. EIGHTEEN MILLION AND 00/100 DOLLARS ($18,000,000.00); or
   ii. 60% of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis.

d. Developments proposing **Moderate Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 25% of building acquisition cost or seven thousand dollars ($7,000) per unit. The rehabilitation scope of work must include, at a minimum, the scope of work as outlined in the Limited Rehabilitation requirements above, all appliances in all units Energy-Star compliant, and all work specified in the Physical Needs Assessment along with corrective actions for deficiencies noted, with regard to drywall, carpet, tile, interior and exterior paint, the electrical system, heating and air conditioning systems, roof, windows, interior and exterior doors, stairwells, handrails, and mailboxes. The replacement of any of these components of buildings or the site with a Remaining Useful Life of less than 15 years must be included as specified using the Fannie Mae Estimated Useful Life Table. It is expected that substantially the same scope of work in all units including painting of the entire unit, consistent flooring throughout the development and matching cabinetry within each unit is accomplished during the rehabilitation. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 11 of this MTBA Program Description.

e. Developments proposing **Substantial Rehabilitation** may not receive more MTBA than **the lesser of**:
   i. TWENTY-EIGHT MILLION AND 00/100 DOLLARS ($28,000,000.00); or
   ii. 60% of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis.

f. Developments proposing **Substantial Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 30% of building acquisition costs or eleven thousand dollars ($11,000) per unit. The rehabilitation scope of work must include, at a minimum, scope of work as outlined in the Limited Rehabilitation and Moderate Rehabilitation requirements above, as described in the Physical Needs Assessment along with corrective actions for all deficiencies noted, and the major building systems will not require further substantial rehabilitation for a period of at least fifteen (15) years from the required placed in service date. The replacement of any component of buildings or the site with a Remaining Useful Life of less than 15 years must be included in the scope of work as specified using the Fannie Mae Estimated Useful Life Table. Substantially the same scope of work is required in all units including, without limitation, painting the entire unit, consistent flooring throughout the development and matching cabinetry within each unit. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 11 of this MTBA Program Description.

3. Requests for Exceptions
An applicant may submit a written request for an exception to the maximum MTBA amount listed in this Section 5.B. The written request must include sufficient supporting documentation and information to substantiate the need for additional MTBA. Only one (1) written request for an

exception to the maximum MTBA and/or Noncompetitive Housing Credit limit per application will be considered. Written requests for exceptions to the maximum MTBA and/or Noncompetitive Housing Credit limit, and the amount of any requested additional assistance, may be granted or denied by THDA's Multifamily Programs Division staff, in its sole discretion.

C. Maximum Amount of MTBA per Developer or Related Parties

1. Prior to July 1, 2024, the maximum amount of MTBA that may be committed to a single applicant, developer, owner, or Related Parties shall not exceed SIXTY-SIX MILLION AND 00/100 DOLLARS ($66,000,000.00). After June 30, 2024, the maximum amount of MTBA that may be committed to a single applicant, developer, owner, or Related Parties shall not exceed thirty percent (30%) of the maximum amount of MTBA available for 2024. THDA will determine, in its sole discretion, if Related Parties are involved and apply this limitation.
2. MTBA may not be transferred among multiple developments involving the same applicant, developer, owner, or Related Parties.

D. Limit on Developer's Fee for MTBA with Noncompetitive Housing Credits

1. Notwithstanding the provisions of Section 11-F of the QAP, the sum of developer and consultant fees reflected in THOMAS on the development costs page may not exceed 25% of total development costs (less cash reserves and the claimed developer fee). See Section C.6. below.
2. If the sum of developer and consultant fees reflected in the development costs worksheet exceeds the amount allowable for related or unrelated parties (see 2 and 3 below), then all developer and consultant fees in excess of the amount allowable for related and unrelated parties (see 2 and 3 below) must be reflected as deferred fees and included in the sources of permanent financing.
3. If the developer and the contractor are **unrelated**, the *non-deferred* developer and consultant fees cannot exceed 15% on the portion of the basis attributable to acquisition (before the addition of the fees), and cannot exceed 15% of the portion of the basis attributable to new construction or to rehabilitation (before the addition of the fees).
4. If the developer and contractor are **related** parties, then the *non-deferred* combined fees for contractor's profit, overhead, and general requirements plus the developer's and consultant's fees, cannot exceed 15% of the portion of the basis attributable to acquisition (before the addition of the fees), and cannot exceed 25% of the portion of the basis attributable to new construction or to rehabilitation (before the addition of the fees).
5. If the **deferred** developer and consultant fees are **greater than** 25% of total development cost (less cash reserves and the claimed developer fee) minus the amount described in 3 and 4 above, then the application must include evidence satisfactory to THDA, in its sole discretion, that the deferred developer and consultant fees will be repaid and will not jeopardize the financial feasibility of the development.
6. For purposes of Sections C.1. and C.5., cash reserves and the claimed developer fee are subtracted from the total development costs before the total development costs are multiplied by 25%.
7. Documentation on the terms of the deferred developer fee portion must be provided with the Initial Application.

E. Limits on Costs of Issuance

As provided in Section 147(g) of the Code, the costs of issuance financed by the proceeds of Private Activity Bonds issued to finance Qualified Residential Rental projects may not exceed 2% of the proceeds of the Private Activity Bond issue.

Section 6: THOMAS Submission of Applications

A. Applications

1. All applications involving MTBA, including Firm and Conditional Initial Applications, must be submitted electronically through THOMAS. If THDA determines that THOMAS malfunctions in a way that renders applicants unable to submit applications, THDA will provide alternative instructions via e-mail BLASTS and THDA website postings.
2. All fees required at the time of application, as specified in Section 11, must be received by THDA via wire transfer prior to any determination of eligibility or scoring for any application.
3. Initial Applications must indicate whether the applicant is requesting a MTBA Conditional Commitment Letter or a MTBA Firm Commitment Letter as described in Section 10 of this MTBA Program Description.
4. Initial Applications that do not receive a Commitment Letter in Round 1 must reapply in order to be considered in Round 2.

B. Supporting Documents

1. Supporting documents as specified on the THOMAS Documents Page and referenced in the THOMAS User Manual as part of an Initial Application for a MTBA Conditional Commitment Letter, a MTBA Firm Commitment Letter, Supplemental MTBA, or subsequent applications must be uploaded into THOMAS as specified in the THOMAS User Manual. Supporting documents should be dated no earlier than 6 months prior to the applicable application deadline, unless otherwise specified in the QAP. These documents include, without limitation, the following:
   a. Statement of Application and Certification; and
   b. Issuer Certification; and
   c. Inducement Resolution; and
   d. Evidence of TEFRA Hearing; and
   e. Bond Purchase Agreement; and
   f. Bond Opinion Letter; and
   g. Current 30-year pro forma for the proposed development.
2. The THOMAS Documents Page contains required forms and templates for required third party reports.
3. THDA will not accept cost certifications, market studies, physical needs assessments and appraisals prepared by parties THDA has determined are not independent from other members of the Development Team or Related Parties.

C. Calendar of Events

Table 6–1: Calendar of Events	
Dates	2024 Application Rounds
[DATES]	Round 1 Initial Application Submission Window
[DATE]	Round 1 Determinations Announced
[DATE]	Round 2 Initial Application Submission Window
[DATE]	Round 2 Determinations Announced

D. MTBA Firm Commitment Eligibility Documents

The Initial Application for MTBA must include the following:

1. Statement of Application and Certification; and

2. Bond Purchase Agreement Summary Letter; and
3. Bond Opinion Letter; and
4. Issuer Certification; and
5. Inducement Resolution reflecting a MTBA amount no less than the MTBA amount requested in the Initial Application; and
6. Evidence of the TEFRA Hearing; and
7. Commitment for Permanent Financing; and
8. Written documentation from each service provider that all necessary utilities (i.e., electricity, gas, sewer, and water) are available at the proposed site.

E. MTBA Conditional Commitment Eligibility Documents

The Initial Application for MTBA must include the following:

1. Statement of Application and Certification; and
2. Issuer Certification; and
3. Inducement Resolution; and
4. Evidence of the TEFRA Hearing.

F. Multiple Applications for a Single Development

Only one application may be submitted and considered for a development. Multiple applications submitted as separate phases of one development will be considered as one development and reviewed as one application. THDA reserves the right to request additional information or documentation, if necessary, to determine if applications submitted will be considered and reviewed as one or more developments.

G. Multiple Developments Tied to a Single Bond Issuance

When a single issuing entity proposes a single bond issue to provide financing for multiple developments, the following requirements, at minimum, will apply in addition to all other applicable requirements:

1. A separate and full MTBA electronic application must be submitted for each development; and
2. An application fee as described in Section 11 must be submitted with the application for each development; and
3. If one or more of the developments is outside the jurisdiction of the issuing entity, the application must include documentation satisfactory to THDA, in its sole discretion, that the issuing entity is permitted to, and the jurisdiction in which the development is located consents to, the issuance of the bonds.

Section 7: Application Review Process

A. Applications Must Be Complete

1. An application must be complete, as determined by THDA in its sole discretion, based on the requirements in this MTBA Program Description and the on-line application in THOMAS.
2. **The applicant is solely responsible for the submission of an application with complete and current information.**

B. Information Must Be Current

Appraisal, Physical Needs Assessment, and Market Study information older than six (6) months prior to the applicable application deadline, as determined by the date prepared and information contained therein, will not be considered current. Other documentation, including any commitments, with expiration dates or approval dates that have passed will not be considered current. Applications are incomplete when they include materials that are not considered current.

C. Review of Applications Requesting a Commitment of MTBA

THDA will issue Evaluation Notices that may request additional documentation and/or information for purposes of clarification of eligibility, scoring and financial feasibility. Evaluation Notices will be issued in the following manner.

Table 7 - 1: Schedule of Evaluation Notices and Deadlines FOR ROUND 1	
Evaluation Notice	Deadline for Response
1	7 **calendar** days

Table 7 - 2: Schedule of Evaluation Notices and Deadlines FOR ROUND 2	
Evaluation Notice	Deadline for Response
1	7 **calendar** days

Applications with uncured deficiencies may be removed from consideration under this MTBA Program Description if the deficiencies are uncured after all Evaluation Notices have been sent. Applicants may resubmit the application in Round 2, but will be subject to a resubmission fee as described in Section 11 of this MTBA Program Description.

Section 8: Threshold Requirements and Scoring

A. Threshold Requirements

Developments requesting Noncompetitive Housing Credits must satisfy the applicable requirements of Section 25 of the QAP.

B. Minimum QAP Score

An eligible application must propose scoring of at least 60 points under the scoring system specified in Section 25 of the QAP.

