



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

**Committee and Board Meeting Materials
November 19, 2024**



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

THDA Board of Directors and Committee Meetings Agendas

Committee Agenda

Tuesday, November 19, 2024 at 1000am CT
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

AUDIT & BUDGET COMMITTEE

A. Approval of Audit & Budget Committee Meeting Minutes-September 24, 2024*

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



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THDA Board of Directors Board Meeting Agenda
(directly following Audit & Budget Committee Meeting)

Tuesday, November 19, 2024 at 1000am CT
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

- A. Board Chair Convening of the Board and Introductory Comments**
- B. Public Comment Period**
- C. Executive Director’s Report**
- D. Single Family Business**
Business Update
Servicing Activity due to Hurricane Helene
- E. Multifamily Business**
Business Update
- F. Board Action items (* items require board vote)**
 - 1. Approval of Minutes from September 24, 2024 meeting*
 - 2. Updated Ginnie Mae 11702 Form Authorization*
 - 3. 2025 HOME Homeowner Rehabilitation Program Description*
 - 4. 2025 HOME CHDO Homeownership Development Program Description*
 - 5. 2025 HOME Rental Housing Development Program Description*
 - 6. 2024 HOME Homeownership Rehabilitation in East TN Disaster Recovery*
 - 7. 2025 THTF Competitive Grants Program Description*
 - 8. 2025 Emergency Solutions Grants Program Description*
 - 9. 2025 National Housing Trust Fund Program Description*
 - 10. 2025 Multifamily Tax Exempt Bond Authority Program Description*
- G. Annex**
 - 1. THDA Investment Report - September 30, 2024
 - 2. 2024 Capacity Building Program Awards Summary
 - 3. 2024-2 HOME Homeownership Development Program Awards Summary
 - 4. ERA-Eviction Prevention Program Award Update



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

Audit & Budget Committee



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Audit & Budget Committee Meeting Agenda

Tuesday, November 19, 2024 at 1000am CT
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

A. Approval of Audit & Budget Committee Meeting Minutes-September 24, 2024*

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

Committee Members:

Secretary Tre Hargett
Treasurer David Lillard (Chair)
Rick Neal
Stephen Dixon
Chrissi Rhea



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TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
September 24, 2024

Pursuant to the call of the Acting Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Tuesday, September 24, 2024, at 10:30 AM CT in the Lansdowne Room, Peabody Hotel, Memphis, Tennessee.

The following Committee members were present in person: Rick Neal (Acting Chair); Mallory Dunavan (for Secretary of State Tre Hargett); Tim Joyce (for Treasurer David Lillard); and Stephen Dixon.

Recognizing a quorum present, Acting Chair Neal called the meeting to order at 10:30 AM CT. For the first order of business, Acting Chair Neal called for consideration and approval of the July 23, 2024, Audit & Budget Committee Meeting Minutes. Upon motion by Mr Dixon, second by Ms. Dunavan, and following a vote with all members identified as present voting “yes”, the motion carried to approve the July 23, 2024 minutes.

Next, Acting Chair Neal recognized Mr. Trent Ridley, Chief Financial Officer, to present the Comprehensive Fiscal Year 2025-2026 Budget. Upon motion by Mr Dixon, second by Mr. Joyce, and following a vote with all members identified as present voting “yes”, the motion carried to recommend to the Board to approve the Comprehensive Fiscal Year 2025-2026 Budget.

There being no further business, Acting Chair Neal adjourned the meeting at 10:37 AM CT.

Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit
Approved this 19th day of November, 2024



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Audit and Budget Committee

FROM: Gathelyn Oliver, Director of Internal Audit

SUBJECT: Review of THDA Enterprise Risk Management Report for 2024

DATE: November 4, 2024

Recommendation

Staff recommends the Audit and Budget Committee review the results of the Enterprise Risk Management process for 2024 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:

Federal Compliance

THDA has the responsibility of administering a number of federally funded programs including: American Rescue Plan COVID-19 relief programs, Section 8 Rental Assistance (S8RA), Low Income Home Energy Assistance, Performance Based Contract Administration (PBCA), HOME



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and the Weatherization Assistance Program. Federally funded programs create significant compliance requirements for THDA. Compliance audits and program monitoring remain in place to ensure compliance. More detail is included in the S8RA, Community Services, Community Housing, Compliance and Asset Management, and Mortgage Assistance and Compliance risk assessments.

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. We continue to enhance our third party risk management processes. 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, 2024. 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.



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Governor

Ralph M. Perrey
Executive Director

November 20, 2024

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

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502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

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: November 4, 2024

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, 2024. 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.



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Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: Audit and Budget Committee
FROM: Gathelyn Oliver, Director of Internal Audit
Bruce Balcom, Chief Legal Counsel
DATE: November 4, 2024
SUBJECT: 2024 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, 2024. 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, and the HOME Program. The Low Income Housing Credit Program (LIHC) and the Tax-exempt Multi-family Bond Authority Program (TEMFBA), also administered by THDA, do not have specific conflict of interest provisions.

None of the 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



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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
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	Rob Mitchell	Jason Mumpower
Eva Angelina Romero		

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 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
Eva Angelina Romero		

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, 3c, and 3e) 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



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disclosed indirect interest, waiver requests from the Federal agency with oversight authority for these programs may be requested as necessary.

5. (Question 3x) Ms. Maeghan Jones disclosed possible indirect interests due to her being employed by the Community Foundation that funds programs that have received funding from the Tennessee Housing Trust Fund Eviction Prevention Pilot Program. Ms. Jones is not aware of any specific conflicts.
6. (Questions 3a, 3e and 3f) Mr. Stephen Dixon disclosed indirect interests of a family member who is a 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 2024 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. Ms. Mallory Dunavan – None.



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6. Mr. Tre Hargett – Personal banking relationships with financial institutions that may be THDA Originating Agents.
7. Ms. Maeghan Jones – Employed by an organization that funds programs that have received funding from the Tennessee Housing Trust Fund Eviction Prevention Pilot Program.
8. Mr. David Lillard – Personal banking relationship with financial institutions that may be THDA Originating Agents.
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.
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. 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 other programs provided by THDA.
13. Ms. Sara Queirolo – Personal banking relationship with financial institutions that may be THDA Originating Agents.
14. Ms. Christine Rhea – Personal banking relationship with financial institutions that may be THDA Originating Agents.
15. Ms. Eva Angelina Romero - Employed as licensed Realtor and could encounter buyers that qualify for THDA products. Professional relationships with THDA and THDA program participants.
16. Mr. Alex Schuhmann – None.
17. Mr. Daniel Springer - None

SUMMARY OF PROGRAM DISCLOSURES

1. Mr. Rick Neal disclosed indirect and incidental interests in LIHTC, TEMFBA, CITC and PBCA.
2. Mr. Stephen Dixon disclosed HOME, CITC and LIHTC.
3. Mr. Michael Miller disclosed S8HCV.
4. Ms. Maeghan Jones disclosed indirect interest in THTF EPP.

GLO/BB



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Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: Audit and Budget Committee

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

DATE: November 4, 2024

SUBJECT: 2024 Potential Conflicts of Interest Disclosure Report for Staff

INTRODUCTION

We reviewed the disclosures made by all THDA staff for the fiscal year beginning July 1, 2024. 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 2024 Disclosure Form:



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Aaron Toran	Aaron Walker	Abdulkhalik Abdi	Adam Houchens
Adrienne Nevin	Alba Jofre	Aleisha Carr	Alina Truta
Alkena Woods	Allison Moore	Amara Mattingly	Amber Cosby
Amber Holland	Amber Martin	Amy Newport	Analisa Parker
Andrea Couch	Andrea Hudgins	Angel Cooper	Angela Hall
Angela Martinez	Ann Salyers	Ann Sanvee	Anyika Hawkins
Ashley Willis-Griffin	Azem Papraniku	Belinda Williams	Benjamin Davis
Berih Awala	Beverly Fears	Briana Gardner	Brianna Schoonover Atol
Bridget Jackson	Britny Booth	Bruce Balcom	Bryan Yoshino
Cathy Salazar	Chasidy Richardson	Cherelle Hooper	Cheri Ballinger
Cherna Saka	Christopher Marlin	Christy Hollingsworth	Chuck O'Donnell
Chuck Pickering Jr.	Connie Brewington	Connie Smith	Connie Stone
Craig Stevens	Crystal Stafford	Cynthia Buntin	Dallisa Kilcrease
Damon Pally	Dani Brickman King	Daniel Morgan	Danna Wall Wright
Dareyl Adams	David Lord	Dawn Fielder	Debra Murray
Debra Perkins	DeJuana Lyons	Denisha Buckner	Dhathri Chunduru
Diana Willett	Dodi Hopkins	Don Watt	Donna Calahan
Donna Duarte	Ed Clawson	Ed Yandell	Elliott Wilson
Eric Alexander	Eric Crabtree	Eric Hall	Erica Holloway
Erin Hardy	Erin Lord	Evelyn Finch	Fabiola Caferra
Fredina Martin	Gardleth Azurdia	Gary Goad	Gloria Morgan
Harriet Nolen-Bonds	Harry Symlar	Hayden Harville	Heather Reynolds
India Whatley	Jaime Fox	Jaime Talley	Janie Pekanyande Harris
Jason Candido	Jason Cothron	Jason Mathews	Jason Ronnow
Jawon Lauderdale	Jenia Tortora	Jennifer Carpenter	Jennifer Chilton
Jeremy Heidt	Jeremy Lenckus	Jerry Crenshaw	Jessica Culpepper-Hilliard
Jessica Davis	Jill Hatleberg	Jodi Smith	Joe Bethel
Joe Kielar	John McCroskey	Joseph Uvanni	Joshua Thomas
Jre Jones	Juanita Hamilton	Julie Burnette	Julie Ezell
Justine Oti-Obilor	Kala Snyder-Banister	Kanisha Okolo	Kathleen Norkus
Katie Edwards	Katie Ferguson	Katina Brewer	Kay Frye-Leyhew
Kayla Cobb	Kelly Dobbs	Kelly Murph	Kenyatta Mundy
Kenyell Chalmers	Kerry Maloney	Kevin Rogers	Kim Davenport
Kimberly Otts	Kimberly Pillar	Kristy Allen	Kyle KasaKaitas
Kyle Kokes	LaMar Brooks	Langston Glass	Larisa Stout
LaToyya Moore	Laura Swanson	LeAnn Blankman	Lekeisha Cannon
Linda Jones	Lindsay Hall	Lindsay Kent	Lisa Brock
Lisa Shockley	Lisa Stover	Lori Cannon	Lynn Stocker-Schmidt
Maree Emberton	Mary Crutcher	Matt Kolb	Meg Palmer
Megan Husmann	Melissa Clouatre	Melissa Staley	Michael Kokodynsky
Michael Prude	Michelle Lines	Michelle Prather	Mike Costa
Monica Rutherford	Montrice Brown-Miller	Narkeshia Stanton	Natasha McLaurine
Nicholas Roberson	Nicole Drinkwater	Nicole Edwards	Nicole Lucas
Nneka Onyirioha	Patricia Matlock	Patrick Carmichael	Patrick Harrell
Paulie Crone	Precious Edmonds	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	Ryan Pridgeon	Samantha Myers-Miller
Samantha Thacker	Sandra Poarch	Sandra Taylor	Sara Mosher
Sara Rivera	Sarah Black	Sarah Dickerson	Sarah Turner-Brooks
Sarita Hafford	Scott Holden	Selena Jenkins	Sergio Aguilar
Shameka Young	Shana Dotson	Shannon Ward	Sharayah Carter Shattuck



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Sharee Pernell	Sharon Putnam	Sharon Sass	Sheila Crunk
Sheniece Daphness	Sherri Demonbreun	Sheryl Palmer	Sierra Searcy
Stella Williams	Stephanie Bounds	Steve Fisher	Steven Dowdy
Tanisha Adesanya	Tanya Jackson	Tara Herbert Lake	Taveion McCutcheon
Tim Papraniku	Tim Robichaud	Timothy James	T'Keyah Chandler
Tomas Rivera-Colon	Toni Fondren	Toni Shaw	Tonisha Howard
Tony White	Toumie Parrot	Trebia Johns	Trent Ridley
Trish Moon	Vanessa Dowdy	Wayne Bennett	Wendee Luman
Wendy Weaver	Wes Bunch	William Hereford	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 2024 Disclosure Form:

Alfreda Wilcox	Alonzo Davis	Anna Maus	Beth Pugh
Bill Lord	Cassandra Ramsey	Charity Williams	Christina Wetzler
Chrysanna Bruce	Corea Ramey	Courtney Carney	Darrell Robertson
Dawn Reyes	Deepika Macherla	Denise Hutchinson	Emily Kelley
Felisha Nichols	Felita Hamilton	Gay Oliver	Heather Johnson
Hillary Craig	Hulya Arik	Java'e Bazemore	Jayna Johnson
Jeboria Scott	Jennifer Brown	Jonthany Taylor	Josh McKinney
Julie Ridenour	Katie Moore	Keisha Smith-Hill	Kendra Hammell
Kendra Love Richardson	Kimberly Davis	Krystian Sanders	LaFonda Rogers
Leslie Frierson	Lisa Brown	LiSandra Vaughns	Mandy Garman
Martha Finch	Matthew Voll	Myesha McCants	Nakesha Moore
Nathan Ward	Nekishia Potter	Nikki Finley	Olivia Rodriguez
Pasquel McLeod	Patrice Stewart	Quinton Hickman	Rachel Agee
Rebecca Anderson	Rebecca Carter	Rebekah Bicknell	Regina Frasier
Sarah Sisler	Shari Messer	Shelby Walls	Sherry Folk
Stephen Chinique	Velma Jackson	Wayne Beard	

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 11, 12, 17 & 18) The following individuals disclosed incidental, personal relationships with THDA employees, THDA board members, or persons or entities who do business with THDA:

Angel Cooper	Danna Wall Wright	Jennifer Green	Julie Ridenour
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.



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3. (Questions 5, 8, 9, 10 & 11) The following individuals 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:

Charity Williams	Chrysanna Bruce	LaFonda Rogers	Patrice Stewart
Toni Shaw			

4. (Question 6) The following individual disclosed that they participate as landlord in the Section 8 Program, and the voucher is administered by THDA.

LaFonda Rogers			
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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, 12 & 13) The following individuals disclosed that they have THDA loans:

Angel Cooper	Eric Crabtree	Erin Hardy	Jessica Davis
Jonthany Taylor	Kimberly Pillar	Patrice Stewart	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. (Question 11) 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.



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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 6 & 19) Ms. LaFonda Rogers disclosed she is owner of Fonda Investment Group, LLC and has rental property.
8. (Questions 12 & 18) Ms. Jennifer Green disclosed that she is a former employee of Mortgage Investors Group. She is a board member of TNMBA.
9. (Question 19) Ms. Pasquel McLeod has a retired Tennessee real estate license. Ms. McLeod has been instructed to disclose any changes with the status of her real estate license.
10. (Question 12) Ms. Mary Shannon Ward disclosed she has her NMLO license. This license is not active as Ms. Ward has to be employed by a lender. Ms. Ward has been instructed to disclose any changes with the status of her NMLO license.
11. (Question 4 & 12) Mr. Stephen Chinique disclosed he has a stock portfolio that includes investments into some businesses that have relations with THDA.
12. (Question 4) Ms. Briana Gardner disclosed she has taken the Homebuyer Education Course on August 19, 2024. Ms. Gardner is currently in search of a home.

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:

Amber Cosby	Azem Papraniku	Bill Lord	Darrell Robertson
Denise Hutchinson	Erin Lord	Jason Ronnow	Montrice Brown-Miller
Nicole Lucas	Rhonda Ronnow	Robert Lucas	Tanya Jackson
Tim Papraniku	Toni Shaw		



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2. (Questions 5 & 14) The following individuals disclosed that relatives or close associates have THDA loans:

Bill Lord	Chrysanna Bruce	LaMar Brooks	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. (Questions 5, 6, 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	LaFonda Rogers	Lakeisha Cannon
Mary Crutcher	Narkeshia Stanton	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. (Question 12) 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	Bryan Yoshino	Jennifer Carpenter	Katie Moore
Martha Finch	Meg Palmer	Mike Costa	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) 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, 8, 11, 12 & 18) The following individuals disclosed other indirect interests of a family member as noted:



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Ms. Hulya Arik – Husband, Mr. 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, and brothers, Mr. Cornelius Kemp and Mr. John Smith, are recipients of the LIHEAP funding.