C. MTBA Score

1. **For purposes of ranking Initial Applications, points awarded according to Section 25 of the QAP will not be considered. Only points awarded according to this section will be considered.**

2. Development Team Track Record
   a. No individual involved in the Owner Entity or Developer Entity has been involved in a 2021, 2022, or 2023 MTBA application that received and subsequently returned a Firm Commitment Letter. ***10 points***

3. Other Sources of Funds
   a. Number of points awarded will be proportional to Other Sources of Funds expressed as a percentage of total development costs (e.g. if Other Sources of Funds expressed as a percentage of total development costs = 23.456%, then 2.3456 points will be awarded). **Points will only be awarded for funds for which a fully executed agreement, award letter, or contract is included with the Initial Application.** Note: points will be carried out four places to the right of the decimal point. ***Up to 10 points***

4. Deepest Rehabilitation
   a. Number of points awarded will be proportional to rehabilitation hard costs expressed as a percentage of total development costs (e.g. if rehabilitation hard costs expressed as a percentage of total development costs = 23.456%, then 2.3456 points will be awarded). Note points will be carried out four places to the right of the decimal point. ***Up to 10 points***

5. In the event of a scoring tie among 2 or more Initial Applications under this Section 8.C, priority will be given to the Initial Application in the census tract with the **highest** percentile rank as reflected in the following table: https://thda.org/pdf/MTBA-Tie-Breaker-for-Posting.pdf, as determined by THDA, in its sole discretion.

D. Noncompetitive LIHTC Scoring for Initial Applications Proposing New Construction Only

The scoring criteria in this section are not intended to allow an Applicant to claim the maximum 100 points. An eligible Initial Application must have a minimum score of 65 points to be eligible. THDA will determine the score during the scoring review process.

1. Housing Credit Development Location: ***Up to 20 points***

   Initial Applications proposing developments located in counties with the greatest Project Location Score (Project Location Score) (see https://thda.org/pdf/External-Posting-of-County-Needs-Location-Scoring.pdf). ***Up to 20 points***

2. Meeting Housing Needs: ***Up to 6 points***
   a. Initial Applications in which the 40/60 Test is elected may earn up to 6 points by setting aside an additional percentage of units for households with incomes no higher than 50% of AMI with rents maintained at or below the 50% AMI maximums.
   b. Initial Applications that elect the 20/50 Test may earn up to 6 points by setting aside an additional percentage of units for households with incomes no higher than 40% of AMI with rents maintained at or below the 40% AMI maximums.
   c. Units to be occupied by households with a Section 8 Housing Choice Voucher count towards this requirement.
   d. Initial Applications in which the Average Income Test is elected are ineligible for these points.

Table 8–1: Units Restricted to Serve Lower Income Populations

Percentage of Units Restricted (rounded up to next whole unit number)	Points Available
40/60 Test serving 50 percent households	
At least an additional 5 percent at 50 % AMI	1
At least an additional 10 percent at 50 % AMI	2
At least an additional 15 percent at 50% AMI	4
At least an additional 20 percent at 50% AMI	6
20/50 Test serving 40 percent households	
At least an additional 5 percent at 40 % AMI	1
At least an additional 10 percent at 40 % AMI	2
At least an additional 15 percent at 40% AMI	4
At least an additional 20 percent at 40% AMI	6

3. Development Characteristics. All selected amenities must be maintained, repaired, or replaced for the term of the LURC. For Development Characteristics also appearing in Serving Resident Populations with Special Housing Needs or Serving Resident Populations with Children, points may only be claimed once: ***Up to 34 points***

   a. Exterior materials: Choose 1

      i. Brick/stone veneer or stucco, minimum 60% and remaining exterior fiber cement and/or hardiplank: ***5 points***

      OR

      ii. Brick/stone veneer or stucco, minimum 50% and remaining exterior fiber cement and/or hardiplank: ***4 points***

      OR

      iii. Brick/stone veneer or stucco, minimum 40% and remaining exterior fiber cement and/or hardiplank: ***3 points***

b. Use of anti–fungal roofing materials with a minimum 30 year warranty: 3 points

c. Installation of hookups for standard size washers/dryers in all units: 4 points

d. Construct and/or rehabilitate a gazebo containing a minimum of 100 square feet; which must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage: 3 points

e. Provide a minimum 1,200 square foot community building accessible to residents during reasonable hours; including evenings, holidays and weekends. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry room and storage/maintenance rooms will not be counted as part of the 1,200 square foot minimum: 7 points

f. All units pre–wired, with hidden wiring, for high speed Internet hookup with at least 1 centrally located connection port or if not wired, then a wireless computer network: 3 points

g. All units pre–wired, with hidden wiring, for high speed Internet hook–up with at least 1 centrally located connection port and connection ports in all bedrooms or if not wired, a wireless computer network: 4 points

h. Installation of a Range Oven, Fire Stop, Auto Stop or comparable extinguishing system over the stove in each unit: 6 points

i. Installation and maintenance of a camera video security system with at least one (1) camera monitoring each of the following areas: front of each building, back of each building, community room, computer center, rental office, all site entrance/exit roadways and parking areas: 3 points

j. Construction and maintenance of a walking trail, minimum four (4) feet wide and 1,250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid–point of the trail. Sidewalks are not eligible for these points. 3 points

k. Construction and maintenance of perimeter fencing extending around all sides of the development site, except at development entrances. Chain link fencing is not eligible for these points: 3 points

l. Construct and/or rehabilitate a pergola sized a minimum of 14 feet by 14 feet; that must have permanent bench seating affixed and in an appropriate location available to all residents for year round usage: 3 points

m. Construct and/or rehabilitate a veranda that must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10% of the units at the development and be available to all residents for year round usage: 3 points

n. Landscaped covered pavilion with permanent table, bench seating, and grills, in an appropriate location available to all residents for year-round usage, and on an accessible path: 3 points

o. The proposed development exclusively involves a structure or structures listed individually in the National Register of Historic Places, or is located in a registered historic district and certified by the Secretary of the U. S. Department of the Interior as being of historical significance to the district. All proposed construction and/or rehabilitation shall be completed in such a manner as to be eligible for historic rehabilitation Housing Credit. Initial Applications seeking to combine historic nature and adaptive reuse will be treated as new construction.

2 points

4. Sponsor Characteristics: ***Up to 7 points***

a. Development Team Tennessee Housing Credit Experience ***Up to 2 points***

To reward recent Housing Credit experience in Tennessee, developers associated with the Development Team listed in THOMAS for this Initial Application MUST have received an allocation of Housing Credit previously in Tennessee as evidenced by THDA's issuance of IRS Form(s) 8609 for that development. The Applicant must identify the most recent Tennessee Housing Credit allocation received. For developers partnering with an experienced Tennessee developer the Initial Application must include the Developer and/or Joint Venture Agreements detailing these co-developing and fee arrangements with regard to the Initial Application.

Table 8–2: Development Team Prior Tennessee Allocations	
Year of Most Recent Allocation	Points Available
2019–2023	2
2018 and before	1
No Tennessee Experience	0

b. Development Team Track Record: ***Up to 5 points***

To reward proven Tennessee Development Team experience, the Development Team will be awarded points as shown in Table 8–3 based on Minor SAEs. Minor SAE recording began on January 1, 2019. Minor SAEs are attributed by event to all individuals associated with the proposed Development Team; however, each event is counted only once regardless of the number of individuals tied to the same event. For example: Development Team A involves **20** individuals and Development Team B involves **3** individuals. Each team has a pre-2023 development with 2 Minor SAEs. For 2023, in Table 8-3, Development Team A would be assessed 2 cumulative Minor SAEs and receive 3 points. Development Team B also would be assessed 2 cumulative Minor SAEs and receive 3 points.

Table 8–3: Development Team Track Record	
Cumulative Minor SAEs	Points Available
5+	0
4	1
2 to 3	3
0 to 1	5

5. **Serving Resident Populations with Special Housing Needs:** ***5 points***

Points may be taken for Serving Resident Populations with Special Housing Needs or Serving Resident Populations with Children, but not both. Initial Applications electing these points must indicate a residency preference for households with Special Housing Needs.

The proposed development must include:

a. Memorandum of agreement(s) or contract(s) with supportive service provider(s) to provide Supportive Services appropriate for the particular special needs population that meets the definition under Section 2 or, if the resident population is older persons, the definition of Supportive Services for Older Persons; and
b. Contain dedicated space, with appropriate furniture and fixtures, relevant to the Special Housing Needs Resident Population for said supportive service providers and provide at least one (1) of the following on–site amenities under 5.d.; or
c. If the proposed development is an incremental development or a subsequent phase development that will result in a total of more than 80 units of tax credit and non-tax credit units combined amongst all phases/increments, then the proposed phased/increment development must include two (2) additional on-site amenities than what was provided in the previous increment or phase. The two amenities can be an additional dedicated space for supportive service providers and one amenity under 5.d. or two additional amenities under 5.d.than what was previously provided.
d. Approved Onsite Amenities. All selected amenities must be maintained, repaired, or replaced for the term of the LURC.
    i. Construct and/or rehabilitate and maintain an exercise facility for appropriate group activity for special housing needs residents. The space must be at least 900 square feet, if indoor;
    ii. Construct and/or rehabilitate and maintain a gazebo containing a minimum of 100 square feet; which must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage;
    iii. Construct and/or rehabilitate and maintain a pergola sized a minimum of 14 feet by 14 feet; which must have permanent bench seating affixed and in an appropriate location available to all residents for year round usage;
    iv. Construct and/or rehabilitate and maintain a veranda which must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10 percent of the units at the development and be available to all residents for year round usage;
    v. Construct and/or rehabilitate and maintain a walking trail, minimum four (4) feet wide and 1250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid–point of the trail. Sidewalks are not eligible for these points;;
    vi. Construct and/or rehabilitate and maintain a landscaped covered pavilion with permanent table and bench seating and grills, in an appropriate location available to all residents for year-round usage, and on an accessible path;
    vii. Construct and/or rehabilitate and maintain a fenced community garden with raised beds on an accessible path;
    viii. Construct and/or rehabilitate and maintain furnished rooms for meeting or working that can be reserved by tenants free of charge, which are available for use outside normal business hours; or

ix. Provide in the proposed development's community room or computer center, updated computer systems equipped with high speed Internet service, which include new computers, new printers and new scanners purchased no earlier than 12 months prior to the placed in service date. The computers must be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on–going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends.

e. Scattered Sites. Applicants for proposed scattered-site developments must submit a proposal for satisfying the amenity requirement outlined herein. Approval will be within THDA's sole discretion. The proposal must be submitted at least 60 days prior to the Initial Application deadline.

6. Public Housing Waiting List/Housing Choice Voucher Holder: ***1 point***

Initial Applications electing these points must indicate priority for households currently on a Public Housing waiting list or who have been approved for a Housing Choice Voucher pending identification of a unit ("HCV Voucher Holder)". This priority must be clearly documented in marketing plans, lease–up plans, and operating policies and procedures and provided with the Final Application.

7. Serving Resident Populations with Children: ***5 points***

Points may be taken for Serving Resident Populations with Children or Serving Resident Populations with Special Housing Needs, but not both. Initial Applications electing these points must indicate a residency preference for households with children and must construct and/or rehabilitate the number of three (3) bedroom units that equals or exceeds a minimum of 20% of the total number of units in the development rounded up to the nearest whole unit.