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

Ms. Cheri Ballinger – Sister, Ms. Rebecca McDonald, is employed by Franklin Housing Authority who receives HOME ARP funding and may receive other funding from THDA.

Ms. Connie Brewington – Husband, Mr. David Brewington, is a loan officer, employed by First Colony Mortgage which originates THDA mortgage loans. Ms. Brewington has been instructed not to review any First Colony Mortgage loans and husband has been instructed not to originate any THDA loans.

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

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



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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 Audit & Budget Committee Meeting)

Tuesday, November 19, 2024 at 1000am CT
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

- A. **Board Chair Convening of the Board and Introductory Comments**
- B. **Public Comment Period**
- C. **Executive Director's Report**
- D. **Single Family Business**
Business Update
Servicing Activity due to Hurricane Helene
- E. **Multifamily Business**
Business Update
- F. **Board Action items (* items require board vote)**
 - 1. Approval of Minutes from September 24, 2024 meeting*
 - 2. Updated Ginnie Mae 11702 Form Authorization*
 - 3. 2025 HOME Homeowner Rehabilitation Program Description*
 - 4. 2025 HOME CHDO Homeownership Development Program Description*
 - 5. 2025 HOME Rental Housing Development Program Description*
 - 6. 2025 THTF Competitive Grants Program Description*
 - 7. 2025 Emergency Solutions Grants Program Description*
 - 8. 2025 National Housing Trust Fund Program Description*
 - 9. 2025 Multifamily Tax Exempt Bond Authority Program Description*



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G. Annex

1. THDA Investment Report - September 30, 2024
2. 2024 Capacity Building Program Awards Summary
3. 2024-2 HOME Homeownership Development Program Awards Summary
4. ERA-Eviction Prevention Program Award Update



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Board Items

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
September 24, 2024

Pursuant to the call of the Chair, the Tennessee Housing Development Agency (THDA) Board of Directors (the “Board”) met in regular session on Tuesday, September 24, 2024, at 10:38 AM CT in the Lansdowne Room, Peabody Hotel, Memphis, Tennessee.

The following Board members were present in person: Chair Rick Neal, Jacky Akbari, Stephen Dixon, Micheal Miller, Mallory Dunavan (for Secretary of State Tre Hargett), Tim Joyce (for Treasurer David Lillard), Katie Armstrong (for Comptroller Jason Mumpower) and Dan Springer. Those absent were Maeghan Jones, Eva Romero, Chrissi Rhea, Commissioner of F&A Jim Bryson, and Rob Mitchell.

Chair Rick Neal called the Board meeting to order and welcomed the Board to Memphis.

Chair Neal then opened the floor to anyone present from the public who wished to address the Board. Seeing none, Chair Neal closed the floor to public comment.

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

Mr. Perrey shared the following:

- Congratulations to THDA’s Rental Assistance Division, which earned a perfect score on HUD’s annual Section Eight Management Assessment Program (SEMAP), once again winning HUD’s designation as a “*High Performer*”.
- The Fed’s interest rate cut last week is not expected to have much impact on mortgage interest rates, the thinking is that the markets have been anticipating this and have largely “baked in” the rate hike before the announcement.
- THDA expects to price Bond Issue 2024-3 at the end of November and will be monitoring our expected cost-of-funds and manage pricing on our *Great Choice* mortgage loans.
- THDA has fully funded all applicants in Round 2 of our Multifamily Tax-Exempt Bond Program. The Department of Economic and Community Development has advanced THDA \$36 million in bond authority against our end-of-year allocation. Our total Multifamily bond commitment this year is just under \$700 million, which is a record.
- NCSHA’s Annual conference starts this weekend in Phoenix. Our Communications Division is up for an award for their excellent campaign to promote THDA’s 50th anniversary. And our Single Family Divisions are up in two categories – one for our REO program run by Volunteer Mortgage Loan Servicing, and another for our Homeownership for Heroes program led by Single Family Loan Operations.
- Congressman Mark Green has signed on to the Affordable Housing Credit Improvement Act, leaving only Congressman Andy Ogles among the Tennessee House delegation not on the bill. We are encouraged that he may yet sign on, as well. The legislation will not move this year, but a

strong show of bipartisan support improves the changes of the tax credit provisions being included in the larger tax bill being prepared for next year.

At the conclusion of Mr. Perrey's remarks, Chair Neal recognized Ms. Lindsay Hall, the Chief of Single-Family Loan Programs for a Single-Family Programs Business Update.

Next, Chair Neal recognized Mr. Eric Alexander, the Director of Multifamily Programs, for a Multifamily Programs Business Update and a brief discussion about the 2025 draft Multifamily Tax Exempt Bond Authority Program.

Chair Neal then asked for consideration of the July 23, 2024 board meeting minutes. Upon motion by Ms. Akbari and a second by Mr. Dixon, the motion carried, and the minutes were approved.

Next, Chair Neal introduced the proposed 2025 Board of Directors Meeting Schedule for consideration. Upon motion by Ms. Armstrong and a second by Ms. Dunavan, the motion carried, and the 2025 Board Dates were approved.

Chair Neal presented the Comprehensive Fiscal Year 2025-2026 Budget as outlined in the memo dated September 9, 2024, from Mr. Trent Ridley, Chief Finance Officer, as found in the board packet. Mr. Neal brought to the Board a recommendation from the Audit and Budget and Bond Finance Committees, in the form of a motion and a second, to approve the Comprehensive Fiscal Year 2025-2026 Budget. Upon vote by the full Board, the motion to approve the Comprehensive Budget was carried.

Chair Neal recognized Mr. Eric Alexander, Director of Multifamily Programs to present the 2025 Qualified Allocation Plan as found in the memo dated September 9, 2024, from himself and Chief Program Officer Don Watt, as found in the board packet. Mr. Alexander highlighted the changes from last year's plan and comments from the public regarding the plan. Upon motion by Mr. Joyce and a second by Mr. Dixon, the motion to approve the 2025 Qualified Allocation Plan was carried.

After the vote, Mr. Alexander introduced the essential elements of an amendment to the 2025 Qualified Allocation Plan regarding the role of 'Aggregators' in Housing Credit Developments. He also noted that there would be an opportunity for public input regarding the Amendment before it came before the Board in November.

Chair Neal recognized Mr. Ralph Perrey, THDA's Executive Director, to present a sustaining grant to United Housing, Inc. for the CONVERGENCE-Memphis initiative, as outlined in the memo dated September 9, 2024, from himself, as found in the board packet. Mr. Perrey highlighted that this grant was similar to the sustaining grant THDA provides Habitat for Humanity of Tennessee. Upon motion by Mr. Miller and a second by Ms. Akbari, the motion to approve the sustaining grant was carried.

Chair Neal again recognized Mr. Ralph Perrey, THDA's Executive Director, to present a grant to the Memphis Metropolitan Land Bank Authority in support of the CONVERGENCE- Memphis initiative, as outlined in the memo dated September 9, 2024, from himself, as found in the board packet. Mr. Perrey highlighted that this grant would help the land bank to purchase property for blight removal and new affordable housing construction. Upon motion by Mr. Miller and a second by Mr. Springer the motion to approve the grant was carried.

Noting that all action items for the Board were completed, Chair Neal pointed out informational award letters provided to the Board in the Annex.

With no further business, the meeting was adjourned at 11:52 AM CT.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 19th day of November 2024

Draft



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors
FROM: Lindsay Hall, Chief Operating Officer of Single Family Programs
SUBJECT: Updated GNMA 11702 form authorization
DATE: November 4, 2024

Recommendation

When there is any change to the Staff listed on the GNMA 11702 form, THDA is required to make the appropriate change and request permission by the board to provide the following authorization as required by Ginnie Mae:

- To provide Ginnie Mae with a Resolution of an applicant's or issuer's Board of Directors authorizing the issuance of Ginnie Mae MBS and the names and genuine signatures of individuals authorized to act on behalf of the applicant or issuer in connection with Ginnie Mae MBS as provided in the 11702 forms for both issuer numbers 4446 and 4447.

Key Points

The staff signatures and titles provided include all Directors in the Single Family Programs divisions, the COO of Single Family, the CFO, the CLO, the Director of Finance, the Comptroller, the Capital Markets Administrator and the Assistant Director of Loan Servicing. The date must be recorded when the Board approves the authorized signatories.

Background

THDA will be adding Michell Bosch, THDA's new CFO therefore requiring a change in signatories on the GNMA 11702.

Resolution of Board of Directors and Certificate of Authorized Signatures

U.S. Department of Housing
and Urban Development
Government National Mortgage Association

OMB Approval No. 2503-0033 (Exp. 04/30/2026)

(Please type all entries)

Public reporting burden for this collection of information is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a current OMB control number.

Ginnie Mae is authorized to collect the information on this form as required by Section 306(g) of the National Housing Act and/or the Ginnie Mae Handbook, 5500.3, Rev. 1. Ginnie Mae maintains this information to ensure that the persons identified below perform in accordance with acceptable business standards. The information collected will not be disclosed outside the Department except as required by law.

Name of Issuer	TENNESSEE HOUSING DEVELOPMENT AGENCY	Issuer ID Number	4446
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Resolved First, that

Name and Title of Officer Steve Fisher , Director of Capital Markets	Signature
Name and Title of Officer Trebja Johns , Director of Mortgage Loan Servicing	Signature
Name and Title of Officer Heather Johnson , Assistant Director of Mortgage Loan Servicing	Signature
Name and Title of Officer Rhonda Ronnow , Director of Single Family Loan Operations	Signature
Name and Title of Officer Lindsay Hall , Chief Operating Officer of Single Family Programs	Signature
Name and Title of Officer Wayne Beard , Director of Finance	Signature
Name and Title of Officer Bruce Balcom , Chief Legal Counsel	Signature
Name and Title of Officer Langston Glass , Capital Markets Administrator	Signature

of this corporation, or any one or more of them, be and each of them is hereby authorized and empowered in the name of and on behalf of this corporation and under its corporate seal, from time to time while these resolutions are in effect, to execute and deliver to the Government National Mortgage Association, in the form prescribed by said Association, with respect to the issue(s) by this corporation, under Section 306(g) of the National Housing Act and the Regulations pertaining thereto, of mortgage-backed securities to be guaranteed by the Association, any documents required to: (a) make applications to Ginnie Mae in the name of and on behalf of this corporation for approval to become an issuer and for Ginnie Mae commitments to guarantee such mortgage-backed securities issued by this corporation; (b) enter into contracts with Ginnie Mae for the latter's guaranty of mortgage-backed securities issued in accordance with the terms and conditions of commitments to guarantee, issued by the Association to this corporation; (c) merge mortgage notes, deeds of trust and bonds now owned or hereafter acquired by this corporation into pools or loan packages, against which this corporation may issue mortgage-backed securities; (d) enter into any agreements, execute any documents or papers, and furnish any information required or deemed necessary or proper by the Association in connection with any of the foregoing; and (e) abide by all the terms and conditions set forth in the Ginnie Mae Mortgage-

Resolved Second, that the above named officers, be and they are hereby authorized and empowered in their discretion and as occasion may arise to receive and endorse the name of this corporation on any checks or drafts representing the proceeds from collections made by servicers of mortgages pertaining to pools or loan packages, and to issue and sign any checks or drafts issued to pay to the security holders their pro rata shares in these proceeds, and to do and perform any and all acts and to execute any and all additional instruments or agreements, from time to time, in the name of and on behalf of this corporation under its corporate seal or otherwise, deemed necessary or proper by the Association in connection with the formation of mortgage pools or loan packages, the issuance of mortgage-backed securities, the guaranty of mortgage-backed securities by the Association and the discharge of the duties and obligations of this corporation, as issuer, until the proceeds of the last maturing mortgage in any pool or loan package is remitted to registered security holders.

Resolved Third, that any contracts or agreements heretofore made said Association on behalf of this corporation, and all acts of officers or agents of this corporation in connection with any contracts to be entered into for the guaranty by the Association of mortgage-backed securities to be issued by this corporation are hereby ratified and confirmed.

Resolved Fourth, that Ginnie Mae is authorized to rely upon the aforesaid resolution until receipt by it of written notice thirty days in advance of any proposed change therein.

Resolution of Board of Directors and Certificate of Authorized Signatures

U.S. Department of Housing
and Urban Development
Government National Mortgage Association

OMB Approval No. 2503-0033 (Exp. 04/30/2026)

(Please type all entries)

Public reporting burden for this collection of information is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a current OMB control number.

Ginnie Mae is authorized to collect the information on this form as required by Section 306(g) of the National Housing Act and/or the Ginnie Mae Handbook, 5500.3, Rev. 1. Ginnie Mae maintains this information to ensure that the persons identified below perform in accordance with acceptable business standards. The information collected will not be disclosed outside the Department except as required by law.

Name of Issuer	TENNESSEE HOUSING DEVELOPMENT AGENCY	Issuer ID Number	4446
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Resolved First, that

Name and Title of Officer Michell Bosch , Chief Financial Officer	Signature
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Name and Title of Officer Damon Pallay , Assistant Chief Financial Officer - Controller	Signature
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Name and Title of Officer	Signature
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Name and Title of Officer	Signature
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Name and Title of Officer	Signature
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Name and Title of Officer	Signature
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Name and Title of Officer	Signature
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Name and Title of Officer	Signature
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of this corporation, or any one or more of them, be and each of them is hereby authorized and empowered in the name of and on behalf of this corporation and under its corporate seal, from time to time while these resolutions are in effect, to execute and deliver to the Government National Mortgage Association, in the form prescribed by said Association, with respect to the issue(s) by this corporation, under Section 306(g) of the National Housing Act and the Regulations pertaining thereto, of mortgage-backed securities to be guaranteed by the Association, any documents required to: (a) make applications to Ginnie Mae in the name of and on behalf of this corporation for approval to become an issuer and for Ginnie Mae commitments to guarantee such mortgage-backed securities issued by this corporation; (b) enter into contracts with Ginnie Mae for the latter's guaranty of mortgage-backed securities issued in accordance with the terms and conditions of commitments to guarantee, issued by the Association to this corporation; (c) merge mortgage notes, deeds of trust and bonds now owned or hereafter acquired by this corporation into pools or loan packages, against which this corporation may issue mortgage-backed securities; (d) enter into any agreements, execute any documents or papers, and furnish any information required or deemed necessary or proper by the Association in connection with any of the foregoing; and (e) abide by all the terms and conditions set forth in the Ginnie Mae Mortgage-

Resolved Second, that the above named officers, be and they are hereby authorized and empowered in their discretion and as occasion may arise to receive and endorse the name of this corporation on any checks or drafts representing the proceeds from collections made by servicers of mortgages pertaining to pools or loan packages, and to issue and sign any checks or drafts issued to pay to the security holders their pro rata shares in these proceeds, and to do and perform any and all acts and to execute any and all additional instruments or agreements, from time to time, in the name of and on behalf of this corporation under its corporate seal or otherwise, deemed necessary or proper by the Association in connection with the formation of mortgage pools or loan packages, the issuance of mortgage-backed securities, the guaranty of mortgage-backed securities by the Association and the discharge of the duties and obligations of this corporation, as issuer, until the proceeds of the last maturing mortgage in any pool or loan package is remitted to registered security holders.

Resolved Third, that any contracts or agreements heretofore made said Association on behalf of this corporation, and all acts of officers or agents of this corporation in connection with any contracts to be entered into for the guaranty by the Association of mortgage-backed securities to be issued by this corporation are hereby ratified and confirmed.

Resolved Fourth, that Ginnie Mae is authorized to rely upon the aforesaid resolution until receipt by it of written notice thirty days in advance of any proposed change therein.

Certification.

I Hereby Certify that the foregoing is a true and correct copy of a resolution presented to and adopted by the Board of Directors of
TENNESSEE HOUSING DEVELOPMENT AGENCY

at a meeting duly called and held at 312 Rosa L. Parks Avenue, Nashville, TN, 37243

on the 19th day of NOV, 2024, at which a quorum was present and voted, and that such resolution is duly recorded in the minute book of this corporation; that the officers named in said resolution have been duly elected or appointed to, and are the present incumbents of, the respective offices set after their respective names. I also certify that the signatures set opposite the officers' names are true and genuine specimens of the officers' respective signatures.