The proposed development must include:

a. An on-site playground with permanent playground equipment of commercial grade quality with a minimum of four separate pieces of equipment or a structure that encompasses a minimum of four pieces of equipment AND at least one (1) of the following on–site amenities under 7.c.; or

b. If the proposed development is an incremental development or a subsequent phase development that will result in a total of more than 80 units of tax credit and non-tax credit units combined amongst all phases, then the proposed phased development must include an additional two (2) on-site amenities under 7.c. or an additional onsite playground as described above and one (1) additional on-site amenities under 7.c. than what was provided under the previous increment or phase.

c. Approved On-site Amenities. All selected amenities, including playgrounds, must be maintained, repaired, or replaced for the term of the LURC.

   i. Construct and/or rehabilitate and maintain an appropriately sized, dedicated space with appropriate furniture and fixtures for, and agreements with, providers of after–school tutoring or homework help programs. The space must be available to residents during regular office hours and occasionally during the evenings and weekends;

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

iii. Provide in the proposed development's community room or computer center, updated computer systems equipped with high speed Internet service, which include new computers, new printers and new scanners purchased no earlier than 12 months prior to the placed in service date. The computers must be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on–going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends;
iv. Construct and/or rehabilitate and maintain exercise/fitness center of at least 200 square feet that includes at least two pieces of commercial grade equipment, and, for properties with more than 50 units, one additional piece of commercial grade equipment per 25 units. Operating instructions most be posted for each piece of commercial grade equipment.
v. Construct and/or rehabilitate and maintain a walking trail, minimum four (4) feet wide and 1250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid–point of the trail. Sidewalks are not eligible for these points;
vi. Construct and/or rehabilitate and maintain a landscaped covered pavilion with permanent table and bench seating and grills, in an appropriate location available to all residents for year-round usage, and on an accessible path;
vii. Construct and/or rehabilitate and maintain a fenced community garden with raised beds on an accessible path; or
viii. Construct and/or rehabilitate and maintain furnished rooms for meeting or working that can be reserved by tenants free of charge, which are available for use outside normal business hours.

d. Scattered Sites. Applicants for proposed scattered-site developments must submit a proposal for satisfying the amenity requirement outlined herein. Approval will be within THDA's sole discretion. The proposal must be submitted at least 60 days prior to the Initial Application deadline.

D–12 and Section 8–D–13.

8. **Energy Efficiency:** **up to *10 points***
   a. ENERGY STAR rated HVAC systems (15 SEER minimum) in all units; (3 points)
   b. ENERGY STAR certified gas tankless water heater; (2 points)
   c. ENERGY STAR refrigerator (18 cubic foot minimum) with ice maker; (2 points)
   d. ENERGY STAR rated windows in all units; (2 points)
   e. ENERGY STAR ventilation fans (range hood, bathroom); (1 point)

   These ENERGY STAR requirements, if elected, must be met development wide when the development is placed in service.
9. **Tennessee Growth Policy Act:** ***4 points***
   Initial Applications with proposed developments located completely and wholly in a county or municipality with an approved growth plan under the Tennessee Growth Policy Act.

10. **Extended Recapitalization Waiver:** ***Up to 8 points***
    Applicants may defer the point when recapitalization of the proposed development, through a subsequent allocation of Housing Credit under the competitive or noncompetitive process, may be requested. Points are based on the number of years from the date the last building in the

development placed in service. An Initial Application is **not eligible for these points if points are elected in Section 8-D–8.**

Table 8 –5: Earliest Year When New Housing Credit May be Requested	
Years From Date Last Building Placed in Service	Points Available
17	2
20	8

E. Noncompetitive LIHTC Scoring for Initial Applications Proposing Rehabilitation of Existing Multifamily Housing

The scoring criteria in this section are not intended to allow an Applicant to claim the maximum 100 points. An eligible Initial Application must provide a minimum score of 60 points which will be confirmed during the scoring review process.

1. **Housing Credit Development Location:** ***2 points***
An Initial Application proposing a development and Housing Credit Development site wholly located within a HUD–defined QCT covered by a CCRP.

2. **Meeting Housing Needs:** ***Up to 13 points***
a. An Initial Application will be eligible for points based on the number of years since the date of the most recent placed in service event for the last building placed in service in the proposed development. The most recent placed in service date for the last building placed in service will be confirmed by THDA, in its sole discretion. ***Up to 4 points***

Table 8–6: Time Since Last Placed in Service	
Year Last Building Placed in Service	Points Available
After 2005	0
1998 – 2005	1
1994 – 1997	2
1991 – 1993	4
Before 1991	3

b. Initial Applications may receive these points (rounded down to the nearest 1/1,000th point) in proportion to the three (3) year average physical occupancy rate of the proposed development, rounded down to the nearest 1/1,000th percent. This three (3) year average physical occupancy rate shall be determined using both the occupied residential rental units which were charged rent as of December 1 during each of the previous three (3) years and the number of the total residential rental units determine at the last placed in service date for all the buildings in the development. Information must be certified by a CPA who shall confirm occupancy and rent information using December rent rolls for the prior three (3) years and the total number of residential rental units determined at the last placed in service date for all buildings in the development. For example, if the three (3) year average occupancy rate is 95.678%, 0.95678 x 3 = 2.870 points. ***Up to 3 points***

c. An Initial Application proposing "per door" rehabilitation hard costs in excess of the $25,000 minimum will be eligible for points ***Up to 3 points***

Table 8–7: Proposed Rehabilitation Hard Costs per Unit	
"Per Door" Rehabilitation Amount	Points Available
Less than $26,000	0
$26,001 to $40,000	1
$40,001 to $50,000	2
$50,001 and above	3

Initial Applications proposing to rehabilitate the highest percentage of the total of the currently existing affordable housing units in the county and the "pipeline" competitive and noncompetitive Housing Credit units in the county. Initial Applications may receive these points (rounded down to the nearest 1/1,000th point) in proportion to the ratio of post–rehabilitation Housing Credit units to the total of the currently existing affordable housing units in the county and the "pipeline" competitive and noncompetitive Housing Credit units in the county, rounded down to the nearest 1/1,000th percent. The county–by–county total of the currently existing affordable housing units in the county, the "pipeline" competitive and noncompetitive Housing Credit units in the county, and existing USDA/RD units is available on the THOMAS Documents Page by following this link: https://thda.org/pdf/External-Posting-of-Unduplicated-Units.pdf

i. For example, if the number of post–rehabilitation Housing Credit units is 88, and the total of the currently existing affordable housing units in the county and the "pipeline" competitive and noncompetitive Housing Credit units in the county is 789, (88/789) x 3 = 0.333 points. ***Up to 3 points***

3. **Development Characteristics.** All selected amenities must be maintained, repaired, or replaced for the term of the LURC. For Development Characteristics also appearing in Serving Resident Populations with Special Housing Needs or Serving Resident Populations with Children, points may only be claimed once**:** ***Up to 38 points***

a. Rehabilitating Existing Multifamily Housing in an area covered by a CCRP. ***Up to 6 points***

b. Exterior materials: Choose 1

i. Brick/stone veneer or stucco (minimum 60%) and remaining exterior fiber cement and/or hardiplank: 5 ***points***

OR

ii. Brick/stone veneer or stucco (minimum 50%) and remaining exterior fiber cement and/or hardiplank: 4 ***points***

OR

iii. Brick/stone veneer or stucco (minimum 40%) and remaining exterior fiber cement and/or hardiplank: 3 ***points***

c. Use of anti–fungal roofing materials with a minimum 30 year warranty: 3 ***points***

d. Install hookups for standard size washers/dryers in all units: 4 ***points***

e. Construct and/or rehabilitate a gazebo containing a minimum of 100 square feet; which must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage: 3 ***points***

f. Provide a minimum 1,200 square foot community building accessible to residents during reasonable hours; including evenings, holidays and weekends. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry room and storage/maintenance rooms will not be counted as part of the 1,200 square foot minimum: 7 ***points***

g. Pre–wire all units with hidden wiring, for high speed Internet hookup with at least 1 centrally located connection port or if not wired, then a wireless computer network: 3 ***points***

h. Pre–wire all units with hidden wiring, for high speed Internet hook–up with at least 1 centrally located connection port and connection ports in all bedrooms or if not wired, a wireless computer network: 4 ***points***

i. Install a Range Oven, Fire Stop, Auto Stop or comparable extinguishing system over the stove in each unit: 7 ***points***

j. Install and maintain a camera video security system with at least one (1) camera monitoring each of the following areas: front of each building, back of each building, community room, computer center, rental office, all site entrance/exit roadways and parking areas: 3 ***points***

k. Construct and maintain a walking trail, minimum four (4) feet wide and 1250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid–point of the trail. Sidewalks are not eligible for these points: 3 ***points***

l. Construct and maintain perimeter fencing extending around all sides of the development site, except at development entrances. Chain link fencing is not eligible for these points: 3 ***points***

m. Construct and/or rehabilitate a pergola sized a minimum of 14 feet by 14 feet with permanent bench seating affixed and in an appropriate location available to all residents for year round usage: 3 ***points***

n. Construct and/or rehabilitate a veranda which must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10% of the units at the development and be available to all residents for year round usage: 3 ***points***

o. Construct and/or rehabilitate a picnic shelter which must be covered, with permanent table and bench seating and in an appropriate location available to all residents for year round usage: 3 ***points***

p. The proposed development exclusively involves a structure or structures listed individually in the National Register of Historic Places, or is located in a registered historic district and certified by the Secretary of the U. S. Department of the Interior as being of historical significance to the district. All proposed construction and/or rehabilitation shall be completed in such a manner as to be eligible for historic rehabilitation housing credit. Developments seeking to combine historic nature and adaptive reuse will be treated as new construction and are not eligible for the points in this Section 8-D-15–p. ***5 points***

4. Sponsor Characteristics: ***Up to 10 points***

a. Development Team Tennessee Housing Credit Experience ***Up to 5 points***

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

For developers partnering with an experienced Tennessee developer, the Initial Application must include the Developer and/or Joint Venture agreements detailing these co-developing and fee arrangements with regard to the 2023 Initial Application. PHAs shall receive five points.

Table 8–8: Development Team Prior Tennessee Allocations

Year of Most Recent Allocation	Points Available
2019–2023	5
2018 and before	3
No Tennessee Experience	0

b. Development Team Track Record: ***Up to 5 points***

To reward proven Tennessee Development Team experience, the Development Team will be awarded points as shown in Table 8–9 based on Minor SAEs. Minor SAE recording began on January 1, 2019. Minor SAEs are attributed by event to all individuals associated with the proposed Development Team; however, each event is counted only once regardless of the number of individuals tied to the same event. For example: Development Team A involves **20** individuals and Development Team B involves **3** individuals. Each team has a pre-2023 development with 2 Minor SAEs. For 2023, in Table 8-9, Development Team A would be assessed 2 cumulative Minor SAEs and receive 3 points. Development Team B also would be assessed 2 cumulative Minor SAEs and receive 3 points.

Table 8–9: Development Team Track Record

Cumulative Minor SAEs	Points Available

5+	0
4	1
2 to 3	3
0 to 1	5

5. Serving Resident Populations with Special Housing Needs: ***7 points***

Points may be taken for Serving Resident Populations with Special Housing Needs or Serving Resident Populations with Children, but not both. Initial Applications electing these points must indicate a residency preference for households with Special Housing Needs.

The proposed development must include:

a. Memorandum of agreement(s) or contract(s) with supportive service provider(s) to provide Supportive Services appropriate for the particular special needs population that meets the definition under Section 2 or, if the resident population is older persons, the definition of Supportive Services for Older Persons; and

b. Contain dedicated space, with appropriate furniture and fixtures, relevant to the Special Housing Needs Resident Population for said supportive service providers and provide at least one (1) of the following on–site amenities under 4.d.; or

c. If the proposed development is an incremental development or a subsequent phase development that will result in a total of more than 80 units of tax credit and non-tax credit units combined amongst all phases, then the proposed phased development must include two (2) additional on-site amenities than what was provided in the previous increment or phase. The two amenities can be an additional dedicated space for supportive service providers and one amenity under 4.d. or two additional amenities under 4.d.than what was previously provided.

d. Approved Onsite Amenities. All selected amenities must be maintained, repaired, or replaced for the term of the LURC.

   i. Construct and/or rehabilitate and maintain an exercise facility for appropriate group activity for special housing needs residents. The space must be at least 900 square feet, if indoor;

   ii. Construct and/or rehabilitate and maintain a gazebo containing a minimum of 100 square feet; which must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage;

   iii. Construct and/or rehabilitate and maintain a pergola sized a minimum of 14 feet by 14 feet; which must have permanent bench seating affixed and in an appropriate location available to all residents for year round usage;

   iv. Construct and/or rehabilitate and maintain a veranda which must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10 percent of the units at the development and be available to all residents for year round usage;

   v. Construct and/or rehabilitate and maintain a walking trail, minimum four (4) feet wide and 1250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid–point of the trail. Sidewalks are not eligible for these points

   vi. Construct and/or rehabilitate and maintain a landscaped covered pavilion with permanent table and bench seating and grills, in an appropriate location available to all residents for year-round usage, and on an accessible path;

vii. Construct and/or rehabilitate and maintain a fenced community garden with raised beds on an accessible path;
viii. Construct and/or rehabilitate and maintain furnished rooms for meeting or working that can be reserved by tenants free of charge, which are available for use outside normal business hours; or
ix. Provide in the proposed development's community room or computer center, updated computer systems equipped with high speed Internet service, which include new computers, new printers and new scanners purchased no earlier than 12 months prior to the placed in service date. The computers must be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on–going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends.

e. Scattered Sites. Applicants for proposed scattered-site developments must submit a proposal for satisfying the amenity requirement outlined herein. Approval will be within THDA's sole discretion. The proposal must be submitted at least 60 days prior to the Initial Application deadline.

6. Public Housing Waiting List/Housing Choice Voucher Holder: ***1 point***

Initial Applications electing this point must indicate priority for households currently on a Public Housing waiting list or who have been approved for a Housing Choice Voucher pending identification of a unit ("HCV Voucher Holder)". This priority must be clearly documented in marketing plans, lease–up plans, and operating policies and procedures and provided with the Final Application.

76. Serving Resident Populations with Children: ***7 points***

Points may be taken for Serving Resident Populations with Children or Serving Resident Populations with Special Housing Needs, but not both. Initial Applications electing these points must indicate a residency preference for households with children and must construct and/or rehabilitate the number of three (3) bedroom units that equals or exceeds a minimum of 20% of the total number of units in the development rounded up to the nearest whole unit.

The proposed development must include:

a. An on-site playground with permanent playground equipment of commercial grade quality with a minimum of four separate pieces of equipment or a structure that encompasses a minimum of four pieces of equipment AND at least one (1) of the following on–site amenities under 6.c.; or
b. If the proposed development is an incremental development or a subsequent phase development that will result in a total of more than 80 units of tax credit and non-tax credit units combined amongst all phases, then the proposed phased development must include an additional two (2) on-site amenities under 7.c. or an additional onsite playground as described above and one (1) additional on-site amenities under 7.c. than what was provided under the previous increment or phase.
c. Approved On-site Amenities. All selected amenities, including playgrounds, must be maintained, repaired, or replaced for the term of the LURC.
    i. Construct and/or rehabilitate and maintain an appropriately sized, dedicated space with appropriate furniture and fixtures for, and agreements with, providers of after–school

tutoring or homework help programs. The space must be available to residents during regular office hours and occasionally during the evenings and weekends;

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

iii. Provide in the proposed development's community room or computer center, updated computer systems equipped with high speed Internet service, which include new computers, new printers and new scanners purchased no earlier than 12 months prior to the placed in service date. The computers must be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on–going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends;

iv. Construct and/or rehabilitate and maintain an exercise room of at least 900 square feet with at least 3 pieces of new equipment; Exercise/fitness center of at least 200 square feet that includes at least two pieces of commercial grade equipment, and, for properties with more than 50 units, one additional piece of commercial grade equipment per 25 units. Operating instructions most be posted for each piece of commercial grade equipment.;

v. Construct and/or rehabilitate and maintain a walking trail, minimum four (4) feet wide and 1250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid–point of the trail. Sidewalks are not eligible for these points; or

vi. Construct and/or rehabilitate and maintain a landscaped covered pavilion with permanent table and bench seating and grills, in an appropriate location available to all residents for year-round usage, and on an accessible path; or

vii. Construct and/or rehabilitate and maintain a fenced community garden with raised beds on an accessible path; or

viii. Construct and/or rehabilitate and maintain furnished rooms for meeting or working that can be reserved by tenants free of charge, which are available for use outside normal business hours.

d. Scattered Sites. Applicants for proposed scattered-site developments must submit a proposal for satisfying the amenity requirement outlined herein. Approval will be within THDA's sole discretion. The proposal must be submitted at least 60 days prior to the Initial Application deadline.

8. **Energy Efficiency:** ***up to 10 points***
   a. ENERGY STAR rated HVAC systems (15 SEER minimum) in all units (3 points);
   b. ENERGY STAR certified gas tankless water heater (2 points);
   c. ENERGY STAR refrigerator (18 cubic foot minimum) with ice maker (2 points);
   d. ENERGY STAR rated windows in all units (2 points);
   e. ENERGY STAR ventilation fans (range hood, bathroom) (1 point).

9. **Tennessee Growth Policy Act:** ***4 points***

Initial Applications with proposed developments located completely and wholly in a county or municipality with a growth plan approved by the local government planning advisory committee as determined by the Tennessee Advisory Commission on Intergovernmental Relations

10. **Extended Recapitalization Waiver:** *up to 8 points*
Applicants may defer the point when recapitalization of the proposed development, through a subsequent allocation of Housing Credit under the competitive or noncompetitive process, may be requested. Points are based on the number of years from the date the last building in the development placed in service. An Initial Application is **not eligible for these points if points are taken in area Section 8-D-20 (Developments Intended for Eventual Resident Ownership).**

Table 8–11: Earliest Year When Recapitalization May be Requested	
Number of Years Since Placed in Service	Points Available
17	2
20	8

Section 9: Ranking Process

A. Round 1

1. Available MTBA, including projects associated with MTBA Section 5.A.2. above, will be divided as follows:
   a. East Grand Division: 34%;
   b. Middle Grand Division: 44%;
   c. West Grand Division: 22%.
2. All eligible Initial Applications will be separated by Grand Division.
3. Within each Grand Division, eligible Initial Applications will be grouped in the following priority order:
   i) **Group 1**: eligible Initial Applications proposing **rehabilitation of existing housing that IS currently income/rent restricted housing**;
   ii) **Group 2**: eligible Initial Applications proposing **new construction** of **public housing, where a PHA is included in the organizational structure of the Ownership entity in accordance with Section 3.B.3**;
   iii) **Group 3**: eligible Initial Applications proposing **rehabilitation of existing housing that IS NOT currently income/rent restricted**.
   iv) **Group 4**: eligible Initial Applications proposing **new construction outside a QCT**;
   v) **Group 5**: eligible Initial Applications proposing **rehabilitation** of **public housing, where a PHA is included in the organizational structure of the Ownership entity in accordance with Section 3.B.3**;
   vi) **Group 6**: eligible Initial Applications proposing **new construction in a QCT and covered by a CCRP**;
   vii) **Group 7**: eligible Initial Applications proposing **new construction in a QCT not covered by a CCRP**; and
4. Within each group, eligible Initial Applications will be sorted in descending order by score as determined pursuant to Section 8.C.
5. THDA will proceed down the list of eligible Initial Applications for each Grand Division, taking into account (without limitation) the limits described in Section 5.A.1, and the grouping and sorting process described in Section 9.A.2 through Section 9.A.3, making full commitments of MTBA until the point is reached where there is insufficient MTBA remaining in the Grand Division to make a full commitment of MTBA to the next eligible Initial Application. Remaining funds in each Grand Division will be combined to create a pool of funds available in accordance with Section 9.A.6 and Section 9.A.7 below.
6. THDA will then list all eligible Initial Applications that have not yet received a commitment, regardless of Grand Division, and the statewide list will be grouped according to Section 9.A.3 and sorted according to Section 9.A.3.
7. THDA will proceed down the statewide list of eligible Initial Applications, making full commitments of MTBA until the point is reached where there is insufficient MTBA remaining in Round 1 to make a full commitment of MTBA to the next eligible Initial Application. Any remaining funds will be carried forward to Round 2.
8. No partial commitments will be made.

B. Round 2

1. All eligible Initial Applications will be grouped and sorted statewide as follows:
   i) **Group A**: eligible Initial Applications proposing **new construction** of **public housing, where a PHA is included in the organizational structure of the Ownership entity in accordance with Section 3.B.3**;
   ii) **Group B**: eligible Initial Applications proposing **new construction outside a QCT**;

iii) **Group C**:eligible Initial Applications proposing **new construction in a QCT and covered by a CCRP**;
iv) **Group D**: eligible Initial Applications proposing **new construction in a QCT not covered by a CCRP**; and
v) **Group E**: eligible Initial Applications proposing **rehabilitation of existing housing that IS currently income/rent restricted housing**;
vi) **Group F**: eligible Initial Applications proposing **rehabilitation of existing housing that IS NOT currently income/rent restricted**.
vii) **Group G**: eligible Initial Applications proposing **rehabilitation** of **public housing, where a PHA is included in the organizational structure of the Ownership entity in accordance with Section 3.B.3**; and
viii) **Group H**: Supplemental MTBA Requests.

2. Within each group, eligible Initial Applications will be sorted in descending order by score as determined pursuant to Section 8.C.
   i) THDA will proceed down the statewide list of eligible Initial Applications, taking into account (without limitation) the grouping and sorting process described in Section 9.B.1 and Section 9.B.2, making full commitments of MTBA until the point is reached where there is insufficient MTBA remaining in the round to make a full commitment of MTBA to the next eligible Initial Application.
3. THDA will then offer a commitment to the highest ranking eligible Initial Application that requests an amount of MTBA that is equal to or less than the remaining balance after Section 9.B.2.i.