In Witness Whereof, I have hereunto signed my name and affixed the seal of this corporation.

(seal) Jason Mumpower
Secretary

I, Lindsay Hall Chief Operating Officer of Single Family
Name of Officer Title of Officer

of TENNESSEE HOUSING DEVELOPMENT AGENCY,
Name of Institution

in 502 Deaderick St., Nashville, TN, 37243 hereby certify
Location of Institution

Jason Mumpower is duly qualified and acting
Name of Secretary

of TENNESSEE HOUSING DEVELOPMENT AGENCY
Name of Institution

and that the signature appearing above is his/her genuine signature.

In Witness Whereof, I have hereunto signed my name

Date

Officer Signature



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: Tennessee Housing Development Agency Board of Directors

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

SUBJECT: 2025 HOME Homeowner Rehabilitation Program Description

DATE: November 4, 2024

Recommendation:

Staff recommends that the Tennessee Housing Development Agency (“THDA”) Board of Directors (“Board”) consider and approve the following:

- Adoption of the attached proposed 2025 HOME Homeowner Rehabilitation Program Description as attached (“Program Description”);
- Authorization of the Executive Director or a designee to award 2025 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, by Grand Division, 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.



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Substantial Changes:

The changes proposed for the 2025 HOME Homeowner Rehabilitation Round Program Description include:

- Revised the program name to Homeowner Rehabilitation to better represent the program activity.
- Revised program allocation amount to state in terms of an initial sub-allocation of available HOME funds to provide one-third of the funding to each of Tennessee’s three Grand Divisions in the initial ranking. Funds will be awarded by Grand Division until all funded for each Division are exhausted. If any funds are still available after the first round of awards, they will be awarded to applications ranked by next highest score across all divisions until all eligible applications have been awarded or all available funds have been exhausted.
- Bonus Points were added for projects in rural areas to assure a well-balanced distribution between urban and rural areas across Tennessee.
- Updated Program Subsidy Limits.
- Added Build America Buy America (BABA) requirements.
- Re-enforced monitoring of all HOME grants added, with the responsibility of monitoring being assigned to THDA’s Compliance and Asset Management Division to take place throughout the period of grant implementation.

To view full documentation, please click here.



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TENNESSEE HOUSING DEVELOPMENT AGENCY

HOME PROGRAM FOR FISCAL YEAR 202~~54~~⁵³

HOMEOWNER REHABILITATION PROGRAM DESCRIPTION

The Tennessee Housing Development Agency (“THDA”) administers the federally funded HOME Investment Partnership Program (“HOME”) to promote the production, preservation, and rehabilitation of single-family housing for low-income households. The purpose of this Program Description is to explain the requirements and the application process of THDA’s HOME Homeowner Rehabilitation Program.

HOME funds are awarded under this Program Description through a competitive application process to cities, counties, and non-profit organizations that are located outside of local participating jurisdictions. Local participating jurisdictions (“Local PJs”) are those local governments that also receive HOME funds directly from the United States Department of Housing and Urban Development (“HUD”). The Local PJs in Tennessee are Clarksville, Chattanooga, Jackson, Knoxville, Memphis, Nashville- Davidson County, Knox County, Shelby County, and the Northeast Tennessee/Virginia Consortium (the cities of Bristol, Kingsport, Johnson City, Bluff City, Sullivan County, and Washington County, excluding the Town of Jonesborough). Non-profit organizations located in a Local PJ may apply for projects located outside of a Local PJ. An applicant must apply for at least \$250,000.00 and may apply for a maximum HOME grant of ~~\$700,000~~750,000.00 for funding under this Program Description.

The application period for the Homeowner Rehabilitation Program will open on Thursday, January 16, 2025. Applications ~~for the HOME program~~ must be received by THDA on or before ~~4:00~~4:00 PM ~~CDT~~CST on Friday, ~~February~~March ~~28~~28, 202~~54~~⁵⁴. THDA anticipates notifying successful applicants by ~~June 9~~May 30, 202~~54~~⁵⁴. ~~HOME~~ contracts for applicants funded under the Urban or Rural Homeowner Rehabilitation Matrices Program will begin July 1, 202~~54~~⁵⁴ and will end June 30, 202~~87~~⁸⁷.

This Program Description and application instructions ~~and the application link~~ are available on THDA’s website at <https://thda.org/government-nonprofit-partners/home-program>. ~~www.thda.org. Once at the THDA website, click on PROGRAMS. The HOME program link is listed under PROGRAMS FOR LOCAL GOVERNMENT & NONPROFIT PARTNERS. Click on HOME for the link to the 20243 HOME Program Description, application and the application attachments.~~ If you have questions, please contact Aaron Toran at (615) 815-2037 or AToran@thda.org.

The HOME Program

The HOME program is governed by 24 C.F.R. 92, as amended. Those regulations are incorporated herein by this reference. In cases of conflicting requirements, the more stringent requirement will apply.

A. ELIGIBLE APPLICANT REQUIREMENTS

1. THDA will accept applications under this Program Description from:
 - a) Cities, counties, and private, non-profit organizations that are located outside of Local PJs; and
 - b) Private, non-profit organizations located in a Local PJ, if the non-profit is applying ~~for~~ to implement projects located outside of a Local PJ.
2. Non-profit Requirements. Non-profit applicants must:
 - a) Meet one of the two following criteria:
 - 1) Must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date); or
 - 2) Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of State dated no more than thirty (30) days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State dated no more than thirty (30) days prior to the application date).
 - b) Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status;
 - c) Demonstrate at least two (2) years of experience providing affordable housing or affordable housing related services in the state of Tennessee satisfactory to THDA in its sole discretion;
 - d) Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;
 - e) Have among its purposes, the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of housing to low-income households; and,
 - f) Have standards of financial accountability that conform to 2 CFR Part 200, Uniform Administrative Requirements, Audit Requirements and Cost Principles.
3. Applicants with Past HOME Grants from THDA.
 - a) Applicants with ~~open~~ past HOME grants from THDA under the HOME Urban/~~or~~ Rural Matrices Program must have expended, or submitted an official Request for Payment Form with supporting documentation to THDA by ~~April~~ February 28, 202~~9~~4 for, the percentage of grant

funds specified below per grant year:

HOME GRANT YEAR	SPEND DOWN REQUIREMENT
1992 – <u>2021 Any Round</u>	100%
<u>2022</u> Urban or Rural Rounds	75%
<u>2023</u> Urban or Rural Rounds	50%
<u>2023</u> 4 Urban or Rural Rounds	25%

b) ALL applicants with past HOME grants from THDA, from any THDA HOME Urban/Rural Program round closed in the last three years, that failed to spend a minimum of 100% ~~of any previous HOME~~ of the awarded grant award fund within the term of the applicable HOME contract, including approved extensions, will have a point deduction from their application scoring based on the cumulative amount of funds not spent in the specified period. The amount number of points to be deducted from the applicant’s final score can be found in Ssection 97 of the Urban Rural this Program Description. ~~be ineligible to apply for any additional HOME grants for a period of three years following the termination of the grant contract.~~

b)c) Applicants must demonstrate a need for the HOME funds. Applicants must be in compliance with all other THDA programs in which the applicant participates and must have no outstanding findings under any THDA program.

B. ALLOCATION OF FUNDS

1. HOME funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. The amount of the 2025 Allocation is currently unknown until there is an approved federal budget; however, THDA anticipates an award equivalent to the 2024 allocation of approximately \$12.4M. THDA will initially set aside up to 10% of its total allocation for administrative and planning purposes, 20% for its CHDO set aside, and up to 5% for CHDO Operating Expenses.

+2. THDA will make approximately 50% \$5,000,000 of its 2025~~4~~ HOME allocation available, after all set asides described above, for the 2025~~4~~ HOME Urban and Rural Homeowner Rehabilitation Round and an amount equal to 8% \$325,00 of each grantee’s award from the administrative set aside towards grantee administrative expenses. Additionally, THDA may make available any unallocated or returned funds ~~funds that are either returned or leftover~~ from the 2024~~3~~ or earlier funding rounds, as determined at the time of award in May 2025~~4~~.

2.3. THDA~~2025~~~~43~~ HOME funds will initially set aside one--third of the amount made available for the Homeowner Rehabilitation Program to be awarded to eligible applicants from each of Tennessee’s three Grand Divisions, starting with the highest scoring, eligible application first and then in order as ranked from highest to lowest eligible score for each Grand Division. If any funds are left over

~~after all eligible applicants from a specific Grand Division have been funded, the remaining eligible applications for all Grand Divisions will be ranked by score, highest to lowest, and funded in order of next highest score until all remaining funds have been expended. ~~be allocated for eligible projects in both Urban and Rural areas of Tennessee outside of a Local PJ. The Urban allocation is 45% of this the available funding amount or \$2,250,000<<Amount>> and the rural allocation is 55% or \$2,750,000<<Amount>>. The percentages are based on the low income population in the designated urban and rural counties.~~~~

~~a) Urban. The urban areas include the following counties: Anderson, Bedford, Blount, Bradley, Carter, Coffee, Dyer, Gibson, Hamblen, Hamilton, Hamblen, Hawkins, Haywood, Loudon, Madison, Maury, McMinn, Montgomery, Putnam, Roane, Robertson, Rutherford, Sevier, Sumner, Unicoi, Williamson, and Wilson. However, the urban areas do not include the low-income populations of the Local PJs of Chattanooga, Clarksville, Jackson, Knox County, Knoxville, Memphis, Metropolitan Nashville Davidson County, Shelby County, Sullivan County, and Washington County, excluding the Town of Jonesborough.~~

~~b) Rural. All other counties are considered Rural.~~

~~3.4. Scoring. THDA will score, rank, and fund ~~urban and rural~~ applications separately, by Grand Division.~~

~~a) Minimum Threshold. To be considered for funding, an application must receive a minimum threshold score of 60, an amount equal to 60% of the total points available under the ~~urban and rural~~ Homeowner Rehabilitation matrices ~~matrix~~. Applications that do not meet the threshold score will not be considered for funding.~~

~~b) Ranking. Applications will be ranked in descending order. HOME funds will be awarded from the highest scoring application to the lowest scoring application until all funds are awarded or until the lowest scoring application above the minimum threshold score is funded. Should an insufficient number of applications receive the minimum threshold score to award all funds under either the urban or rural matrix, THDA may re-allocate any the remaining ~~f~~ funds, after all eligible applicants have been funded, to the other matrix if there are eligible applicants available or to other HOME activities if no additional qualified, eligible applicants are available from either the Homeowner Rehabilitation round.~~

~~c) County Limit. No county may receive a combined total of more than \$1,000,000.00. If the amount requested from successful applicants within the same county would exceed this limit, each applicant's grant will be reduced proportionately until the limit is met. ~~The THDA Board of Directors~~ may award less than ~~\$250,000.00~~ 500,000 should there be more than ~~three~~ three successful applicants from the same county.~~

~~d) In the event of a tie score, by Grand Division, THDA will select the application with the highest Need score and then, if a tie still remains, the application with the highest Not Proportionally Served score.~~

4.5. Funding Requirements:

- a) HOME awards will be in the form of a reimbursement grant via a grant contract (“Written Agreement”) between THDA and the Grantee.

The Grantee must also enter into a Written Agreement with the homeowner obligating funds to a specific site address.

The Grantees must have the beneficiary execute a note and execute and record a deed of trust and restrictive covenants in favor of THDA to secure the award (the “Legal Documents”).

- b) THDA may require a Grantee ~~s must to~~ repay any HOME funds expended on projects that do not result in a qualified HOME unit or are not completed and ready for occupancy ~~by within 3 years~~ 4 years of the ~~End Date~~ of the ~~Written Agreement~~ Grant Contract, which serves as the HOME required written agreement between THDA and the Grantee. Grantees may also be required to repay HOME funds if there is a default under the ~~Working Agreement~~ Grant Contract or ~~Legal Documents~~ other contracts used to secure funds or restrict a property.
- c) Commitment Requirement. A Grantee that receives an allocation of funds must commit 100% of those funds to specific units by April 30, 2027~~6~~. Failure to meet this deadline may result in a reduction of the grant award to the amount of funding committed at such deadline.

C. ELIGIBLE ACTIVITY REQUIREMENTS

1. The only eligible activity under the 202~~5~~43 ~~Urban/Rural~~ Homeowner Rehabilitation Round is Homeowner Rehabilitation, including reconstruction. All projects must address the housing needs of low-income households.
2. The value of the HOME-assisted property after rehabilitation must not exceed ~~the 95 percent of the median purchase price for~~ HUD’s published property value limit for the area.
3. If the proposed HOME investment for hard construction costs for a unit to be rehabilitated exceeds 75% of the after rehabilitation ~~appraised value~~, determined by a method approved by THDA, of the unit, the unit must be reconstructed.
 - a) THDA may waive this requirement, in its sole discretion, and allow the unit to be rehabilitated.
 - b) Hard construction costs exclude costs for building inspections, lead-based paint inspections, energy related inspections, and work write-ups, but include all remaining costs associated with addressing lead-based paint hazards for the unit.
4. “Reconstruction” is defined as the rebuilding, on the same lot, of housing standing on a site at the time of project commitment, except that housing that was destroyed by a disaster may be rebuilt on the same lot if HOME funds are committed within 12 months of the date of destruction. The number of housing units on the lot may not be decreased or increased as part of a reconstruction project. However, the number of rooms per unit may be increased or decreased depending upon the needs and the size of the household. The reconstructed housing must be substantially similar to the original housing unit. All debris and demolition associated with the reconstruction of the home must be

properly disposed. All reconstructed housing will have a compliance period of 15 years.

5. Assisted units must meet one of the following three housing types:
 - a) Stick-built single-family (1-unit structure) residence sited on a lot owned by the homeowner;
 - b) Manufactured housing built in conformance with 24 CFR 3280.2 and must, at the time of project completion, be connected to permanent utility hook-ups, affixed to a permanent foundation, and sited on land that is owned by the homeowner. Manufactured housing must be reconstructed; or
 - c) Modular built in conformance with State of Tennessee Modular Building Program established under the authority of the Tennessee Code Annotated 68-126-301 as implemented by the Tennessee Department of Commerce and Insurance and in accordance with the Property Standards requirements outlined in Section H.5 of this program description. Additionally, the unit must be on a lot owned by the homeowner.
6. Emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and dormitories, including those for farm workers or housing for students are not eligible housing types.

D. PROHIBITED ACTIVITIES

HOME funds under this Program Description ~~awarded under the Urban/Rural Homeowner Rehabilitation Round~~ may not be used to:

1. Provide project reserve accounts, or operating subsidies;
2. Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;
3. Provide non-federal matching contributions required under any other Federal program;
4. Provide assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);
5. Carry out activities authorized under 24 CFR Part 968 (Public Housing Modernization);
6. Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages);
7. Provide assistance to a project previously assisted with HOME funds during the period of affordability established by HUD or THDA in the written agreement. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the HUD maximum per-unit subsidy amount;
8. Pay for any cost that is not eligible under 24 CFR 92.206 through 92.209;

9. Provide HOME funds for rental housing projects;
10. Provide HOME funds for the new construction or rehabilitation of homes for sale to low- and moderate-income homebuyers; or
11. Provide assistance for a homeowner rehabilitation project by a CHDO from the 15% CHDO set-aside. A CHDO funded through the 15% CHDO set-aside can only participate in the HOME program if they are the owner and developer of a project.

E. FORM OF ASSISTANCE TO HOMEOWNERS

Grantees must provide assistance to eligible homeowner beneficiaries as forgivable, zero interest grant loans that are completely forgiven at the expiration of the applicable compliance period, as long as the homeowner adheres to the grant conditions for the duration of the compliance period.

F. COMPLIANCE PERIODS

1. Homeowner rehabilitation projects that do not include reconstruction, where the hard construction costs are equal to or less than 75% of the after rehabilitation appraised value of the unit, have a compliance period of five (5) years with a forgiveness feature of 20% annually.
2. Homeowner rehabilitation projects that do not include reconstruction, where the hard construction costs are greater than 75% of the after rehabilitation appraised value of the unit, have a compliance period of fifteen (15) years with a forgiveness feature of 6.67% annually.
3. Homeowner rehabilitation projects that include reconstruction have a compliance period of fifteen (15) years with a forgiveness feature of 6.67% annually.
4. In order to enforce the applicable Compliance Period, THDA will require that grant recipients obtain a grant note and a recorded deed of trust executed by the homeowners.
5. If a homeowner dies during the Compliance Period, the property may be inhabited by heirs or the heirs may rent out the property without repaying the unforgiven portion of the HOME subsidy to THDA. However, if the house is sold by the heirs during the Compliance Period, the remaining unforgiven portion must be repaid to THDA.

G. LAYERING

Before ~~THDA~~ the Grantee can commit HOME funds, it must evaluate each project proposed to determine that the proposed amount of HOME funds needed to complete the project is necessary to provide a quality affordable housing project that meets the HOME Program requirements, ~~and will remain financially viable~~ including serviceability of all major systems, throughout the Compliance Period. Layering is the combining of more than one governmental resource on a HOME-assisted project.

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

2. THDA will evaluate the project in accordance with its underwriting and subsidy layering guidelines.

H. MATCH

For the FY 202~~543~~ HOME [Homeowner Rehabilitation](#) Program, THDA will continue to provide the required federal match for projects submitted under the [Urban/Rural Homeowner Rehabilitation](#) Round. Although no local match is required, THDA will award points based on the contribution of eligible match reflected in an application as specified in the scoring matrix. THDA will count any non-federal project funds or other resources reflected in successful applications that qualify as match under the HOME rule toward the match requirement.

HOME match is permanent, non-federal contributions to a project. THDA will monitor the contribution of match throughout the implementation of the grant. Matching contributions may be in the form of one or more of the following:

1. Cash contributions not provided by the assisted household and not from a federal source, including the present value of the interest subsidy for loans made at rates below market.
2. Reasonable value of donated site-preparation and construction materials when passed on as a final benefit to the project.
3. Reasonable rental value of the donated use of site preparation or construction equipment when passed on as a final benefit to the project.
4. Waived fees and taxes.
5. Property donation or below-market sale. A copy of the appraisal and/or purchase contract must be submitted. The donor/seller of the property must also provide a statement certifying that the property was donated or sold for affordable housing purposes and an acknowledgment that the donor/seller received the URA Guide Form Notice Disclosure to Seller, as well as the HUD booklet entitled, "When a Public Agency Acquires Your Property." If the property was originally acquired with federal funds, the value of the property is not match eligible.
6. The direct cost of donated, compliant home buyer counseling services provided to families that acquire properties with HOME funds under the provisions of 24 CFR 92.254, including on-going counseling services provided during the period of affordability. Counseling may not be valued at more than \$40 per hour.
7. Reasonable value of donated or volunteer labor or professional services. Unskilled volunteer labor may not be valued at more than \$10 per hour; skilled volunteer labor may be valued at the documented going rate. Must result is a permanent benefit to the project.
8. Value of sweat equity may also be eligible only if every assisted household under the HOME grant award is required to perform sweat equity. Sweat equity may not be valued at more than \$10 per hour.

9. Other match sources as permitted under the HOME Final Rule.

I. LEVERAGE

~~Leverage is a contribution of value in the form of cash, materials, or labor in a pre-approved form and method toward the hard development costs of a project. Leverage must be in the form of contributions to the project's hard development costs.~~

- ~~1. In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the applicant and grants from other sources. The value of land acquired through non-HOME resources may be counted as leverage when the appraised value is documented and proof of ownership at the time of application is demonstrated. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage when properly documented. Administrative funds, anticipated fund-raising revenues and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. All proposed leverage must be thoroughly supported by appropriate back-up documentation, including firm commitment letters, award letters, and warranty deeds.~~
- ~~2. The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the project. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.~~

J. INCOME LIMITS

HOME funds may only be used to benefit low-income households. "Low-income households" means an individual or household whose income does not exceed 80% of the area median income, adjusted for household size.

THDA encourages the targeting of HOME resources for homeowner rehabilitation activities to very low-income households. "Very low-income household" means a household whose income does not exceed 50% of the area median income, adjusted for household size.

The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other household member residing in the home. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Current limits are posted online at: thda.org/government-nonprofit-partners/home-program. Median income for an area or the state shall be that median income estimate made by HUD. Median incomes change when HUD makes revised estimates.

K. AFFORDABILITY PERIOD

There will be an affordability period of five years, secured by a Note and Deed of Trust between the grant recipient and the homebuyer. The HOME loan is forgiven at the end of the fifth year if the unit remains in compliance with HOME requirements. This means that the property remains the primary residence of the initial homebuyer and is not leased or vacated; and if the property is sold or transferred at the end of the affordability period, the home buyer has complied with these recapture provisions. If the unit is sold or transferred during the affordability period, the amount of HOME subsidy subject to recapture will be reduced by twenty percent (20%) per year of occupancy by the initial homebuyer. If the unit is leased or vacated during the affordability period, the entire HOME subsidy must be repaid to THDA by the Grantee.

Application of Forgiveness Feature. Once the net proceeds are determined from the sale of the property, the grant recipient shall reduce the amount due based on the length of time the homebuyer has occupied the home in relation to the affordability period.

Amount subject to recapture. The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the homebuyer to rehabilitate the housing unit.

- a. After the full HOME investment has been repaid, any excess profits will belong to the homeowner.

L. J. LEVEL OF SUBSIDY

The ~~current~~ maximum HOME investment per unit is provided below:

MINIMUM DOLLARS	HOME	\$ 1,000	PER UNIT
MAXIMUM DOLLARS	HOME	\$ 149,815 <u>9,75836,3</u> <u>16</u>	0-BEDROOM (EFFICIENCY) LIMIT
		\$137,349 <u>48,74856,</u> <u>036</u>	1-BEDROOM LIMIT
		\$167,020 <u>80,8829,7</u> <u>45</u>	2-BEDROOM LIMIT
		\$216,250 <u>4,00445,4</u> <u>70</u>	3-BEDROOM LIMIT
		\$237,177 <u>56,86269,</u> <u>447</u>	4-BEDROOM OR MORE LIMIT

Periodically, THDA may update these limits pending approval from HUD. Updated limits will be effective for all activities in which the written agreement for the activity is entered into after the effective date for the limits issued by HUD. These updates will be posted on THDA’s web site at

M.K. AFTER REHABILITATION PROPERTY VALUE

The maximum after rehabilitation value permitted for the type of single-family housing (1-4 family residence, condominium, cooperative unit,) shall not exceed 95% of the median purchase price for the area as established by HUD. **Property Value Limits – Existing Homes HOME Purchase Price** are posted online at <https://thda.org/government-nonprofit-partners/home-program>

N.L. PROPERTY STANDARDS

1. Property standards must be met when HOME funds are used for a project. All housing rehabilitated or reconstructed with HOME funds must meet all applicable local, county and state codes, rehabilitation standards, ~~Uniform Physical Condition Standard~~ ~~HUD prescribed design and neighborhood standards (UPCS)~~, and zoning ordinances, and HUD's National Standards for the Physical Inspection of Real Estate (NSPIRE) -at the time of project completion. In the absence of a local code, the reconstruction of single-family units will be treated as new construction and must meet the current, State-adopted edition of the International Residential Code for One- and Two- Family Dwellings. The reconstructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc. Rehabilitation of existing single-family units must meet the current, State-adopted edition of the International Existing Building Code.
2. HOME-funded units must also conform to the THDA Minimum Design Standards for New Construction and Rehabilitation of Single Family and Multifamily Units, as applicable. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness prior to the project being put ~~putting the project~~ out to bid.
3. Additional design standards include:
 - a) Energy Code. Reconstructed units must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.
 - ~~b) Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, reconstructed units must be Energy Star qualified as certified by an independent Home Energy Rating System ("HERS") rater.~~
 - b) _____
 - c) Modular Housing must be certified by the state of Tennessee.
 - d) Section 504. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.
- ~~3.~~ 4. Units assisted with HOME funds must require at least \$1,000 of rehabilitation work to bring the unit into compliance with the applicable codes. Housing units that cannot be brought up to the applicable code using the maximum grant funds are ineligible.

4. 5. Housing Rehabilitation Costs and Lead-based Paint. If a unit to be rehabilitated was built after 1978, the rehabilitation costs are capped by the HOME subsidy limit. All units built prior to 1978 will require a risk assessment by a qualified lead inspector. If the risk assessment of a pre-1978 unit discloses no lead, then the cap for rehabilitation costs will be the HOME subsidy limit. If the risk assessment for a pre-1978 unit reveals the presence of lead-based paint and the estimated rehabilitation costs are less than \$25,000, then standard treatments will apply and the HOME subsidy for rehabilitation is limited to \$25,000. If the risk assessment reveals the presence of lead-based paint and the estimated rehabilitation costs exceed \$25,000, then abatement will be required by a qualified abatement contractor to provide rehabilitation assistance up to the HOME subsidy limit.

Each housing type must also meet all applicable requirements as identified in this program description. Priority should be given to the Uniform Property Condition Standards (UPCS) Checklist deficiencies identified during the initial inspection. Level 3, 2, and 1, respectively, rate the severity of the item needing the repair, including, but not limited to: roofs, HVAC systems, electrical systems, plumbing systems, foundation problems, water supply issues, exterior painting to maintain the structure, and limited interior painting. The structure must exhibit at least one code violation as revealed by the initial code inspection to be eligible for assistance.

O.M. UNIVERSAL DESIGN/VISITABILITY

THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the housing that is constructed or rehabilitated with federal HOME funds.

Universal design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:

- Make the unit usable by the greatest number of people;
- Respond to the changing needs of the resident; and
- Improve the marketability of the unit

The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:

- Stepless entrances.
- Minimum ~~5'~~ 5' level clear space inside and outside entry door, [as defined by the American with Disabilities Act](#).
- Broad blocking in walls around toilet, tub and shower for future placement of grab bars.
- Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
- Front mounted controls on all appliances.
- Lever door handles.
- Loop handle pulls on drawers and cabinet doors.

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <http://www.ncsu.edu/ncsu/design/cud/index.htm>.

Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:

- One zero-step entrance.
- Doors with 32 inches of clear passage space.
- One bathroom on the main floor that is accessible to a person using a wheelchair.

More information on Visitability can be found at: <http://www.visitability.org>.

P.N. EQUAL OPPORTUNITY AND FAIR HOUSING

No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:

Fair Housing Act 24 CFR Part 100

Executive Order 11063, as amended 24 CFR Part 107 (Equal Opportunity in Housing)

Title VI of the Civil Rights Act of 1964 24 CFR Part 1 (Nondiscrimination in Federal programs)

Age Discrimination Act of 1975 24 CFR Part 146

Section 504 of the Rehabilitation Act of 1973 24 CFR Part 8

Section 109 of Title I of the Housing and Community Development Act of 1974

Title II of the Americans with Disabilities Act 42 U.S.C. §12101 *et seq.*

Equal Access to Housing in HUD Programs Regardless of 24 CFR Parts 5, 200, 203, Sexual Orientation or Gender Identity 236, 400, 570, 574, 882, 891 and 982

Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135

- Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.
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Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)

Executive Order 11625, as amended (Minority Business Enterprises)

Executive Order 12432, as amended (Minority Business Enterprise Development) Executive Order 12138, as amended (Women’s Business Enterprise)

- Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA.

The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:

Architectural Barriers Act of 1968 at 42 U.S.C. § 4151 *et seq.*

Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)

Executive Order 12898

Executive Order 13166 (Limited English Proficiency)

Executive Order 13217
(Community-based living arrangements for persons with disabilities)

In addition to the above requirements, the PJ and local programs must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with its current Consolidated Plan.

~~Q. SITE AND NEIGHBORHOOD STANDARDS~~

~~Housing provided through the HOME program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities. Grantees must ensure that the proposed activity does not allow or promote segregation on the basis of race, disability or income.~~

O. BUILD AMERICA BUY AMERICA ACT

The Build America, Buy America Act (BABA) was enacted as part of the Infrastructure Investment and Jobs Act on November 15, 2021, and established a domestic content procurement preference applicable to all HOME funded activities obligated for infrastructure projects, including housing construction and rehabilitation.

BABA requires that all iron, steel, manufactured products, and construction materials used for federally funded infrastructure projects are produced in the United States, unless otherwise exempt or subject to an approved waiver. This requirement is known as the “Buy America Preference (BAP)” and the specific requirements are codified in 2 C.F.R. §-184.

Implementation guidance for all HOME funded projects is found in HUD Notice CPD-2023-12.

R. ENVIRONMENTAL REVIEW

In implementing the HOME program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58, [as amended](#).

THDA, as the Participating Jurisdiction, and the units of local government receiving HOME funds from THDA will be responsible for carrying out environmental reviews. THDA will approve the release of funds for local governments and must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews. HOME funds and any other funds involved in the project cannot be committed until the environmental review process has been completed and the HOME funds have been released. The Environmental Review covers the entire project, not just the portion funded by HOME. Therefore, except under very limited circumstances, ***no funds, including both HOME and non-HOME resources, may be expended on a project prior to the release of funds under the Environmental Review process. Any such expenditure will make the entire project ineligible for funding under the HOME program.***

S.P. LEAD-BASED PAINT

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323).

T.Q. DEBARMENT AND SUSPENSION

Local programs must require participants in lower-tier transactions covered by 24 CFR 24 to certify that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

U.R. FLOOD PLAINS

THDA discourages the rehabilitation of units located in special flood hazard areas, but, with approved mitigation steps or where an official flood zone map revision has been obtained and with written permission from THDA, houses located in a floodplain may be assisted. When a unit in a special flood zone is assisted, the community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

V.S. CONFLICT OF INTEREST

In the procurement of property and services, THDA and Recipients must adhere to the conflict of interest provisions at 24 CFR 92.356. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Recipients shall repay that portion of the HOME grant related to the conflict of interest or may have all or some portion of the HOME grant rescinded, all as determined by THDA in its sole discretion.

W.T. **PROCUREMENT**

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties and non-profit organizations must follow their procurement policies and meet all state and federal requirements. At a minimum, applicants must comply with 2 CFR 200.318 – 326 General Procurement Standards.

Prior to solicitation of bids, the Grantee should develop a comprehensive scope of work and perform an independent cost estimate. Grantees must use formal solicitation methods including advertisement and solicitation of sealed bids for all construction activity requiring a general contractor's services. Grantees should obtain a minimum of 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections, and work write-ups. There must be an established, well documented selection procedure and a written rationale for selecting the successful bid or proposal.

X.U. **PROGRAM COMPLIANCE**

HOME Program Grantees must adhere to, or maintain compliance with, the requirements of the HOME Program and other programs administered through the Community Housing Division. Failure to maintain compliance with any program funded through Community Housing will result, depending on the egregiousness of the noncompliance, in penalties being assessed in the scoring of future applications and/or the inability to participate in programs administered by THDA for a period to be determined at THDA's sole discretion.

THDA is responsible for monitoring Grantee implementation of its HOME grant. ~~the HOME Investment Partnerships Program ("HOME"). Each HOME grant Subrecipient~~ Each Grantee will be monitored in accordance with 24 C.F.R. Part 92. The scope of the monitoring may include a desk review of the client files and program documents as well as ~~Subrecipient~~ site and project visits as determined at the sole discretion of THDA. During the performance period of the grant THDA will monitor grantee's progress for compliance with the HOME regulations and THDA requirements. The Homeowner Rehabilitation grant monitoring review will be conducted for each grantee when the grantee has drawn between 25% and 75% of the awarded programs funds. Additional monitoring may be required, at THDA sole discretion, if determined necessary. _

Y.V. **APPLICATION AND EVALUATION PROCEDURE**

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; and the proposal of a project that meets the requirements of 24 CFR Part 92, as amended.