Section 10: Commitment of MTBA

A. MTBA Conditional Commitment Letter

1. THDA will issue a conditional commitment letter for 2024 MTBA ("Conditional Commitment Letter") after determining that an eligible applicant has met all applicable requirements of this MTBA Program Description as determined by THDA in its sole discretion.
2. The expiration date of any MTBA Conditional Commitment Letter is December 15, 2024.
3. **A Conditional Commitment Letter DOES NOT GUARANTEE an applicant that THDA will issue a Firm Commitment Letter**.
4. An applicant with a Conditional Commitment Letter must notify THDA of its intent to convert a Conditional Commitment Letter to a Firm Commitment Letter no less than 45 calendar days prior to the date the applicant wishes to receive the Firm Commitment Letter and THDA may issue a Firm Commitment Letter, subject to the availability of MTBA at the time THDA receives such notification and subject to compliance with all requirements for a Firm Commitment Letter.
5. **THDA may issue Conditional Commitment Letters that, in the aggregate, exceed the amount of MTBA available under this MTBA Program Description**.

B. MTBA Firm Commitment Letter

1. THDA will issue a firm commitment letter for 2024 MTBA ("Firm Commitment Letter") after determining that an eligible application has met all applicable requirements of this MTBA Program Description.
2. A Firm Commitment Letter will have an expiration date either ninety (90) or one hundred and twenty (120) calendar days from the date of issuance. The expiration date will be determined by THDA, in its sole discretion.
   a. If the sources of funds include grant funds that are not considered in the PD score, the fully executed agreement, contract, or award letter must be submitted to THDA prior to the issuance of a Firm Commitment LetterAny Firm Commitment Letter issued before September 16, 2024 will expire ninety (90) calendar days from the date of issuance.
   b. Any Firm Commitment Letter issued on or after September 17, 2024 will expire on December 15, 2024.
3. A Firm Commitment Letter issued before August 17, 2024, may be extended one time for a maximum of thirty (30) calendar days following the original expiration date. An Extension Fee as described in Section 11 must accompany the extension request. An extension request may be approved or denied by THDA, in its sole discretion.
4. THDA will only consider exceptions to the above timelines when a Project can prove that it is unduly delayed due to a federal agency's inability to timely perform actions that are necessary to close the MTBA. In such cases, a Project must submit a formal request to THDA by 11:59 PM Central Time, December 1, 2024 to carry forward the MTBA. The formal request must include a commitment by the Issuer that the MTBA will only be used for the intended Project, unless otherwise subsequently agreed by THDA. If the carryforward is approved by THDA, the MTBA must close by 11:59 PM Central Time, June 30, 2025. Until such time as the MTBA is closed, the individuals involved in the Project will not be eligible to apply for MTBA on any other project.

5 **THDA will not issue Firm Commitment Letters that, in the aggregate, exceed the amount of MTBA available under this MTBA Program Description**.

Section 11: Fees, Partial Refunds of Fees, and Fees Retained by THDA

A. Wiring Instructions

All fees should be in the form of an electronic wire. Applicants are encouraged to send the wire confirmation to thomas@thda.org.

Table 11 - 1: Wiring Instructions	
Bank:	US Bank
ABA:	064000059
BNF:	THDA Clearing Housing
BNF A/C:	151203673398
BNF ADDRESS:	502 Deaderick Street Andrew Jackson Building, Third Floor Nashville, TN 37243
OBI:	Housing Credit/Bond Application Fees + TN ID Number(s). Applicants may send one wire to cover multiple applications however, applicants must enter the applicable TN ID Number(s) in the OBI field on the wire.

B. Application Fee

An Application Fee of ONE THOUSAND, FIVE HUNDRED AND 00/100 DOLLARS ($1,500.00) must be submitted to THDA at the time an application is submitted, except as provided in the subsequent paragraph. **THE APPLICATION FEE IS NOT REFUNDABLE**. If the fee is not submitted at the time an application is submitted, THDA will not review the application and will notify the applicant that the application has been rejected.

Initial Applications that do not receive a Commitment Letter in Round 1 and that reapply in Round 2 are not required to submit a second Application Fee for Round 2.

C. Resubmission Fee

A Resubmission Fee of seven hundred and fifty dollars ($750) must be submitted to THDA if an application is resubmitted *after rejection for uncured deficiencies* based on requests for additional documentation and/or information for purposes of clarification as specified in the Evaluation Notice described in Section 7. **THE RESUBMISSION FEE IS NOT REFUNDABLE**.

D. Conditional Commitment Letter Fee

A Conditional Commitment Letter Fee of five thousand dollars ($5,000) must be submitted in order for the Conditional Commitment Letter to be processed. **THE COMMITMENT FEE FOR A CONDITIONAL COMMITMENT LETTER IS NOT REFUNDABLE**.

E. MTBA Firm Commitment Letter Fee and Incentive Fee

1. Following issuance of a Firm Commitment Letter, Initial Applications must submit a Firm Commitment Letter Fee and an Incentive Fee in order for the Firm Commitment Letter to be processed.

2. Fees for a ninety (90) day Firm Commitment Letter:
   a. The Commitment Fee is an amount equal to 1% of the MTBA approved by THDA.
   b. The Incentive Fee is an amount equal to 20% of the Commitment Fee.
3. Fees for a one hundred and twenty (120) day Firm Commitment Letter:
   a. The Commitment Fee is an amount equal to 1.5% of the MTBA allocated to the local issuer.
   b. The Incentive Fee is an amount equal to 20% of the Commitment Fee.
4. **THE COMMITMENT FEE FOR A FIRM COMMITMENT LETTER IS NOT REFUNDABLE**.

F. Supplemental MTBA Request Fee

A Supplemental MTBA Request Fee of three thousand dollars ($3,000) must be submitted to THDA at the time the Supplemental MTBA Request is submitted. **THE SUPPLEMENTAL MTBA REQUEST FEE IS NOT REFUNDABLE**. If the fee is not submitted at the time a request is submitted, THDA will not review the request and will notify the applicant that the request has been rejected.

G. Refund of Incentive Fee Following Issuance of MTBA

1. The following documentation, without limitation, must be submitted by the applicable deadlines to be eligible for a refund of the Incentive Fee:
   a. Documentation from Bond Counsel (including, without limitation, a closing confirmation letter) must be submitted no later than the expiration date of the Firm Commitment Letter;
   b. Acceptable proof that all units are constructed and the development is placed in service must be submitted no later than two years after the expiration of the MTBA Firm Commitment Letter;
   c. Acceptable proof that all forms to be filed by the Bond Issuer have been completed and filed to THDA's satisfaction must be submitted no later than two years after the expiration of the Firm Commitment Letter.
2. If the bonds were issued and sold on or before 11:59 PM Central Time on the date specified in the Firm Commitment Letter without a receiving an extension and all the conditions of Section 11 have been met, THDA will refund the **FULL** Incentive Fee.

H. Release of Commitments and Refund of Incentive Fee

If recipients of Conditional Commitment Letters or Firm Commitment Letters release the MTBA allocated to them before the deadline in the Firm Commitment Letter when bonds will not be sold using the MTBA, THDA will refund a percentage of the Incentive Fee to support the earliest release of the committed MTBA. Voluntary withdrawal of a MTBA Commitment Letter in accordance with all applicable program requirements will not cause ineligibility as described in Section 3 of this MTBA Program Description, but will affect scoring as described in 8.C.2 of this MTBA Program Description.

Table 11 - 2: Deadline for Commitment to be Released and Incentive Fee Refund

Phase	90 - Day Commitments	120 - Day Commitments	Amount Refunded
A	days 1 - 30	days 1 - 45	100%
B	days 31 - 60	days 46 - 90	50%
C	days 61 - 89	days 91 -119	25%
D*	days 90 - 119	days 120 - 149	0%

* only applicable if a deadline extension is granted by THDA

I. Incentive Fee Retained by THDA

1. If a request for an extension to the deadline for closing the sale of the bonds beyond 11:59 PM Central Time on the original date specified in the Firm Commitment Letter is approved in accordance with Section 10, THDA will **RETAIN** the **FULL** amount of the Incentive Fee.
2. If the bonds are not issued and sold by the expiration date (original or extended) of the Firm Commitment Letter, and the Firm Commitment Letter has not been released as described in Section 11-G, and no extension has been requested or granted as described in Section 11-H, THDA will **RETAIN** the **FULL** amount of the Incentive Fee and a MTBA application for the development may not be resubmitted in 2024.
3. If the bonds are issued and sold, but the development is not placed in service, THDA will **RETAIN** the **FULL** amount of the Incentive Fee.

J. Monitoring Fee

Developments that receive MTBA and Noncompetitive Housing Credits are subject to all monitoring fees set out in Section 4 of the QAP.

K. Modification Fee

Developments that receive MTBA and Noncompetitive Housing Credits and request modification are subject to Modification Fees as set out in Section 4 of the QAP. Payment of this fee does not guarantee approval of proposed changes or modifications.

L. Extension Fee

Developments that receive MTBA and Noncompetitive Housing Credits and request an extension are subject to Extension Fees as set out in Section 4 of the QAP. Payment of this fee does not guarantee approval of an extension.

M. Requests for Refunds

If the applicant is eligible for any refund as described in Section 11-G or Section 11-H above, the applicant must submit a written request for a refund. The written request for a refund must be submitted no later than March 1 of the year after the development places in service. If March 1 is not a THDA business day (e.g. weekend or holiday), the deadline will be the following THDA business day.

Section 12: Noncompetitive Housing Credits

A. THDA will determine eligibility for Noncompetitive Housing Credits and the amount of Noncompetitive Housing Credit to be allocated to a development, up to the maximum amount permissible with MTBA financing. Any development seeking Noncompetitive Housing Credits must apply for and is subject to the applicable QAP in the same calendar year in which MTBA is committed. An application for Noncompetitive Housing Credits is subject to eligibility and threshold requirements as well as fees, including monitoring fees, found in the applicable QAP. **Receipt of a Firm Commitment Letter does not guarantee receipt of Noncompetitive Housing Credits.**

B. If an Initial Application for Competitive Housing Credits and an application for MTBA and Noncompetitive Housing Credits are submitted for the same development, the Initial Application for Competitive Housing Credits will be deemed ineligible.

C. The maximum obtainable rents supported by the Market Study must be proposed for the proposed development and must support reasonable operating expenses and maximum mortgage debt service prior to Noncompetitive Housing Credits filling any financial "gaps". This may require additional financing from other sources over and above the maximum amount of MTBA or Noncompetitive Housing Credit committed to the development by THDA.

Section 13: Requests for Supplemental MTBA

A. Allocations of Supplemental MTBA are subject to availability of MTBA and will be made **ONLY** from any MTBA remaining after the final allocation to Group G of Round 2.
B. Requests for Supplemental MTBA may be submitted outside the time periods specified in Table 6-1.
C. Any Firm Commitment Letter for an allocation of Supplemental MTBA under this Program Description will expire on December 15, 2024.