All non-profit applicants must submit the following required documentation in accordance with the application instructions. All documentation must be submitted to demonstrate that the organization meets threshold requirements and has the capacity to provide affordable housing for low-income households, including the administration of the proposed project:

1. Evidence that the applicant is organized and existing under the laws of Tennessee or, if organized and existing under the laws of another state, evidence that applicant is organized and existing in that state and authorized to do business in Tennessee.
2. Documentation of an IRS designation under Section 501(c)(3) or 501(c)(4) of the federal tax code. A 501(c)(3) non-profit organization may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary material with the IRS and received a response from the IRS demonstrating 501(c)(4) status.
3. Copy of Organizational Charter
4. Copy of Organizational By-laws
5. List of Board members including: names; home address; occupation; a description of their primary contribution; length of service; phone #; email address; and date the term of service expires.
6. Business plan or strategic management plan that demonstrates the agency's short term and long term goals, objectives, and plans to achieve them.
7. The most recent financial audit or audited financial statements of the organization.
8. Applicant Board Member and Corporate Disclosure Forms completed, signed by the organization's Executive Director and each Board Member and notarized.
9. Applicant/Board Member and Corporate Disclosure Form completed, signed by the Chairman of the Board or Executive Director on behalf of the organization and notarized.
10. One page explanation of how the Board of Directors is involved in the operation of the agency, including how often the Board meets, how the Board monitors and provides oversight for the agency's programs.
11. Resolution by the Board of Directors authorizing the submission of this application.
12. List of staff members employed by the organization, including how many are full-time or part-time, their specific responsibilities related to housing programs, and how many years of experience each staff member has in housing development.
13. Documentation of agency operating funds from other sources, including how much annually and from what sources.
14. Explanation of any other programs operated by the organization, including the program(s) and its funding source(s).
15. Explanation of the agency's experience in housing, particularly in providing housing to low and very low income households in Tennessee.

1. PROGRAM DESIGNUp to **560** points

The proposed program demonstrates exceptional planning, readiness and administrative capability. All necessary components to accomplish the project have been identified in the application.

- Program administrators with the following characteristics have been identified:
 - Has personnel who are knowledgeable in HOME grant administration;
 - Has relevant experience in the administration of housing grants; and/or has otherwise shown the capability to administer the project;
 - Has the ability to follow the timeframe of Attachment B: Implementation Plan of the Working Agreement;
 - Is able to draw down funds in a timely manner;
 - Has a lack of monitoring findings associated with past grants on which the administrator has worked;
 - Has not left HOME funds in excess of \$75,000 in any prior grant administered at closeout in the last three years; and
 - Responds appropriately to client-beneficiary concerns or complaints, contractor's concerns or complaints, and information requests from THDA staff.
 - THDA will also consider the number and locations of current grants an administrator is administering and other factors THDA, in its sole discretion, deems relevant, in evaluating an application.
- Individuals/firms providing architectural, construction management and/or inspection services have been identified, appropriately procured, and are qualified to perform the services.
 - THDA will consider the number and locations of current grants for which an individual/firm is providing inspection services in any given program year, and other factors, THDA, in its sole discretion, deems relevant in evaluating an application.
- If applicable, the lead inspector and/or risk assessors have been identified and are qualified to perform the services.
- If the applicant is a local jurisdiction, the local government is involved in the administration of the project.
- The program design should provide a timeline, prepared in accordance with THDA's application instructions, that clearly provides for the completion of all units and the close out of the Grant by August~~June~~ 30, 2028~~7~~6.
- Program designs for homeowner rehabilitation activities that set- aside all or a portion of the available assistance to households with incomes at or below 50% of AMI will be prioritized.

2. NEED

Up to 10 points

THDA has calculated need factors using housing statistics for counties. Factors are based on percentages rather than absolute numbers. The need factors used are the percentage of owner households who are low income; the percentage of owner households with cost burden; the percentage of affordable owner units built before 1960; the percentage of food stamp recipient households in the county; percent of owner households greater than one and one-half times overcrowded; percent of county average homeowner delinquency rate; percent of county poverty rate for all households; and county unemployment rate. Scores to be used in the evaluations are shown in **202543 HOME Need Scores for Homeowner Projects** are posted online at <https://thda.org/government-nonprofit-partners/home-program>. For multi-county projects, the need score is calculated proportionately according to the number of units proposed for each county.

3. NOT PROPORTIONALLY SERVED

Up to 10 points

THDA shall award up to 10 points to applications submitted from areas where the amount of prior HOME funding is below the state average. The formula for awarding these points is based on the percentage of 2011 - 202432 HOME dollars awarded in each county. These calculations are shown in **HOME Program Not Proportionally Served** are posted online at <https://thda.org/government-nonprofit-partners/home-program>. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

4. DISASTER AREAS

55 points

THDA shall award 5 points to applications for projects located in counties that have been declared a presidential disaster area [for individual assistance](#) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in [within the one](#) year prior to the application due date. **Disaster Counties** for the current disaster areas are posted online at <https://thda.org/government-nonprofit-partners/home-program>.

5. MATCH

Up to 5 points

THDA shall award up to 5 points to applications that include a committed contribution of eligible match resources towards the project implementation. A commitment of eligible match contribution from an external source must be documented in the application from the source providing the contribution. To determine the points awarded, THDA will not round the percentage calculated.

- The project's sources include an eligible HOME match contribution that is equal to or greater than 15% of the proposed HOME funds to be used for project costs. = 5 points
- The project's sources include an eligible HOME match contribution that is equal to or greater than 10% and less than 15% of the proposed HOME funds to be used for project costs. = 4 points
- The project's sources include an eligible HOME match contribution that is equal to or greater than

5% and less than 10% of the proposed HOME funds to be used for project costs. = 3 points

- The project's sources include an eligible HOME match contribution that is equal to or greater than 1% and less than 5% of the proposed HOME funds to be used for project costs. = 2 points
- The project's sources include an eligible HOME match contribution that is less than 1% of the proposed HOME funds to be used for project costs. = 0 point

5. LEVERAGE Up to 5 points

~~THDA shall award up to 5 points to applications that include the use of funds from other sources. THDA will award points in this category based on the dollar value of the funds from other sources as a percentage of the total funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. In order to receive points, there must be written documentation of the leveraged funds in the application.~~

6. ENERGY CONSERVATION Up to 5 points

~~THDA shall award up to 5 points to applications for rehabilitation that include an independent energy audit and incorporate a minimum of (3) three energy conservation measures that exceed the THDA Design Standard requirements for rehabilitation; the New Construction standards for units to be reconstructed.~~

7.6. TENNESSEE GROWTH POLICY ACT Up to 10 Points

TCA Section 6-58-109(c) requires THDA to award 10 points on a 100 point scale or a comparable percentage on a different point scale to municipalities or counties with approved growth plans when the local communities apply for HOME funds. Applications from counties not subject to the Tennessee Growth Policy Act will also receive these points. **Growth Plan Approvals** when applicable are posted online at <https://thda.org/government-nonprofit-partners/home-program>. Applications submitted by nonprofit organizations are not eligible for receipt of these points.

8.7. PRIOR YEAR UNEXPENDED HOME FUNDS DEDUCTIONS Up to -7 Points

Applicants that have administered a HOME grant in prior years, 2018 to present and that have successfully closed their HOME grant are eligible for application under the 2025~~43~~ HOME ~~Urban and Rural~~Homeowner Rehab Funding Competition if the spend down requirements are met as detailed in Section B. Any grant that successfully closed, but did not ~~commit or~~ expend 100% of the HOME grant funds awarded will be subject to a point deduction. The maximum number of points that can be deducted under this category is 7. The amount of points deducted is contingent upon the balance of HOME grant funds left uncommitted or spent.

The balance of unspent HOME funds will be subject to the following deductions:

- \$100,000 and Over - 7 Points
- \$60,000-\$99,999 - 3 Points

- \$30,000 - \$59,999 - 2 Points
- \$0 - \$29,999 - 1 Point

Bonus Points

8. RURAL DESIGNATION– Up to 53 points

THDA will award 3 points for applications with projects located in designated rural areas of Tennessee. For this Program Description, “rural” is defined as all Tennessee counties except the following: Anderson, Bedford, Blount, Bradley, Carter, Coffee, Hamblen, Hamilton, Haywood, Hawkins, Loudon, Madison, Maury, McMinn, Montgomery, Putnam, Roane, Robertson, Rutherford, Sevier, Sumner, Williamson and Wilson. All other counties are considered Rural.



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: Tennessee Housing Development Agency Board of Directors

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

SUBJECT: 2025 HOME Homeownership Development Round Program Description

DATE: November 4, 2024

Recommendation:

Staff recommends that the Tennessee Housing Development Agency (“THDA”) Board of Directors (“Board”) approve the following:

- Adopt the attached proposed 2025 HOME Homeownership Development Round Program Description (“Program Description”);
- Authorize the Executive Director or a designee to award 2025 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.



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

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

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



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 2025 HOME allocation to implement the 2025 HOME Homeownership Development Round Program Description to encourage the construction of affordable homes for sale to low-income households across the State. This activity is funded through an award of the state's annual allocation of Federal HOME funds and we expect to be similar to last years at \$12,910,084. for 2025. 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 6, 2025, with applications due on March 14, 2025. Funding awards will be announced on or about May 30, 2025, with the Grant award period beginning on July 1, 2025.

Substantial Changes:

Staff proposes only two significant changes for the 2025 program description:

- The funds allocated to the program are 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 2025 federal budget has been passed at the time of presentation of this program description.
 - Statutory Requirement of the CHDO set-aside - 15%
 - CHDO set-aside in most recent program – 20%
 - Proposed 2025 Allocation to the CHDO set-aside - 20%
- The Build America Buy America provisions will apply to all 2025 HOME rounds.

To view full documentation, please click here.



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TENNESSEE HOUSING DEVELOPMENT AGENCY
20254 HOME-~~CHDO~~-HOMEOWNERSHIP DEVELOPMENT
PROGRAM DESCRIPTION

The Tennessee Housing Development Agency (“THDA”) administers the federally-funded HOME Investment Partnerships Program (“HOME”) to promote the production, preservation, and rehabilitation of single-family housing in single-unit buildings for low-income households. The purpose of this Program Description is to explain the requirements and the application process to fund the development of housing for sale to low- and moderate-income households.

THDA will make HOME funds available to non-profit organizations that meet the designation of a Community Housing Development Organization (“CHDO”) through a competitive application process. An applicant must apply for a HOME grant of at least \$250,000 for program costs, but may apply for a maximum HOME grant of \$1,000,000 for program costs, and may also apply for operating assistance up to an amount equal to 7% of program costs.

THDA will open the 20254 HOME-~~CHDO~~ Homeownership Development Program Round on September 14~~February 6~~, 20254. Applicants must submit their applications electronically through THDA’s Grants Management System (“GMS”). THDA will stop accepting applications at 11:59:59~~4:00~~ PM CDT on Thursday~~Friday~~, October 19~~March 19~~145, 20254. THDA anticipates notifying successful applicants on or around December 8~~May 30~~105, 20254 and issuing Reservation of Funds with a term commencing January~~July~~ 1, 20254 and ending June~~December~~ 30, 20287.

This Program Description and the application link are available at www.thda.org. Once on the THDA website, click on PROGRAMS and the HOME Program will be listed under the PROGRAMS FOR LOCAL GOVERNMENT & NON-PROFIT PARTNERS. Click on HOME for the link to the 20245 HOME ~~CHDO~~ Homeownership Development Program Description. If you have questions, please contact Aaron Toran at (615) 815-2037 or AToran@thda.org.

THE HOME PROGRAM

HOME is governed by Title 24 of the Code of Federal Regulations, Part 92, as amended. Those regulations are incorporated in this Program Description by this reference. In cases of conflicting requirements, the more stringent requirement will apply, unless the more stringent requirement would violate a state or federal law.

A. ELIGIBLE APPLICANTS.

To be eligible, a non-profit organization must:

1. Meet one of the two following criteria:

- a. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

OR

- b. Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of State dated no more than thirty (30) days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).
2. Demonstrate at least two (2) years of experience providing affordable housing or affordable housing related services in the state of Tennessee satisfactory to THDA, in its sole discretion.
 3. Propose a budget that includes at least a 10% contingency for the hard costs of the project to anticipate possible cost overruns over the grant term.
 4. Be deemed a CHDO by THDA and meet the following requirements:
 - a. Have no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
 - b. Have among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws,
 - c. Experience in the provision of housing to low-income households;
 - d. Have standards of financial accountability that conform to 2 CFR Part 200, *Uniform Administrative Requirements, Audit Requirements and Cost Principles*; and
 - e. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status.
 - f. Not be controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the CHDO. If a CHDO is sponsored or created by a for-profit entity, all of the following must apply:
 - (1) The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm;
 - (2) The for-profit entity may not have the right to appoint more than one-third of the membership of the CHDO's governing body. CHDO board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
 - (3) The CHDO must be free to contract for goods and services from vendors of its own choosing;

- (4) The officers, directors, owners (stockholders, managers, members, etc.), or employees of the for-profit entity cannot be officers, directors, owners (stockholders, managers, members, etc.), or employees of the CHDO.
- g. Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO, however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of recipient governmental entity. Board members appointed by the State or local government may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers of the Board or employees of a CHDO.
- h. Maintain accountability to low-income community residents by:
- (1) Including residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in at least one-third of the CHDO's governing board's membership. For urban areas, "community" may be a neighborhood or neighborhoods, city, county, or metropolitan area. For rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and
 - (2) Having a formal process for low-income program beneficiaries to advise the CHDO in its decisions regarding the design, site selection, development, and management of affordable housing. The process must be clearly established in the by-laws or through an adopted board resolution. Meeting the board requirement of 4.h.(1) above does not satisfy this requirement.
- i. Have a demonstrated capacity to successfully carry out housing projects assisted with HOME funds. A CHDO undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with HOME funds. Paid staffing may be documented by providing copies of the most recent W-2, as applicable, issued by the nonprofit entity for each staff member. For its first year of funding as a CHDO, a CHDO may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key CHDO staff.
- (1) A CHDO that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of 24 CFR 92.300(a)(2).
 - (2) A CHDO does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated or cost allocated by another organization, or by hiring a consultant.
- j. Have a history of serving the community within which the housing to be assisted with HOME funds is to be located. In general, a CHDO must be able to show at least one year of serving the community through housing activities benefiting low-income persons or families before HOME funds may be awarded to that CHDO. However, a newly created CHDO formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least one year of serving the community through housing activities benefiting low-income persons or families.
5. CHDOs that have generated CHDO proceeds must demonstrate the use of or plan to use previous CHDO proceeds and a need for additional HOME funds.

6. Must only apply for HOME funding for projects in which the CHDO is the owner and developer.
7. Submit a completed application that includes the Non-Profit Checklist/CHDO Designation as provided in GMS with supporting documentation.
8. All applicants with prior HOME grants from THDA must meet both the Commitment and Spend-Down Requirements as noted below for the funding round under which the entity received a prior grant award:
 - a. To meet the Commitment Requirement, THDA must have entered into a legally binding agreement with the organization for specific site addresses for the percentage of development funds specified by grant year.
 - b. To meet the Spend-Down Requirement, the organization must have either expended or submitted by ~~February 28~~~~September 30, 2023~~, 20254, an officially authorized Request for Payment with supporting documentation for the percentage of development and operating assistance funds specified by grant year:

HOME PROGRAM DESCRIPTION	COMMITMENT REQUIREMENT	SPEND-DOWN REQUIREMENT
2021 0 CHDO Rounds	100%	90 100%
2022 1 CHDO Rounds	100%	90%
2023 2 CHDO Rounds	100 %	50%
2024 3 CHDO Round	25%	25%
2024-2 CHDO Round	Not Eligible	Not Eligible

- c. ~~CHDOs~~ with a closed grant from years 2022~~1~~ and earlier that met spend down requirements but failed to commit or expend 100% of their grant funds, will be eligible to apply. However, such CHDOs will be subject to point deductions, as detailed in the CHDO Matrix.
9. Must be in compliance with all other THDA programs in which they have an active, open grant or a grant that has been closed and must have no unresolved performance issues, as determined by THDA.

B. ALLOCATION OF FUNDS.

HOME funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. THDA will use funds available from prior-year HOME Program allocations to fund the program. ~~THDA will make available up to 20% of THDA's 20254 HOME Allocation from HUD for program costs and up to -5% of THDA's 20254 HOME Allocation from HUD for CHDO operating assistance.~~ Additionally, THDA may make available any returned or leftover funds from other 2024~~3~~ or earlier funding rounds, to be determined at the time of award.

1. Commitment Requirement. A successful CHDO that receives an allocation of funds ("Grant Recipient") must commit those funds to specific units by the anticipated milestones to be established within the Reservation of Funds: (1) 50% of the funds by ~~December 31~~June 30, 2026~~30, 20254~~; (2) 75% of the funds by ~~August~~December 31, 2026~~5~~; and (3) 100% of the funds by ~~October 31~~June~~30~~, 2027~~6~~. Applicants must be aware of these dates and have a pipeline of eligible homebuyers so they can begin their projects as soon as the environmental reviews have been completed. Failure to meet a particular

deadline may result in a reduction of the grant award to the amount of funding committed at such deadline.