Section 14: Controlling Document

Although there is one application for MTBA and Noncompetitive Housing Credits; the MTBA Program Description applies to the MTBA and the 2024 QAP applies to the Noncompetitive Housing Credits.

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 Program Officer

SUBJECT: Summary of and Response to Public Comments on Draft Multifamily Tax-Exempt Bond Authority Program Description for 2024

DATE: November 1, 2023

This document represents staff's response to select **repeated** comments regarding the Draft Multifamily Tax-Exempt Bond Authority Program Description for 2024 ("Draft 2024 PD") and is not meant to be a replacement for the comments themselves.

Key Points

- 8609 Requirement – comment expressed concern that requiring issuance of 8609s for a developer's first development to be issued prior to receiving a second allocation is overly restrictive.
  - Response – staff recommends retaining this proposed change as this requirement would have a developer demonstrate the ability to complete a development in a timely and proper manner before receiving additional resources. However, the language has been adjusted to clarify that this requirement will apply only to allocations made in 2024 MTBA Round 1 and forward, and is not intended to apply retroactively to previous first-time recipients.

- Tennessee Experience Requirement – comment expressed that the requirement for *Tennessee* experience in order to receive points is overly restrictive.
  - Response – staff opposes removing the requirement for Tennessee experience given the challenging nature of developing housing in many Tennessee markets.

- Increase in Per Development Caps for New Construction and Rehabilitation – comment expressed concern that the proposed increases are too small.
    - Response – staff opposes larger increases.

- Documents Must Be No More than Six Months Old at Time of Submission – comments expressed concern that applying this requirement to *all* supporting documentation is too restrictive.
    - Response – staff has clarified the intended applicability in the draft 2024 PD.

- $35.65 Million for Previously Allocated Bundled RD Development – comments objected to this “carve out”.
    - Response – staff recommends maintaining the proposed change as is.

October 30, 2023

Ralph Perrey
Executive Director
Tennessee Housing Development Agency
502 Deaderick St.
Nashville, TN 37243

Re: 2024 Draft Multifamily Tax-Exempt Bond Authority Program Comments

Dear Mr. Perrey,

On behalf of LHP Capital, thank you for the opportunity to provide comments on the draft 2024 Multifamily Tax-Exempt Bond Authority Program Description. We have outlined our questions and/or concerns below:

1. **Section 3.C.10, Eligibility Documentation:** *Supporting documents should be dated no earlier than 6 months prior to the applicable application deadline.*

   Applicants have always been required to submit a market study, appraisal and physical needs assessment that are not older than 6 months. As written, the inclusion of Section 3.C.10 could be interpreted that *all supporting documents* have a 6-month shelf life including the Inducement Resolution and evidence of TEFRA hearing. Bond deals often take 9 months to one year to put together and the inducement resolution is usually one of the first items pursued in efforts to be eligible for reimbursement from bond proceeds. Under Treas. Reg. §1.150-2(d), when the issuer adopts an inducement resolution, it allows qualified development costs paid for by the developer to be reimbursed from the issuance of bonds. Costs paid or incurred after the inducement resolution, but before issuance of the bonds are eligible for reimbursement (there is also a caveat for costs paid or incurred *within 60 days* of the adoption of the inducement resolution). We encourage THDA to clarify the 6-month shelf life pertaining *only* to the market study, appraisal, and physical needs assessment, as it has for many years.

2. **Section 5.A.2, MTBA Available:** *THDA will first make $35,650,000 available to the Tursky-Hollway "bundled" USDA Rural Development Deal previously awarded in 2023.*

   The allocation of the state's limited resources, such as tax-exempt bonds, should be directed towards developers who have demonstrated the ability to successfully close transactions and deliver affordable housing to the communities we serve. We kindly request that THDA reconsider their priority criteria in a manner that maximizes the impact of the bonds/credits in addressing the affordable housing crisis in our state.

3. **Section 8.C.2. MTBA Score, Other Sources of Funds**: Points awarded will be proportional to Other Sources of Funds expressed as a percentage of total development costs. The definition of Other Sources of Funds specifically excludes "permanent contributions that do not require repayment."

   A federally funded grant such as HOME that does *not* require repayment is ineligible for inclusion in tax credit basis. We have worked with participating jurisdictions and have been successful in getting them to agree to treat HOME funds as a loan or debt obligation to the LIHTC partnership. While multifamily tax-exempt bonds are a limited resource, the 4% credits they generate are only limited by the amount of eligible basis. If points are awarded for Other Sources of Funds that cannot require repayment, applicants will be incentivized to forfeit their ability to generate another federal subsidy or the 4% LIHTC. Instead, developers should be incentivized to maximize the amount of 4% credits their respective projects can generate in efforts to reduce the overall debt leverage and provide a more financially feasible project. In addition, if the funds are treated as a grant without any obligation/expectation of repayment, it would result in taxable income to the LIHTC partnership upon receipt with the ultimate owners of the property finding themselves subject to a substantial tax liability. We ask that THDA remove the language prohibiting repayment in the definition of Other Sources of Funds or remove it as one of the criteria to rank applications.

4. **Section 8.D.11 and Section 8.E.23, Eligible Initial Applications** – scoring the minimum 60 points, Waiver of Qualified Contract Process: All applicant's participating in the Bond Program are required to waive the qualified contract process in accordance with the approved 2024 QAP, Section 25.A.5. I am not sure what THDA accomplishes by providing 10 points to applicants for waiving the qualified contract process when *all applicants* are required to do so merely to be eligible to participate in the program.

5. **Section 9.A.1, Round 1 Ranking Process:** We appreciate the Grand Division MTBA allocation including the RD Deals described under Section 5; however, it should also include the allocation reserved for the two Twinning Deals described in Section 5.A.3.

6. Incorrect references:
   i. Section 3.C.2 – Section 3 in the PD outlines documentation required with initial applications. Specifically, this provision relates to the appraisal; however, it references Section 13.A.6 of the QAP which talks about CNI Grants.

ii. There are two Section 5.B's.
iii. Section 5.B.3 references Section 5.A and it should be Section 5.B.

The stringent criteria and evaluation processes employed by THDA have ensured our state's housing developments maintain the highest standards in terms of design, affordability, and overall quality. Your continued collaboration with skilled developers has not only supported economic growth but has also contributed to a brighter future for our communities. By providing access to the necessary resources through tax credits and tax-exempt bonds, you have empowered developers to bring their expertise and innovative ideas to life, making our state a better place to live.

Sincerely,

Carey Parker

Carey Parker
Chief Executive Officer

cc: Eric Alexander
Felita Hamilton

LINCOLN AVENUE COMMUNITIES

10/27/2023

C. Eric Alexander & Felita Hamilton
Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Nashville, TN 37243

Dear Eric & Felita:
Thank you for the opportunity to contribute feedback on the Preliminary Draft of the Tennessee Housing Development Agency (THDA) 2024 Bond Program Description (BPD). Lincoln Avenue Communities is a mission-driven affordable housing developer currently active in twenty-six states. In Tennessee, we are focused on developing ground-up new construction and preservation using 4 percent LIHTCs and tax-exempt bonds (TEBs).

Market Context

As affordable housing developers, the biggest challenge we face today is inflation and the escalating cost environment. The combination of rapidly rising land costs, building acquisition costs, construction materials costs and labor costs is a significant barrier to financing and delivering quality affordable housing communities to the market. Increases in construction costs have been well documented, but we are experiencing cost inflation in many other critical areas affecting development proformas as well.

At the same time, rising interest rates[1] have reduced the debt proceeds we are able to leverage to offset the increased costs. 4% LIHTC transactions are financed primarily with tax-exempt debt, making up approximately 70% of the capital stack, so the impact of even small increases in interest rates is magnified significantly for these transactions. We believe the current market dynamics are important to share as they provide context and urgency for many of our recommendations below.

Eligibility Ineligibility

(Pg. 14-15)
While we understand the thought process behind the proposed change to the BPD limiting a developer's eligibility to participate in the program until their first allocation of non-competitive credits has been issued an 8609, we believe this proposed change is problematic for several reasons and should be reconsidered. Given the construction and lease up timelines of typical development deals, this requirement could mean that an experienced developer in the state would not be eligible to submit a second application until potentially three years after their

[1] The U.S. 10 Year Treasury yield closed at 4.84% on October 27, 2023. The 10 Year Treasury is up nearly 100 basis points over the past three months and 340 basis points since the beginning of 2022.

initial allocation of non-competitive credits. This is a disincentive to building out infrastructure in the state which may deter high quality partners from investing in the state.

The most time and capacity intensive period for a developer on a bond deal is the period between allocation and the financial closing. If THDA finds it necessary to have a probationary period for developers new to the state, we believe that it should end upon the completion of the financial closing of the first deal in the state. We further suggest that developers that can demonstrate a high degree of development capacity be exempt from this limitation entirely. Finally, we suggest that demonstrating that the development team has been issued 5+ 8609s over the past several years, regardless of location, would be a sufficient demonstration of capacity.

Development Team Tennessee Housing Credit Experience

(Pg. 28, 35)
We believe that positive LIHTC experience should be a threshold requirement to apply for TEBs and 4% LIHTCs; however, we do not concur that having points specifically for local/Tennessee experience is in the best interest of the program administration. We believe THDA is best served by creating an environment that attracts the best capitalized and most successful affordable housing developers and that after meeting threshold requirements, should be neutral to the location of that experience.

Although we think the following is less desirable, alternatively THDA could hold out of state developers to a higher standard by requiring the submission of references and/or requiring a higher threshold number of properties to earn these points (e.g., 5 out-of-state projects vs. 1 located in Tennessee) above and beyond what are required for the local experience.
By way of background, Lincoln Avenue Communities is an experienced and well capitalized affordable housing tax credit developer. We own over 136 affordable housing communities in twenty-six states and have successfully received 8609s in dozens of transactions around the country over the past 5 years.

Lincoln Avenue Communities employs over one hundred dedicated professionals in our development, asset management and construction management departments to support our development pipeline and exclusively use highly competent local third-party management companies to ensure operational success. Unfortunately, we have not yet developed a property in Tennessee and as such would not be eligible to receive the points in this section. Furthermore, given the given closing and construction timelines is, in practice, even if we were to do a joint venture in the current round to achieve these points it would be years before we “earned” the experience.

Maximum MTBA Per Development

Pg. 19-21
We support THDA’s proposal to increase the maximum MTBA amount for New Construction, Limited Rehabilitation, Moderate Rehabilitation and Substantial Rehabilitation projects. Given

the continued inflationary cost environment, we suggest that THDA should consider increasing the limits further. Some economies of scale have been lost in bond transactions due to increased costs and interest rates – raising the caps further will better facilitate larger transactions (in line with previous year's allocations) and help offset some increased costs with more efficient scale-based pricing.

Maximum Amount of MTBA per Developer or Related Parties

Pg. 21
We support THDA's proposal to increase the maximum MTBA per developer or Related Parties from $60 million to $66 million.