2. Lack of Ability to Comply. If, in the opinion of THDA, all applicants lack the organizational potential to comply with all HOME affordability requirements, THDA may choose not to award any of the funds set-aside for CHDOs in the ~~2025~~ HOME ~~CHDO~~ Homeownership Development Program or to award a lesser amount than outlined herein, in its sole discretion.
3. Funding Requirements. HOME awards will be in the form of a reimbursement grant, secured by a note, deed of trust, and restrictive covenants. Grant Recipients may be required to repay any HOME funds expended on projects that are not completed and ready for occupancy by the term end date of the HOME Grant Contract executed between the Grantee and THDA, or as otherwise specified in the Grant Contract, the federal rules, regulations, and notices for HOME, and this Program Description. Required deeds of trust and restrictive covenants must be recorded prior to any other financing documents.

C. ELIGIBLE ACTIVITIES.

Eligible housing activities under the ~~2024~~2025 HOME CHDO Homeownership Development Program include:

1. Homeownership Programs. THDA expects that the Grant Recipients will not only shepherd the homebuyer through the home buying process, but also work toward fostering an on-going relationship with the homebuyer. This responsibility includes facilitating additional homeowner counseling, verifying homeowner occupancy requirements on an annual basis, and monitoring mortgage loan default issues.
 - a. Costs to Develop Units. HOME funds must be used to develop single-family units for homeownership, including new construction or acquisition and substantial rehabilitation of substandard dwellings. Duplexes, Triplexes, and Quads are not eligible. Successful Grant Recipients must be the owner and developer of all units at the time the units are constructed or rehabilitated. When units are sold to eligible homebuyers, the HOME funds must be repaid to the Grant Recipient and the Grant Recipient must use the repaid funds to develop additional single-family units for homeownership in compliance with the HOME regulations.

HOME funds may only be used to cover the development costs necessary to develop modest single family housing in accordance with 92.254(a), including those costs necessary for producing the unit that will exceed the market value of the property upon construction completion, i.e. the development subsidy.

Before construction or acquisition and rehabilitation can begin, Grant Recipients must demonstrate a pipeline of eligible buyers pre-qualified for a permanent loan. Although speculative construction or acquisition is not generally allowed, under certain circumstances THDA will allow an applicant to apply for an exception to this policy on a project-by-project basis. To be considered for an exception, the applicant must meet certain criteria, including:

- (1) Experience and capacity to manage an affordable rental housing program;
- (2) Success during the last three (3) years in managing affordable rental housing in the area of the proposed project with an average list to lease-up term of no more than 180 days;

- (3) A current average market time of list to contract for sale for similarly priced, comparable homes in the area of the proposed project of no more than 120 days;
 - (4) Extenuating circumstances that prevent the applicant from having a pipeline of pre-qualified homebuyers to support their development activity.
- b. Soft Second Mortgages. Grant Recipients must allow an amount of HOME funds to remain with the unit as a soft second mortgage that is equal to or more than \$1,000 and is equal to or less than \$39,999, with the amount determined by the amount necessary for the household to qualify for permanent financing. THDA requires that a subsidy remain in the financing when the unit is sold, so affordability is based on the less restrictive recapture provision of the HOME regulations. All Grant Recipients using HOME funds for soft second mortgages must use the THDA single-family underwriting template to determine the appropriate amount of HOME assistance and must submit the determination to THDA for review and final approval. If the underwriting template indicates that the homebuyer does not have an unmet need for the soft second mortgage, the Grant Recipient may not provide direct HOME assistance to that homebuyer. The amount of the soft second mortgage is the “direct HOME subsidy” provided to the homebuyer and is subject to an affordability period and recapture, as will be defined subsequently herein.

The soft second mortgages may not be combined with other THDA-funded “second mortgage” assistance programs, including Great Choice Loan Plus assistance, or with funding available through the New Start program, and any subsequent or similar programs operated by THDA. The THDA HOME funded soft second mortgage may be combined with a THDA Great Choice first mortgage loan.

- c. Sales Price. All units must be sold for an amount that is not any lower than the appraised value of the unit or the sales price limit as determined by HUD, whichever is lower.
- d. Sales Price Limits. The sales price limit for homeownership programs are the Property Value Limits. Current limits are available at <https://thda.org/business-partners/home>.
- e. Underwriting. Front and back end ratios may not exceed ~~thirty-threewenty-nine~~ (2933%) and forty-~~threeone~~ percent (434%), respectively. Lower ratios are encouraged where possible.
- f. Permanent Financing. THDA expects the use of THDA mortgage loans whenever suitable. Other financing may be used if it is comparable to a THDA mortgage loan. Permanent financing is considered comparable if the interest rate does not exceed the prevailing THDA Great Choice interest rate by more than one percentage point and when it is demonstrated that the homebuyer represents a commensurate underwriting risk to the lender. All loans must have a fixed interest rate fully amortizing over the 30-year term of the loan. There can be no pre-payment penalty for early payoffs.
- g. Homebuyer Contribution. The homebuyer must make a contribution from their own funds equal to one percent (1%) of the purchase price of the property.
- h. Homebuyer Education. All homebuyers must complete a homebuyer education program from a THDA-qualified homebuyer education provider prior to purchase.
- i. Neighborhood Market Conditions. Applicants proposing homeownership projects must document that neighborhood market conditions demonstrate a need for the project and must complete a market study.

- j. **Deadline for Sale.** Units must be sold to an eligible homebuyer within nine (9) months of the issuance of a Certificate of Occupancy. If a unit is not sold within that period, the unit must be converted to rental housing for the appropriate rental affordability period or the HOME funds must be repaid by the Grant Recipient to THDA. A lease-purchase program may be permitted if the Grant Recipient can demonstrate that the Grant Recipient operates an existing, active lease purchase program.
2. **CHDO Operating Expenses, Developer’s Fees and CHDO Proceeds.**
- a. **CHDO Operating Expenses.**
 - (1) Operating expenses are separate from project funds.
 - (2) As long as a Grant Recipient does not have an existing operating assistance grant award from THDA where less than 75% of the total operating assistance grant award has been expended as of ~~September 30~~ February 28, 2025, then the Grant Recipient may request an amount up to 7% of the funds awarded for the acquisition and rehabilitation or new construction of housing for sale to low-~~and moderate~~-income homebuyers as CHDO operating expenses to help with the operating costs the organization.
 - b. **Developer’s Fees.** A Grant Recipient may also request an 8% developer’s fee if the Grant Recipient is acting as a developer of housing. The developer’s fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit. The developer’s fee is a project soft cost and counts against the maximum per unit subsidy limit applicable to a project.
 - c. **CHDO Proceeds.**
 - (1) CHDO proceeds are the HOME funds returned to a Grant Recipient upon the sale of a unit to a homebuyer. Grant Recipients must use CHDO Proceeds to develop more HOME-eligible housing for homeownership. Once the CHDO Proceeds are used a second time to develop more housing for homeownership, the HOME restrictions on the use of proceeds are eliminated.
 - (2) A Grant Recipient may use 15% of the CHDO Proceeds for operating expenses of the organization.; ~~divided as follows: Maximum of 7% for administration and Maximum of 8% for developer’s fees. Once the CHDO Proceeds are used a second time to develop more housing for homeownership, the HOME restrictions on the use of proceeds are eliminated.~~
 - (3) ~~The prior 25% cap on the amount of CHDO Proceeds that can be used for operating or administrative expenses has been eliminated. This policy applies retroactively to current, active CHDO grants.~~

4.3. Other Project Soft Costs.

In planning their programs, applicants may include the actual costs paid to third parties for progress inspections and work write-ups as a project-related soft cost where necessary. The costs for plans, progress inspections, and work write-ups are capped at 2.5% of the **Hard Project Costs**. In addition to the costs for plans, inspections, and work write-ups, the costs for lead-based paint inspections, risk assessments, and clearance testing, and other architectural and engineering fees are also paid as project soft costs and limited to the actual billed charge from a third-party vendor. All project soft costs count toward the HUD maximum per-unit subsidy limit.

D. PROHIBITED ACTIVITIES.

1. Purchase and installation of manufactured housing on lots.
2. Provision of project reserve accounts, or operating subsidies;
3. Provision of tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;
4. Provision of non-federal matching contributions required under any other Federal program;
5. Provision of assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);
6. Carrying out activities authorized under 24 CFR Part 968 (Public Housing Modernization);
7. Provision of assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages);
8. Provision of assistance (other than assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by HUD or THDA in the Grant Contract. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the HUD maximum per-unit subsidy amount;
9. Paying for any cost that is not eligible under 24 CFR 92.206 through 92.209;
10. Use of HOME funds for rental housing projects;
11. Provision of assistance for a homeowner rehabilitation project by a CHDO from the 15% CHDO set-aside. A CHDO funded through the 15% CHDO set-aside can only participate in the HOME program if they are the owner and developer of a project.
12. Provision assistance for emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and dormitories, including those for farm workers or housing for students.

E. LAYERING.

Layering is the combining of other federal resources on a HOME-assisted project that results in an excessive amount of subsidy for the project. Such activity is prohibited. Grant Recipients must analyze each project to ensure that only the minimum amount of assistance is allocated to the project. In no case may the amount of HOME funds exceed the HUD Maximum per Unit Subsidy Limit.

F. MATCH.

THDA will not require applicants to provide match towards funded projects. Although no local match is required, THDA will award points based on the contribution of eligible match reflected in an application as specified in the scoring matrix. THDA will count any qualifying non-federal project funds or other resources reflected in successful applications that qualify as match under the HOME rule toward the match requirement.

HOME match is permanent, non-federal contributions to a project. THDA will monitor the contribution of match throughout the implementation of the grant. Matching contributions may be in the form of one or more of the following:

1. Cash contributions not provided by the assisted household and not from a federal source, including the present value of the interest subsidy for loans made at rates below market.
2. Reasonable value of donated site-preparation and construction materials.
3. Reasonable rental value of the donated use of site preparation or construction equipment.
4. Waived fees and taxes.
5. Property donation or below-market sale. A copy of the appraisal and/or purchase contract must be submitted. The donor/seller of the property must also provide a statement certifying that the property was donated or sold for affordable housing purposes and an acknowledgment that the donor/seller received the URA Guide Form Notice Disclosure to Seller, as well as the HUD booklet entitled, “When a Public Agency Acquires Your Property.” If the property was originally acquired with federal funds, the value of the property is not match eligible.
6. The direct cost of donated, compliant homebuyer counseling services provided to families that acquire properties with HOME funds under the provisions of 24 CFR §92.254, including on-going counseling services provided during the period of affordability. Counseling may not be valued at more than \$40 per hour.
7. Reasonable value of donated or volunteer labor or professional services. Unskilled volunteer labor may not be valued at more than \$10 per hour; skilled volunteer labor may be valued at the documented going rate.
8. Value of sweat equity may also be eligible if every assisted household under the HOME grant award is required to perform sweat equity. Sweat equity may not be valued at more than \$10 per hour.
9. Other match sources as permitted under the HOME Final Rule.

G. LEVERAGE.

In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by local governments, grants from other sources and cash from program beneficiaries. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage. Administrative funds, *anticipated* fund-raising revenues, other THDA funds, and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years.

The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the program. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.

H. PUBLIC PRIVATE PARTNERSHIPS FOR NEIGHBORHOOD REDEVELOPMENT.

THDA encourages Grant Recipients to undertake housing development activities in concert with a local government or local quasi-governmental entity in order to both fulfill the need for housing in these communities as well as larger community redevelopment goals beyond the housing efforts of the Grant Recipient itself.

The Grant Recipient must have a strategy approved by its Board to redevelop an area that ties into a larger strategic plan of a City or County's efforts to stabilize a focused area that requires revitalization. Unit development must occur only in the identified target area.

In order to receive points under this scoring criteria, the Grant Recipient must partner with a local unit of government or a local quasi-governmental entity by means of a Memorandum of Understanding (MOU) or other partnership agreement for the purpose of the development of affordable housing for sale to low-income home buyers effective for the full-term of the grant period. As part of the effort, the local unit of government or the local quasi-governmental entity must provide eligible HOME match contributions to the housing development effort. The MOU must outline the responsibilities of all parties to the program implementation, including, but not limited to:

1. The targeted neighborhood area(s) in which all units will be rehabilitated and/or constructed for sale to low-income home buyers under the MOU.
2. The number of units to be rehabilitated or constructed for sale to low-income home buyers.
3. A description of the match contributions to be provided. At minimum, match contributions must meet the following requirements:
 - a. Donation or sale of a suitable parcel of land for home development, without encumbrance of any kind with all taxes and other fees current and meeting all requirements of Section F 5 of this program description and the following additional requirements:
 - (1) The sale price to the Grant Recipient shall be no more than \$100.
 - (2) All taxes must be clear through the time of sale to the low-income homebuyer.
 - b. The donated cost of demolition and disposal of any existing structures on the building parcel including all landfill fees if unit demolition is a required part of lot development.
 - c. Fees controlled by the local government such as building permits, impact fees or other development fees must be waived by the local government and provided as a donated match to the project. To the extent, the local government controls utility connection and tap fees these fees must be waived or significantly discounted in order to meet the match eligibility requirements of the HOME program.

I. HOME PROGRAM REQUIREMENTS.

1. Income Limits.

HOME funds may only be used to benefit low-income households. "Low-income households" means an individual or household whose income does not exceed 80% of the area median income, adjusted for household size.

The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other household member residing in the home. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Current limits are available at <https://thda.org/business-partners/home>. Median income for an area or the state shall be that median income estimate made by HUD. Median incomes change when HUD makes revised estimates.

2. Forms of Assistance. As described above, at the time of the sale of the unit to an eligible homebuyer, the Grant Recipient must leave HOME funds in the unit as a soft second mortgage loan equal to the lesser of \$39,999 or the amount necessary to qualify the household for permanent financing, but not less than \$1,000.
3. Affordability Period. The soft second mortgage loan is subject to an “Affordability Period” and recapture and will be secured by a Note and Deed of Trust between the Grant Recipient and the homebuyer.
 - a. The Affordability Period will be five years if the loan is no more than \$14,999 and 10 years if the loan is between \$15,000 and \$39,999. The amount subject to recapture due to a sale will reduce by a certain percentage each year, as outlined on the chart below, as long as the unit remains in compliance, i.e., the unit remains the permanent residence of the initial buyer and is not leased or vacated during the Affordability Period. If the unit is leased or vacated during the Affordability Period, the entire HOME subsidy must be repaid to THDA.

Soft Second Investment in Unit	Affordability Period	Annual Recapture Reduction Per Year of Occupancy
\$1,000 - \$14,999	5 Years	20%
\$15,000 - \$39,999	10 Years	10%

- b. Sale or Transfer of the Property. The HOME-assisted homebuyer may sell or otherwise transfer the unit on or before the end of the affordability period to any willing buyer at any price, and the amount of the HOME subsidy subject to recapture will be reduced as described above. The amount subject to recapture is limited by the availability of net proceeds. The net proceeds are the sales price minus superior non-HOME loan repayments minus closing costs. If the net proceeds are not sufficient to recapture the remaining outstanding principal balance of the HOME Note plus the amount of the down payment made by the homeowner, if any, plus the amount of any capital improvement investment made by the homeowner, then the grant recipient shall recapture a pro rata share of the net proceeds of the sale in lieu of the full remaining outstanding principal balance of the HOME Note. “Capital improvement investment” means the improvements to the property made at the homebuyer’s expense (and not through some other form of subsidy), as evidenced by receipts or cancelled checks detailing the capital improvements made. Capital improvements do not include items of maintenance, deferred maintenance or cosmetic improvements. The pro rata amount to be recaptured shall be calculated in accordance with the HOME Program Regulations at 24 CFR 92.254(a)(5)(ii)(A)(3) as follows:

If the net proceeds are not sufficient to recapture the full HOME investment (or a reduced amount) plus enable the homeowner to recover the amount of the homeowner’s down payment and any capital improvement investment made by the home owner since purchase, the grant recipient shall share the net proceeds according to the following formulas:

$$\frac{\text{HOME Subsidy}}{\text{HOME Subsidy} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME Amount to Recapture}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Subsidy} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME Amount to Recapture}$$

The new proceeds may be divided proportionately as set forth in these steps:

- (1) Application of Forgiveness Feature. Once the net proceeds are determined from the sale of the property, the grant recipient shall reduce the amount due based on the length of time the homebuyer has occupied the home in relation to the affordability period.
 - (2) Amount subject to recapture. The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the homebuyer to buy the housing unit. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e., the development subsidy).
 - (3) After the full HOME investment has been repaid, any excess profits will belong to the homeowner.
- c. Construction Financing-Homeownership. For Grant Recipients using HOME for construction financing to develop homeownership units, the initial affordability period will be based on the amount of HOME funding invested in the development of the unit under the resale provisions of the HOME regulations. In order to enforce the provisions of the Working Agreement with the CHDO, THDA will require that a Restrictive Covenant and Deed of Trust be recorded against the property prior to drawing down HOME funds for construction. When the unit is sold to an eligible homebuyer, THDA will provide the closing agent a copy of the release for Restrictive Covenant and Deed of Trust. The CHDO must provide the closing agent with a Grant Note and Deed of Trust between the CHDO and the homebuyer for the soft second mortgage loan under the recapture provisions. Upon receipt by THDA of a copy of the Grant Note, the recorded Deed of Trust between the homebuyer and the CHDO, the recorded deed from the seller to the homebuyer, and the fully executed final TILA-RESPA Integrated Disclosure (TRID) Settlement Statement, the original Release of Lien is forwarded to the closing agent for recording.