Proposed Rehabilitation Hard Cost Per Unit

Pg. 33
We believe THDA's policy objective is to ensure that sufficient rehabilitation scope of work is undertaken to maintain a project up to reasonable standards during the 15-year compliance period. We concur that this is an important policy priority; however, we suggest that THDA reconsider how it allocates points for hard rehab scope, which we believe will achieve this policy goal while accommodating flexible circumstances. We observe that setting the highest rehab points category for above $50,000 will limit debt financing options for projects financed with tax exempt bonds. As THDA is aware, one of the most common tax-exempt bond preservation transaction structures utilized in today's marketplace is the short-term cash-collateralized bond structure where the tax-exempt bonds are taken out with a taxable FHA 223(f) loan. FHA 223(f) loans have several desirable qualities for preservation transactions including low-interest rates, 35-year amortization and, unlikely the FHA 221(d)4 program, does not trigger Davis-Bacon wage scales.

Unfortunately, FHA 223(f) loans per unit loan limits are far below the $50,000 rehab points. The current FHA 223(f) loan limit threshold in the highest cost adjustment areas is $45,854 per unit. Even accounting for tax credit equity, it would effectively eliminate the ability for tax credit developers to utilize this preferential financing while submitting a competitive application because acquisition costs for a typical Year 15 and/or Section 8 community in today's marketplace range between $70,000 and $150,000 per unit. It would also eliminate the ability of developers submit a competitive application while utilizing this structure in order to qualify for acquisition credits on a project that has a broken 10-year hold, which makes the re-syndication of these communities infeasible and makes it much more likely that the affordability of these communities will not be preserved past the existing extended use period.

Furthermore, while many properties require significant rehabilitation scope of work, others that have been maintained well may require significantly less than $50,000 per door of rehab scope of work. We do not believe it is a responsible use of scarce financing resources to 'over-scope' rehabs if the Capital Needs Assessment (CNA) confirms that a lesser scope of work is appropriate.

Additionally, we observe that well maintained properties in desirable markets where there is significant rent advantage between subsidized units and comparable market units are most at risk to be lost from the program and will also command the highest acquisition prices. Setting the rehabilitation threshold too high for these assets will make them unfinanceable as affordable assets and will increase the likelihood that they will be sold to conventional buyers or converted either via the qualified contract process or at the end of a projects extended-use period. This is a highly undesirable outcome that should be avoided at all costs.

As such, we recommend revising the proposed regulations, lowering the threshold to achieve the highest rehab points as follows:

"Per Door" Rehabilitation Amount	Points Available
Less than $26,000	0
$26,001 to $30,000	1
$30,001 to $35,000	2
$35,000 and above	3

Conclusion

LAC appreciates the work of THDA in the issuance of its draft 2024 BPD. We welcome the opportunity to discuss them with you further at your leisure and/or answer any questions you may have regarding our feedback. I can be reached at 860-287-1635 or tamdur@lincolnavecap.com.

Regards,

Thom Amdur
Senior Vice President, Policy & Impact
cc: Ralph Perrey
David Garcia

About Lincoln Avenue Communities

Lincoln Avenue Communities is one of the nation's fastest-growing developers, investors, and operators of affordable and workforce housing, providing high-quality, sustainable homes for lower- and moderate-income individuals, seniors, and families nationwide. LAC is a mission-driven organization that serves residents across 26 states, with a portfolio of 136 properties comprising 25,000+ units

Ed Yandell

From: Phyllis Vaughn <phyllis@vaughndevelopment.com>
Sent: Monday, October 30, 2023 9:59 AM
To: TNAllocation
Subject: Draft 2024 Bond Program Description comments

Thank you for taking my comments on the 2024 Draft Multifamily Tax Exempt Bond Program Description.

First, there are red, blue and green mark ups to the draft from the 2023 program. Is there a key to indicate the difference in the color markings? A bit confusing.

Section 8, D. & E. Much more has been included in this draft bond program description than just bond program information. Much of the separate program, 4% tax credit program information is also included, which is a different program, available to be utilized and layered with the tax exempt multifamily bond program to create affordable rental housing for Tennesseans. If the 4% tax credit information is also to be included in the 2024 bond program description, it appears it should be removed entirely from the 2024 draft Low Income Housing Tax Credit program Qualified Allocation Plan (QAP) information, yet it is not. Clarity is lacking. Do people look for that information in the 2024 QAP or in the bond program description, or both? Why not keep two separate set of program rules separate for clarity and ease of use to the user. Trying to merge two programs into one doesn't then make them one program. They are separate and distinct programs, administered separately with distinct rules for each.

This program seems to be subject to the still unwritten, unpublished construction, guidance/requirements that THDA's board of directors passed, final version sight unseen, in the September, 2023 board meeting. We have yet to see those. Neither we, nor the board, knows what those rules will yet be. Please don't pass another program without developers having the opportunity to review and comment on those unseen final construction rules. The first version was for a HUD program, this bond program is no part of HUD.

Section 5, A. 1. There seems to be one specific entitlement award to one specific for profit developer of an RD development singled out to receive a reservation of volume cap from the first monies available from the program. How can we all qualify for such an entitlement? That isn't explained how to obtain such a coveted position within the program.

How are we to know when to date our 3rd party documents to be no more than 6 months older than the application date, as there is no application date indicated in the draft bond description.

Section 9 & Section 13 – Supplemental requests for prior year deals to request additional volume cap has been moved from the first group in round 1, to the last group in round 2. What if there is no additional volume cap remaining at the end of 2024? And a prior deal has not met their Federal 50% test? That development has then wasted millions of dollars of THDA's volume cap, bankrupted a developer, and provided zero affordable housing units to Tennesseans. Move it back to first up, round 1.

Bond deals to be located outside Qualified Census Tract's (QCT') or Difficult to Develop Area's (DDA's) in the current financial environment are highly unlikely to be feasible. Yet preference is given to those applications. Update your preferences to match the current market.

Thanks,

Phyllis Vaughn
Vaughn Development Group, Inc.

Tennessee Housing Development Agency - Board of Directors

Board Briefing Items

Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

2024 THDA Board of Directors Meeting Schedule

- Tuesday, January 23, 2024
- Tuesday, March 19, 2024
- Tuesday, May 21, 2024
- Tuesday, July 23, 2024
- Tuesday, September 24, 2024
- Tuesday, November 19, 2024

*The Committee meetings will begin at 10:00am.The Board meeting will directly follow the Committee meetings.

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 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 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.

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

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: Jeboria Scott, Director of Rental Assistance
Don Watt, Chief Program Officer

DATE: November 1, 2023

SUBJECT: HUD-Veterans Affairs Supportive Housing Choice Vouchers (HUD-VASH) Award

---

Section 8(o)(9) of the United States Housing Act of 1937, as modified by the Further Consolidated Appropriations Act, 2023, authorized the Department of Housing and Urban Development (HUD) to allocate approximately $94.4 million in HUD-Veterans Affairs Supportive Housing (HUD-VASH). HUD anticipates that this funding will support approximately 11,000 new HUD-VASH vouchers nation-wide. These vouchers are administered in partnership with the U.S. Department of Veterans Affairs (VA) and enable homeless veterans and their families to access affordable housing with an array of supportive services.

Under Notice PIH 2023-09, HUD-Veterans Affairs Supportive Housing (HUD-VASH) issued a 2023 Mid-Year Registration of Interest to public housing agencies (PHAs) administering HUD-VASH Vouchers. THDA's Rental Assistance Division submitted an application in response to the official notice and was approved.

On September 27, 2023, HUD provided funding for 20 VASH vouchers to be administered by THDA. THDA began administering these vouchers on November 1, 2023. These vouchers are administered in partnership with the VA Medical Center to serve veterans within THDA's Housing Choice Voucher Program jurisdiction. These vouchers help provide veterans with immediate access to permanent housing.

Administration of the VASH vouchers will require an update to THDA's Administrative Plan. Included is the single chapter amendment to the Administrative Plan, which is published on THDA's website.

(Rule 0770-01-05-.25, continued)

~~(3) Veteran's Administrative Support Housing (VASH) Port Ins. The Veterans Assistance Special Housing program is a special program administered by some public housing agencies, however the THDA does not currently have an allocation of VASH vouchers. Housing agencies that do not have an allocation may still administer a VASH voucher through portability from another PHA with a VASH program.~~

~~(a) Eligibility and Selection. HUD-VASH eligible families are homeless veterans. The Veteran Affairs Medical Center (VAMC) screens all families in accordance with its screening criteria. PHAs that agree to administer the HUD-VASH Program relinquish their authority to determine the eligibility of families in accordance with regular HCV Program rules and PHA policies. Specifically, under the HUD-VASH Program, PHAs do not have the authority to screen potentially eligible families or deny assistance for any grounds permitted under 24 C.F.R. 982.552 (broad denial for violations of HCV program requirements) and 982.553 (specific denial for criminals and alcohol abusers), with one exception. PHAs will still be required to prohibit admission if any member of the household is subject to a lifetime registration requirement under a state sex offender registration program.~~

~~(b) Income Eligibility. The PHA must determine income eligibility for HUD-VASH families in accordance with 24 C.F.R. 982.201.~~

~~(c) Initial Term of Housing Choice Voucher. Recognizing the challenges that HUD-VASH participants may face with their housing search, HUD-VASH vouchers must have an initial search term of at least 120 days. Therefore, § 982.303(a), which states that the initial search term must be at least 60 days, shall not apply, since the initial term must be at least 120 days.~~

~~(d) Ineligible Housing. HUD-VASH families will be permitted to live on the grounds of a VAMC in units owned by the VA. Therefore, 24 C.F.R. 982.352(a)(5), which prohibits units on the grounds of a medical, mental, or similar public or private institution, is waived for that purpose only. All other units found suitable under regular voucher program rules apply for VASH families.~~

~~(e) Portability of HUD-VASH Vouchers. An eligible family issued a HUD-VASH voucher must receive case management services provided by the VAMC. Therefore, special mobility and portability procedures must be established. HUD-VASH participant families may reside only in those jurisdictional areas that are accessible to case management services as determined by the partnering VAMC.~~

~~1. Portability Moves Where Case Management is provided by the Initial PHA's Partnering VAMC. The THDA does not manage a VASH program, thus, the initial PHA's partnering VAMC will still provide the necessary case management services due to its proximity to the partnering VAMC. The portability move-in will be processed in accordance with the portability procedures of 24 C.F.R. 982.355. However, since the initial PHA must maintain records on all HUD-VASH families receiving case management services from its partnering VAMC, the THDA must bill the initial PHA. 24 C.F.R. 982.355(d), which gives the receiving PHA the option to absorb the family into its own HCV program or bill the initial PHA, is not applicable.~~

~~2. Completing Form HUD-50058. When the form HUD-50058 is completed, the action type that must be recorded on line 2a is "4" for a portability move-in (a family that was~~

~~previously leased up in the jurisdiction of the initial PHA). In section 12 of the HUD-50058, line 12d is marked "Y," 12e must have an amount recorded, and 12f must include the initial PHA's code. The VASH special program code must be maintained on line 2n of the form HUD-50058 by the initial and receiving PHA for all HUD-VASH families when the family is admitted to the voucher program and throughout the family's participation in the program. If, under portability, the THDA does not enter the VASH code, the initial PHA will not get credit for the family's leasing.~~

~~(f) Case Management Requirements. The VAMC responsibilities include:~~

~~1. Screening of homeless veterans to determine whether they meet the HUD-VASH program participation criteria established by the VA national office;~~

~~2. Providing appropriate treatment and supportive services to potential HUD- VASH program participants, if needed, prior to PHA issuance of rental vouchers;~~

~~3. Providing housing search assistance to HUD-VASH participants with rental vouchers;~~

~~4. Identifying the social service and medical needs of HUD-VASH participants and providing, or ensuring the provision of, regular ongoing case management, outpatient health services, hospitalization, and other supportive services as needed throughout this initiative; and~~

~~5. Maintaining records and providing information for evaluation purposes, as required by HUD and the VA.~~

~~(g) Denials of Admission and Termination of Assistance.~~

~~1. Denials. The only reasons for denial of assistance by the PHA are failure to meet the income eligibility requirements and a family member that is subject to a lifetime registration requirement under a state sex offender registration program.~~

~~2. Termination of Assistance. The VASH Operating Requirements do not specify that PHAs must treat VASH clients any differently than regular HCV participants in terms of the requirements of the family obligations. Therefore, the termination policies outlined within this Administrative Plan apply.~~

~~3. If a VASH client is terminated from a THDA program for a program violation, but the same family is sent to the THDA by an initial PHA with a VASH allocation before the end of the three year penalty for re-admission, the THDA will not accept the portability move-in.~~

~~(i) HUD regulations and the THDA policy determine whether and when the family may move to another unit.~~

~~(ii) If the family moves to another unit, the same lease up steps are followed. Annual recertification at this time is at THDA's option.~~

0770-01-05-.36 VETERAN'S ADMINISTRATIVE SUPPORT HOUSING (VASH). Section 8(o)(9) of the United States Housing Act of 1937, as modified by the Further Consolidated Appropriations Act, 2023 (Public Law 117-328, approved December 29, 2022) (the Act), authorized HUD to allocate approximately $94.4 million in HUD-Veterans Affairs Supportive Housing (HUD-VASH). Under this Act, THDA is allocated HUD-VASH vouchers to serve homeless veterans in partnership with the Veterans Administration. THDA will administer the HUD-VASH vouchers, in compliance with Federal Regulations and this Administrative Plan. THDA reserves the right to continue administration of VASH vouchers, dependent on available and adequate HUD funding, including the right to project-base.

(1) Eligibility and Selection. HUD-VASH eligible families are homeless veterans. The Veteran Affairs Medical Center (VAMC) screens all families in accordance with its screening criteria. Public Housing Authorities (PHA) that agree to administer the HUD-VASH Program relinquish their authority to determine the eligibility of families in accordance with regular HCV Program rules and PHA policies. Specifically, under the HUD-VASH Program, PHAs do not have the authority to screen potentially eligible families or deny assistance for any grounds permitted under 24 C.F.R. 982.552 (broad denial for violations of HCV program requirements) and 982.553 (specific denial for criminals and alcohol abusers), with one exception. PHAs will still be required to prohibit admission if any member of the household is subject to a lifetime registration requirement under a state sex offender registration program.

(2) Income Eligibility. THDA must determine income eligibility for HUD-VASH families in accordance with 24 C.F.R. 982.201.

(3) Initial Term of Housing Choice Voucher. Recognizing the challenges that HUD-VASH participants may face with their housing search, HUD-VASH vouchers must have an initial search term of at least 120 days. Therefore, 24 C.F.R. 982.303(a), which states that the initial search term must be at least 60 days, shall not apply, since the initial term must be at least 120 days.

(4) Ineligible Housing. HUD-VASH families will be permitted to live on the grounds of a VAMC in units owned by the VA. Therefore, 24 C.F.R. 982.352(a)(5), which prohibits units on the grounds of a medical, mental, or similar public or private institution, is waived for that purpose only. All other units found suitable under regular voucher program rules apply for VASH families.

(5) Portability of HUD-VASH Vouchers. An eligible family issued a HUD-VASH voucher must receive case management services provided by the VAMC. Therefore, special mobility and portability procedures must be established. HUD-VASH participant families may reside only in those jurisdictional areas that are accessible to case management services as determined by the partnering VAMC.

a. Portability within the Initial VAMC's area. The family must be able to continue with case management services provided by the VAMC to port the voucher. The receiving PHA must process the move in accordance with portability procedures. If the receiving PHA administers a HUD-VASH program, it can either bill the initial PHA or absorb the family. If the receiving PHA does not administer a VASH program, it must bill the initial PHA.

b. Portability outside of the Initial VAMC's area. If a family wants to move to another jurisdiction where it will not be possible for the initial PHA's partnering VAMC to provide case management services, the initial VAMC must determine that the family could be served by another VAMC that is partnering in the HUD-VASH Program and that the receiving PHA has an available HUD-VASH voucher. The family must be absorbed by the receiving PHA either as a new admission or as a portability move-in. Upon absorption, the initial PHA's HUD-VASH voucher will be available to lease to a new HUD-VASH eligible family and the absorbed family will count toward the number of HUD-VASH vouchers awarded to the receiving PHA. The receiving PHA must process the move in accordance with portability procedures.

c. Completing Form HUD-50058. When the form HUD-50058 is completed, the action type that must be recorded on line 2a is "4" for a portability move-in (a family that was previously leased up in the jurisdiction of the initial PHA). In section 12 of the HUD-50058, line 12d is marked "Y," 12e must have an amount recorded, and 12f must include the initial PHA's code. The VASH special program code must be maintained on line 2n of the form HUD-50058 by the initial and receiving PHA for all HUD-VASH families when the family is admitted to the voucher program and throughout the family's participation in the program. If, under portability, THDA does not enter the VASH code, the initial PHA will not get credit for the family's leasing.

(6) Case Management Requirements. The VAMC responsibilities include:

a. Screening of homeless veterans to determine whether they meet the HUD-VASH program participation criteria established by the VA national office;

b. Providing appropriate treatment and supportive services to potential HUD- VASH program participants, if needed, prior to PHA issuance of rental vouchers;

c. Providing housing search assistance to HUD-VASH participants with rental vouchers;

d. Identifying the social service and medical needs of HUD-VASH participants and providing, or ensuring the provision of, regular ongoing case management, outpatient health services, hospitalization, and other supportive services as needed throughout this initiative; and

e. Maintaining records and providing information for evaluation purposes, as required by HUD and the VA.

(7) Denials of Admission and Termination of Assistance.

a. Denials. The only reasons for denial of assistance by THDA are failure to meet the income eligibility requirements and a family member that is subject to a lifetime registration requirement under a state sex offender registration program.

b. Termination of Assistance. The VASH Operating Requirements do not specify that THDA must treat VASH clients any differently than regular HCV participants in terms of the requirements of the family obligations. Therefore, the termination policies outlined within this Administrative Plan apply.

c. If a VASH client is terminated from a THDA program for a program violation, but the same family is sent to THDA by an initial PHA with a VASH allocation before the end of the three year penalty for re-admission, THDA will not accept the portability move-in.

i. HUD regulations and THDA policy determine whether and when the family may move to another unit.

ii. If the family moves to another unit, the same lease-up steps are followed.

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: Bill Lord, Director of Community Housing
Don Watt, Chief Programs Officer

DATE: November 1, 2023

SUBJECT: 2023 HOME Rental Housing Development Funding Matrix

Tennessee Housing Development Agency ("THDA") made $5.87 million available to award under the 2023 HOME Rental Housing Development Program Description and received five applications requesting over $4 million in program funds. Proposals by the following two applicants passed the threshold and scoring criteria, as detailed and were recommended for an award:

APPLICANTS PASSING THRESHOLD	PROJECT NAME	GRAND DIVISION	SCORE	FUNDS AWARDED	NUMBER OF HOME UNITS
Tennessee Community Assistance Corporation	Newport Commons	East	92	$892,488	6
Clinch Powell RC&D	Grainer Hamblen	East	79	$723,499	4

Proposals by the following applicants did not meet threshold requirements and were ineligible for award:

APPLICANT	PROJECT NAME	GRAND DIVISION	SCORE	FUNDS REQUESTED	DENIAL REASON
Hilltopper, Inc.	Janet Clark House	East	80	$788,154	Missing documentation: (1) Individual Disclosure forms from board members; (2) Operating fund documentation

APPLICANT	PROJECT NAME	GRAND DIVISION	SCORE	FUNDS REQUESTED	DENIAL REASON
Volunteer Behavioral Health Care System (VBHCS)	VBHCS - Ridgecrest Expansion	East	69	$776,250	Missing documentation: (1) TN Certificate of Existence, (2) 501(c)3, (3) By-laws, (4) Corporate and Individual Disclosure Forms, (5) Business Plan
Kingsport Housing Alliance for Development	E Street Group Home	East	55	$845,625	Missing Corporate Disclosure form; Request exceeded subsidy limit; Did not receive minimum score of 60 to be eligible for funding

2023 HOME Rental Housing Development Program Matrix

						Funds Available:	$5,875,800.00	
HOME Applications Passing Threshold	**Project Name**	**Region**	**Score**	**Funds Requested**	**Funds Conditionally Awarded**	**Remaining Balance**	**Total Units**	**HOME Units**
Tennessee Community Assistance Corporation (TCAC)	Newport Commons I	E	92	$892,488	$892,488	$4,983,312	6	6
Clinch Powell Resource Conservation and Development Council, Inc.	Grainger-Hamblen Scattered Site	E	79	$723,499	$723,499	$4,259,813	4	4
			Total Funds Awarded:	$1,615,987				

Not Eligible/ Failed Threshold	**Project Name**	**Region**	**Score**	**Funds Requested**	**Reason**	**Total Units**	**HOME Units**
Hilltopper, Inc.	Janet Clark House	E	80	$788,154	Did not pass threshold (Individual disclousure from board members and missing operating funds doc.)	10	7
Volunteer Behavioral Healthcare System	VBHCS Ridgecrest Expansion	E	69	$776,250	Did not pass non-profit threshold. Missing: TN Certificate of Existence, Tax Exempt doc, By-laws, Corporate and Individual Disclosures, Business Plan; Failed to indicate compliance with THDA Design Standard	11	6
Kingsport Housing Alliance for Development	E Street Group Home	E	55	$845,625	Did not pas threshold (missing Corporate Disclosure form); Request exceeded HOME subsidy limits	3	3

Funds Available:	$5,875,800.00	Total of HOME Units
Funds Requested:	$4,026,016.00	26
Total Awarded:	$1,615,987.00	10
Funds Not Awarded:	$4,259,813.00	

Approved by:

RM Perrey 10/9/23

Ralph M. Perrey, Executive Director   Date