4. Level of Subsidy.

The current maximum HOME investment per unit, effective 4/10/7/15/2023/2024, is provided below:

MINIMUM HOME DOLLARS	\$ 1,000	PER UNIT
MAXIMUM HOME DOLLARS	<u>\$129,75836,316</u>	0-BEDROOM (EFFICIENCY) LIMIT
	<u>\$148,74856,036</u>	1-BEDROOM LIMIT
	<u>\$180,88289,745</u>	2-BEDROOM LIMIT
	<u>\$234,00445,470</u>	3-BEDROOM LIMIT
	<u>\$256,86269,477</u>	4-BEDROOM OR MORE LIMIT

Periodically, THDA may update these limits pending approval from HUD. Updated limits will be effective for all activities in which the written agreement for the activity is entered into after the effective date for the limits issued by HUD. These updates will be posted on THDA’s web site at <https://thda.org/business-partners/home>.

5. Property Standards. Property Standards must be met when HOME funds are used for a project. Any housing constructed or rehabilitated with THDA HOME funds must meet all applicable local, county, and state codes, rehabilitation standards, Uniform Property Condition Standards (UPCS) or other standard as prescribed by HUD, and zoning ordinances at the time of project completion.

In the absence of a local code, new construction of single-family units or duplexes must meet the current, State-adopted edition of the International Residential Code for One- and Two-Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc.

In the absence of a local code, rehabilitation of existing homeowner units must meet the current, State-adopted edition of the Existing Building Code of the International Code Council (ICC).

THDA will not make any funding awards for units in a jurisdiction where the unit cannot be inspected by a state certified building inspector or by a provider as permitted under State law.

HOME-funded units must also conform, as applicable, to the THDA Minimum Design Standards for New Construction of Single Family and Multifamily Housing Units and with THDA’s Minimum Design Standards for Rehabilitation of Single Family and Multi-family Housing Units. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.

The International Code books are available at: www.iccsafe.org

- a. Disaster Mitigation. All new construction should be built in a method and/or location that would attempt to protect all new construction from possible disaster due to either a man-made issue, or an act of God that may cause physical or structural damage to the home. The methods should include any items that may be recommended, or required by either local, state, or federal agencies dealing with disasters.
- b. Energy Code. New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.

- c. Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (HERS) rater or achieve a HERS index of 85 or less when tested by a certified rater.
 - d. Section 504. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.
6. After Rehabilitation Property Value. For rehabilitation projects, the maximum after rehabilitation value permitted may not exceed 95% of the median purchase price for the area as established by HUD for Existing Units that are one-unit buildings. Current limits are available at <https://thda.org/government-nonprofit-partners/home-program> .
7. Sales Price Limits.
- a. Rehabilitation Projects: The sales price limit are the same as the After-Rehabilitation Property Value Limits. All homes developed using HOME funds must be sold at the appraised value or the Maximum HUD Property Value limit for Existing Homes that are one-unit buildings, whichever is lower. Current limits are available at <https://thda.org/government-nonprofit-partners/home-program> .
 - b. New Construction Projects: All homes newly constructed using HOME funds must be sold at the appraised value or the Maximum HUD Property Value Limit for New Homes that are one-unit buildings. Current limits are available at <https://thda.org/government-nonprofit-partners/home-program>.

J. UNIVERSAL DESIGN/VISITABILITY.

THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the housing that is constructed or rehabilitated with federal HOME funds.

Universal design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:

- Make the unit usable by the greatest number of people;
- Respond to the changing needs of the resident; and
- Improve the marketability of the unit

The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual’s current or future needs. Universal design features include, but are not limited to:

- Stepless entrances.
- Minimum 5’ x 5’ level clear space inside and outside entry door.
- Broad blocking in walls around toilet, tub and shower for future placement of grab bars.
- Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.

- Front mounted controls on all appliances.
- Lever door handles.
- Loop handle pulls on drawers and cabinet doors.

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <http://www.ncsu.edu/ncsu/design/cud/index.htm>.

Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:

- One zero-step entrance.
- Doors with 32 inches of clear passage space.
- One bathroom on the main floor that is accessible to a person using a wheelchair.

More information on Visitability can be found at: <http://www.visitability.org>.

K. HOME RELOCATION REQUIREMENTS.

THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION OF HOUSEHOLDS. PRIOR TO APPLICATION, CONTACT THDA IF YOU ARE PLANNING ANY PROJECT THAT MAY INVOLVE DISPLACEMENT OR RELOCATION.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations, 49 CFR Part 24, requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition, or private acquisition carried out under a federally-assisted project or program.

Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with Community Development Block Grant (CDBG) or HOME funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.

Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME program decisions. Concerns about relocation may cause an administrator to consider establishing a preference for vacant buildings. However, administrators should also consider that vacant buildings are often much deteriorated. Rehabilitating an occupied building even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, program administrators must consider whether occupants will be able to return after rehabilitation and whether Housing Choice Voucher (Section 8) assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the program administrator must consider whether the owner removed the tenants in order to apply for HOME assistance for a vacant building. If so, these tenants are displaced persons.

Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is

possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for HOME and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

Uniform Relocation Act (URA) requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between the owner and the grantee and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or household; or (3) has income above or below the Section 8 Lower Income Limit.

WHO IS A DISPLACED PERSON? - Any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with HOME funds. Relocation requirements apply to all occupants of a project/site for which HOME assistance is sought even if less than 100% of the units are HOME assisted.

WHO IS NOT A DISPLACED PERSON? - A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations. A person with no legal right to occupy the property under State or local law (e.g., squatter). A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project. A person, after being fully informed of their rights, waives them by signing a Waiver Form.

HOW IS DISPLACEMENT TRIGGERED?

Before Application. A tenant moves permanently from the property before the owner submits an application for HOME assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the HOME project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for HOME assistance.)

After Application. A tenant moves permanently from the property after submission of the application, or, if the applicant does not have site control, the date THDA or the local program administrator approves the site because: (1) the owner requires the tenant to move permanently; or (2) the owner fails to provide timely required notices to the tenant; or (3) the tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

After Execution of Agreement. A tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.

L. HOME RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN.

THDA will require grant recipients to replace all occupied and vacant habitable lower income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with funds provided under the HOME Investment Partnership Act

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a working agreement committing THDA to provide funds for a project that

will directly result in the demolition or conversion, THDA will make public by and submit to the HUD/Knoxville HOME coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units must submit the following information to THDA:

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

M. EQUAL OPPORTUNITY AND FAIR HOUSING.

No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:

Fair Housing Act	24 CFR Part 100
Executive Order 11063, as amended (Equal Opportunity in Housing)	24 CFR Part 107
Title VI of the Civil Rights Act of 1964 (Nondiscrimination in Federal programs)	24 CFR Part 1
Age Discrimination Act of 1975	24 CFR Part 146
Section 504 of the Rehabilitation Act of 1973	24 CFR Part 8
Section 109 of Title I of the Housing and Community Development Act of 1974	24 CFR Part 6
Title II of the Americans with Disabilities Act	42 U.S.C. §12101 <i>et seq.</i>
Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity	24 CFR Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982

Section 3 of the Housing & Urban Development Act of 1968

24 CFR 135

- Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.

Executive Order 11246, as amended
(Equal Employment Opportunity Programs)

41 CFR 60

Executive Order 11625, as amended (Minority Business Enterprises)

Executive Order 12432, as amended (Minority Business Enterprise Development)

Executive Order 12138, as amended (Women's Business Enterprise)

- Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA.

The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:

Architectural Barriers Act of 1968 at 42 U.S.C. §4151 *et seq.*

Executive Order 12892, as amended
(Affirmatively Furthering Fair Housing)

Executive Order 12898

Executive Order 13166
(Limited English Proficiency)

Executive Order 13217
(Community-based living arrangements for persons with disabilities)

In addition to the above requirements, the PJ and local programs must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with its current Consolidated Plan.

~~N. SITE AND NEIGHBORHOOD STANDARDS.~~

~~Housing provided through the HOME program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities. Grant Recipients must ensure that the proposed activity does not allow or promote segregation on the basis of race, disability or income.~~

BUILD AMERICA BUY AMERICA ACT

The Build America, Buy America Act (BABA) was enacted as part of the Infrastructure Investment and Jobs Act on November 15, 2021 and established a domestic content procurement preference applicable to all HOME funded activities obligated for infrastructure projects, including housing construction and rehabilitation.

BABA requires that all iron, steel, manufactured products, and construction materials used for federally funded infrastructure projects are produced in the United States, unless otherwise exempt or subject to an approved waiver. This requirement is known as the “Buy America Preference (BAP)” and the specific requirements are codified in 2 CFR § 184.

Implementation guidance for all HOME funded projects is found in HUD Notice CPD-2023-12.

O. AFFIRMATIVE MARKETING.

Prior to beginning a HOME project, grant recipients must adopt affirmative marketing procedures and requirements for all HOME-funded homebuyer projects with five or more units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. These must be approved by THDA prior to any HOME funds being committed to a project. Requirements and procedures must include:

1. Methods for informing the public, owners and potential tenants about fair housing laws and the local program's policies;
2. A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME funds;
3. A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;
4. Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and
5. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

P. ENVIRONMENTAL REVIEW.

In implementing the HOME program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58.

THDA, as the Participating Jurisdiction, will be responsible for carrying out environmental reviews. THDA must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews.

HUD's regulations at 24 CFR 58.22 prohibit applicants from committing or spending HUD or non-HUD funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives

prior to completion of an environment review once a project has become "federal." This prohibition on "choice-limiting actions" prohibits physical activity, including acquisition, rehabilitation, and construction, as well as contracting for or committing to any of these actions.

The restriction on undertaking or committing funds for choice-limiting actions does not apply to undertakings or commitments of non-federal funds before a project participant has applied for HUD funding. A party may begin a project in good faith as a private project and is not precluded from later deciding to apply for federal assistance. **However, when the party applies for federal assistance, it will generally need to cease further choice-limiting actions on the project, using either federal or non-federal funds, until the environmental review process is complete through issuance of the release of funds.**

Therefore, the Environmental Review covers the entire project, not just the portion funded by HOME. *Except under very limited circumstances, no funds, including both HOME and non-HOME resources, may be committed or expended on a project prior to the release of funds under the Environmental Review process. Any such expenditure will make the entire project ineligible for funding under the HOME program.*

Q. LEAD-BASED PAINT.

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323).

R. LABOR STANDARDS.

Davis-Bacon wage compliance and other Federal laws and regulations pertaining to labor standards apply to all contracts for rehabilitating or constructing 12 or more units assisted with HOME funds. The contract for construction must contain the applicable wage provisions and labor standards. Davis-Bacon does not apply to projects using volunteer labor or to sweat equity projects.

S. DEBARMENT AND SUSPENSION.

Local programs must require participants in lower-tier transactions covered by 24 CFR 24 to certify that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

T. FLOOD PLAINS.

HOME funds may not be used to construct housing in an area identified by the Federal Emergency Management Agency as having special flood hazards. In addition, THDA discourages the rehabilitation of units located in special flood hazard areas, but in a few instances and with written permission from THDA, houses located in a floodplain may be assisted. The community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

U. CONFLICT OF INTEREST.

In the procurement of property and services, the conflict of interest provisions at 2 CFR 200.112, apply. In all cases not governed by 2 CFR 200.112, the conflict of interest provisions of the HOME Rule as stated below apply:

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

No owner, developer or sponsor of a project assisted with HOME funds (or officer, employee, agent, elected or appointed official, or consultant of the owner, developer or sponsor or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, or consultant of the owner, developer or sponsor) whether private, for profit or non-profit (including a CHDO when acting as an owner, developer or sponsor) may occupy a HOME-assisted affordable housing unit in a project during the required period of affordability specified in 92.252(e) or 92.254(a)(4). This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

Grant Recipients should avoid conflicts of interest and the appearance of conflicts of interest in administering their HOME programs as THDA does not routinely consider requesting exceptions to the conflict of interest provisions from HUD. The existence of a conflict of interest or the appearance of a conflict of interest, as determined by THDA in its sole discretion, may be grounds for requiring repayment of HOME funding and limitations on future program participation.

V. PROCUREMENT.

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties, and non-profit organizations must follow their procurement policies and meet all state and federal requirements. At a minimum, applicants must comply with 2 CFR 200.318 - General Procurement Standards.

Prior to solicitation of bids, the Grant Recipient should develop a comprehensive scope of work and perform an independent cost estimate. Grant Recipients should make every effort to obtain a minimum of 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections, and work write-ups. There must be an established, well-documented selection procedure and a written rationale for selecting the successful bid or proposal.

W. -COMPLIANCE REVIEWS AND MONITORING

The Compliance and Asset Management (“CAM”) division of THDA is responsible for monitoring the HOME Investment Partnerships Program (“HOME”). Each HOME grant Subrecipient will be monitored annually and in accordance with 24 C.F.R. Part 92. The scope of the monitoring includes a desk review of the client files as well as Subrecipient programmatic documents. A 20% sample of client projects are randomly selected for file review. The HOME Rehabilitation monitoring review will begin at 30% spend-down and will be conducted incrementally throughout at 50%, 80% and 100% spend-down.

XW. APPLICATION EVALUATION PROCEDURE.

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially, and administratively feasible; and the proposal of a project that meets the requirements of 24 CFR Part 92, as amended.

All non-profit applicants must submit the most current version of the following required documentation in accordance with the application instructions. Items identified as “THRESHOLD” must be submitted with the application for funding consideration. All other items are required and any funding consideration will be conditional until their receipt and THDA’s subsequent review and approval of the item:

1. Evidence that the applicant is organized and existing under the laws of Tennessee or, if organized and existing under the laws of another state, evidence that applicant is organized and existing in that state and authorized to do business in Tennessee. (THRESHOLD)
2. Documentation of an IRS designation under Section 501(c)(3) or 501(c)(4) of the federal tax code. A 501(c)(3) non-profit organization may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary material with the IRS and received a response from the IRS demonstrating 501(c)(4) status. (THRESHOLD)
3. Copy of Organizational Charter (THRESHOLD)
4. Copy of Organizational By-laws (THRESHOLD)
5. List of Board members including: names; home address; occupation; a description of their primary contribution; length of service; phone #; email address; and date the term of service expires. (THRESHOLD)
6. Business plan or strategic management plan that demonstrates the agency’s short term and long term goals, objectives, and plans to achieve them.
7. The most recent financial audit or audited financial statements of the organization. (THRESHOLD)
8. Applicant Board Member and Corporate Disclosure Forms *completed, signed by the organization's Executive Director and each Board Member and notarized.*
9. Applicant/Board Member and Corporate Disclosure Form completed, *signed by the Chairman of the Board or Executive Director on behalf of the organization and notarized.*
10. One page explanation of how the Board of Directors is involved in the operation of the agency, including how often the Board meets, how the Board monitors and provides oversight for the agency’s programs.
11. Resolution by the Board of Directors authorizing the submission of this application. (THRESHOLD)

12. List of staff members employed by the organization, including how many are full-time or part-time, their specific responsibilities related to housing programs, and how many years of experience each staff member has in housing development. (THRESHOLD)
13. Documentation of agency operating funds from other sources, including how much annually and from what sources.
14. Explanation of any other programs operated by the organization, including the program(s) and its funding source(s).
15. Explanation of the agency's experience in housing, particularly in providing housing to low and very low income households in Tennessee. (THRESHOLD)

Applicants must upload all organizational information required to be submitted through THDA's Participant Information Management System (PIMS). Copies of organizational documents that are required to be submitted through PIMS, but that are submitted through another means, will not be considered.

Documentation must be submitted to demonstrate that the organization meets threshold requirements and has the capacity to provide affordable housing for low-income households, including the administration of the proposed project.

To be eligible for funding, an application must receive a minimum threshold score of 60, an amount equal to at least 50% of the total points available.

Applications meeting the threshold criteria will be scored and ranked in descending numerical order within the CHDO matrix, based on the criteria provided below. In the event of a tie score, THDA first will select the application with the highest capacity score and then, if a tie still remains, the lowest prior year un-expended funds deduction. If a tie still remains, THDA will select the application with the highest percentage of Match.

1. PROGRAM DESIGN, PLANNING AND CAPACITY

Up to 60 points

The proposed project demonstrates exceptional project planning and readiness.

Up to 30 points

- The program design is complete and all necessary components to accomplish the project are identified in the application.
- Sites have been identified and CHDO has site control. NOTE: THDA will not be able to issue a Working Agreement unless there are specific addresses or a legal description for the property.
- CHDO has a pipeline of potential homebuyers ready to purchase or working toward readiness to purchase. NOTE: Commitment of CHDO funds must be to a specific address and homebuyer to meet HUD’s definition of CHDO commitment by the 24-month deadline.
- CHDO has completed an examination of neighborhood market conditions demonstrating a need for the proposed housing and the anticipated housing types, as well at the target locations or neighborhoods for which the housing is intended.
- CHDO has secured other funding for the project. Commitment letters are included in the application.

The CHDO demonstrates sufficient capacity beyond threshold.

Up to 30 points

- The CHDO has produced successful affordable housing projects of similar size, scope and complexity.
- The CHDO has a demonstrated capacity to manage homeownership programs.
- The CHDO has paid staff with demonstrated housing development experience as documented by W-2 forms.
- The organization operating budget reflects multiple sources of funding.
- If previous experience under HOME:
 - Has the demonstrated ability to conform to the timeframe of Attachment B: Implementation Plan of the HOME Working Agreement;
 - Has demonstrated its ability to commit and draw down funds in a timely manner;
 - Has demonstrated the ability to complete a project within the contract term;
 - Has a lack of monitoring findings; and
 - Appropriately responds to client concerns or complaints and to THDA staff.
 -

3. CHDO SERVICE AREA NOT IN A PJ

5 points

THDA shall award up to 5 points to applications submitted from CHDOs where 100% of the units to be developed with the initial use of the grant funds are not in an area designated as a PJ by HUD.

4. PUBLIC PRIVATE PARTNERSHIP FOR NEIGHBORHOOD REDEVELOPMENT

10 points

To receive points under this criteria, the CHDO must partner with a local unit of government or a local quasi-governmental entity by means of a MOU or other partnership agreement, outside of THDA's contract, for the purpose of the development of affordable housing.

The MOU must meet the requirements listed in Section H of this program description.

- a. The CHDO must have a strategy approved by its Board to redevelop an area that ties into a larger strategic plan of a City or County's efforts to stabilize a focused area that requires revitalization.
- b. The targeted neighborhood area(s) in which all units will be rehabilitated and/or constructed is clearly identified in the MOU.
- c. The units to be rehabilitated or constructed must be for sale to eligible low income homebuyers, as defined in Section I of this program description.
- d. Match contributions, at minimum, must meet the following requirements:
 - 1) Donation or sale of a suitable parcel of land for home development, without encumbrance of any kind and with all taxes paid current, as defined in Section F of this program description.
 - 2) The donated cost of demolition and disposal of any existing structures on the building parcel including all landfill fees, if unit demolition is a required part of lot development.
 - 3) Fees controlled by the local government such as building permits, impact fees or other development fees must be waived by the local government and provided as a donated match to the project. To the extent, the local government controls utility connection and tap fees, these fees must be waived or significantly discounted in order to meet the match eligibility requirements of the HOME program.

5. MATCH

Up to 15 points

THDA shall award up to 15 points to applications that include a committed contribution of eligible match resources towards the project implementation. A commitment of eligible match contribution from an external source must be documented in the application from the source providing the contribution. To determine the points awarded, THDA will not round the percentage calculated.

- The project's sources include an eligible HOME match contribution that is equal to or greater than 15% of the proposed HOME funds to be used for project costs;

15 points

OR

- The project’s sources include an eligible HOME match contribution that is equal to or greater than 5% and less than 15% of the proposed HOME funds to be used for project costs; 10 points

OR

- The project’s sources include an eligible HOME match contribution that is equal to or greater than 1% and less than 5% of the proposed HOME funds to be used for project costs; 5 points

OR

- The project’s sources include an eligible HOME match contribution that is less than 1% of the proposed HOME funds to be used for project costs.

6. LEVERAGE

Up to 10 points

THDA shall award up to 10 points to applications that include the use of funds from other sources. THDA will award points in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. In order to receive points, there must be written documentation for the leveraged funds in the application.

7. ENERGY CONSERVATION

Up to 10 points

- a. For acquisition/rehabilitation and sale type homeownership projects, THDA shall award up to 10 points to applications that, to the extent feasible, include at least three energy conservation measures beyond that required by THDA’s Design Standards for Rehabilitation in the rehabilitation of each unit.
- b. For new construction homeownership projects, THDA shall award up to 10 points to applications that include at least three energy conservation measures beyond that required by THDA’s Design Standards for New Construction.

8. UNIVERSAL DESIGN

Up to 10 points

For new construction or acquisition/rehabilitation type homeownership projects, THDA shall award **up to 10 total points** to applications that include additional identified universal design features in each unit. Points will be awarded based on the schedule below.

Item “a” is worth (4) points. All other items are worth (2) points each. **The maximum number of points that can be awarded under this category is 10.**

- a. One entrance door that is on an accessible route served by a ramp or no-step entrance and which also has a 36” door.
- b. All Interior Doors a minimum of 32 inches of clear passage space except closets of less than 15 square feet.
- c. All hallways have a clear passage of at least 36 inches, is level with ramped or beveled changes at each threshold.
- d. Each electrical panel, breaker box, light switch or thermostat is no higher than 48 inches above the floor.

- e. Each electrical plug or receptacle is at least 15” above the floor.
- f. Minimum 5’ x 5’ level clear space inside and outside entry door.
- g. Broad blocking in walls around each toilet, tub and shower for future placement of grab bars.
- h. Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
- i. Front mounted controls on all appliances.
- j. Lever door handles on all doors.
- k. Loop handle pulls on drawers and cabinet doors.
- l. One bathroom on the main floor you can get into in a wheelchair.

9. PRIOR YEAR UNEXPENDED HOME FUNDS DEDUCTIONS

Up to -5 Points

CHDOs that administered a HOME grant years in 2019-2023~~2~~ and have successfully closed their HOME grant are eligible for application if the spend down requirement is met, as detailed under Eligible Applicants, Item 8 of this program description. Any grant that successfully closed, but did not expend 100% of the HOME grant funds awarded will be subject to a point deduction. The maximum number of points that can be deducted under this category is 5. The amount of points deducted is contingent upon the balance of HOME grant funds left unspent.

The balance of unspent HOME funds will be subject to the following deductions:

- Over \$50,000.00 -5 Points
- \$30,000 - \$49,999.99 -4 Points
- \$20,000 - \$29,999.99 -3 Points
- \$10,000 - \$19,999.99 -2 Points
- \$1 - \$9,999.99 -1 Point



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: Tennessee Housing Development Agency Board of Directors

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

SUBJECT: 2025 HOME Rental Development Program Description

DATE: November 4, 2024

Recommendation:

Staff recommends that the Tennessee Housing Development Agency (“THDA”) Board of Directors (“Board”) approve the following:

- Adoption of the attached proposed 2025 HOME Program Description for Rental Development (“Program Description”);
- Authorize the Executive Director or a designee to award 2025 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 Board regarding associated funding awards at the meeting that immediately follows the date of the awards.

Background:

THDA is setting aside 50% of its total 2025 HOME allocation after the required set aside funds have been considered to implement the 2025 HOME Rental Development Program Description to



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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 is expected to be similar to last years of \$12,910,084. 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 27, 2025, with applications due on April 4, 2025. Funding awards will be announced on or about May 30, 2025, with the Grant award period beginning on July 1, 2025.

Substantial change:

- Inclusion of the Build America Buy America Act requirements to all 2025 HOME Programs

To view full documentation, please click [here](#).



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TENNESSEE HOUSING DEVELOPMENT AGENCY
2025 HOME RENTAL HOUSING DEVELOPMENT PROGRAM
PROGRAM DESCRIPTION

The Tennessee Housing Development Agency (“THDA”) administers the federally funded HOME Investment Partnership Program (“HOME”), which is designed for the production and preservation of affordable housing through the acquisition, new construction, or rehabilitation of affordable housing for low-income households. The purpose of this Program Description is to explain the program requirements and application process.

THDA will provide HOME funding under its HOME Rental Housing Development Program (the “Program”) for the new construction and/or acquisition and rehabilitation of rental housing projects that consist of no more than a total of 11 units. The funding may be combined with other resources, **except for the Low-Income Housing Tax Credit (“LIHTC”)**.

Program grants will be awarded through a competitive application process to Community Housing Development Organizations (“CHDO”), other non-profit housing developers, and Public Housing Authorities in all 95 Tennessee counties. An applicant must apply for at least \$300,000 and may apply for a maximum grant of \$1,500,000, subject to other limits defined herein. The application period for the Program will open on Thursday, February 27, 2025 and applications must be received by THDA on or before 4:00 PM CT on Friday, April 4, 2025. THDA anticipates notifying successful applicants on or about May 30, 2025. The Program period of performance will begin on July 1, 2025 and will end June 30, 2028.

The application package for Program resources, as well as additional program documentation, will be made available on THDA’s website no later than February 27, 2025 at <https://thda.org/government-nonprofit-partners/home-program>

1. ALLOCATION OF FUNDS

1. HOME funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. The amount of the 2025 Allocation is expected to be similar to the 2024 allocation at \$12,910,084. THDA will initially set aside 10% of its total allocation for administrative and planning purposes, 20% for its CHDO set aside and up to 5% for CHDO Operating Expense.
2. THDA will make available 50% of its remaining 2025 HOME allocation from HUD, after all set asides described in item 1 above, for the 2025 HOME Rental Development Program Description. Additionally, THDA may make available any unallocated or returned funds from the 2024 or earlier

funding rounds, as determined at the time of award announcements in May 2025.

2. ELIGIBLE RECIPIENTS

THDA will accept applications from qualified CHDOs, other nonprofit housing developers, and Public Housing Authorities. All applicants must be the final owner of the proposed rental housing project. An applicant must materially participate (regular, continuous, and substantial on-site involvement) in developing, owning, and operating the development throughout the affordability period, as defined herein.

- a. To be eligible the entity must meet the following criteria:
 - i. Be organized and existing to do business in the State of Tennessee, or if organized in another state, be qualified to do business in the State of Tennessee.
 - ii. Demonstrate at least two (2) years of related housing development and management experience in Tennessee. For this Program, “related housing experience” means the development, ownership, and management of affordable rental housing.
 - iii. For acquisition only of a qualified housing development, demonstrate at least two years of related housing management experience in Tennessee.
 - iv. Demonstrate the financial capacity necessary to undertake, complete, and manage the proposed project, as demonstrated by its ability to own, construct, or rehabilitate and manage and operate affordable rental housing. THDA will evaluate the experience of the entire proposed team with owning, developing, and managing projects of similar size and scope serving the intended population proposed. Applicants and their development team must undergo an evaluation by THDA of their capacity before the applicant may qualify as an Eligible Recipient, as defined herein.
 - v. Have demonstrated understanding of the Federal, State and local housing programs used in conjunction with HOME funds to ensure compliance with all applicable program requirements and regulations.
 - vi. Not be debarred or excluded from receiving federal assistance or THDA assistance prior to selection or entering into the grant contract with THDA.
 - vii. Certify that housing units assisted with the HOME will comply with HOME program requirements during the entire period that begins upon selection and ends upon the conclusion of all HOME-funded compliance and affordability periods.
 - viii. Receive a minimum of 60% of the points available for a minimum score of 60 or greater.

3. CHDO REQUIREMENTS

Though an entity is not required to be a qualifying CHDO to apply for or receive these funds, to be considered a qualifying CHDO and eligible for available points under the CHDO Designation criteria of the scoring matrix, the applicant must also meet the following additional requirements:

- a. Have an Internal Revenue Service (“IRS”) designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have

received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status;

- b. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;
- c. Have among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of housing to low-income households;
- d. Have standards of financial accountability that conform to 2 CFR Part 200, Uniform Administrative Requirements, Audit Requirements and Cost Principles; Not be controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the CHDO. If a CHDO is sponsored or created by a for-profit entity, all of the following must apply:
 - i. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer or real estate management firm;
 - ii. The for-profit entity may not have the right to appoint more than one-third of the membership of the CHDO's governing body. CHDO board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
 - iii. The CHDO must be free to contract for goods and services from vendors of its own choosing; and
 - iv. The officers, directors, owners (stockholders, managers, members, etc.) or employees of the for-profit entity cannot be officers, directors, owners (stockholders, managers, members, etc.) or employees of the CHDO;
- e. Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO, however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of recipient governmental entity. Board members appointed by the State or local government may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers of the Board or employees of a CHDO;
- f. Maintain accountability to low-income community residents by:
 - i. Including residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in at least one-third of the CHDO's governing board's membership. For urban areas, "community" may be a neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and
 - ii. Providing a formal, written process for low-income program beneficiaries to advise the CHDO in its decisions regarding the design, site selection, development, and management of affordable housing. The process must be described in the organization's by-laws or has been adopted by its board by resolution. Low-income board representation alone does not satisfy this requirement.
- g. Have a demonstrated capacity to successfully carry out housing projects assisted with HOME funds. A CHDO undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with

HOME funds. Paid staffing may be documented by providing copies of the most recent W-2, as applicable, issued by the nonprofit entity for each staff member. For its first year of funding as a CHDO, a CHDO may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key CHDO staff. A CHDO that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of 24 CFR 92.300(a)(2). A CHDO does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated or cost allocated by another organization, or by hiring a consultant; and have a history of serving the community within which the housing to be assisted with HOME funds is to be located. In general, a CHDO must be able to show at least one year of serving the community through housing activities benefiting low-income persons or families before HOME funds may be awarded to that CHDO. However, a newly created CHDO formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least one year of serving the community through housing activities benefiting low-income families.

4. SPEND DOWN REQUIREMENT

Applicants with previous HOME, National Housing Trust Fund (NHTF), HOME-ARP, and Tennessee Housing Trust Fund Competitive Grant program rental development grant awards must have submitted an official Request for Payment Form with supporting documentation demonstrating the spend down of the following percentages of all existing rental development grants by March 31, 20254, to be eligible for funding:

GRANT YEAR	SPEND DOWN REQUIREMENT
Any 2021 Round	100 percent
Any 2022 Round	100 percent
Any 2023 Round	50 percent
Any 2024 Round	25 percent
2024-2 HOME Rental Round	Ineligible

5. FORM OF ASSISTANCE

HOME funds will be awarded as a grant, secured by a note, deed of trust, and a declaration of land use restrictive covenants (“restrictions”). The entire grant term beginning with issuance of the Reservation of Funds and ending with the final project completion, issuance of a Certificate of Occupancy or equivalent and submission of all final draw requests and legal documentation is 3 years.

- a. Eligible Recipients will be initially provided a Reservation of Funds with a total term period of 3 years. Prior to being issued the grant agreement and within six (6) months of the beginning of the term of the Reservation of Funds recipients must have satisfied the following requirements:
 - i. Submission and approval of site and neighborhood standards
 - ii. Submission and approval of an Environmental Review Record and receive issuance of a release of Funds letter.
 - iii. Submittal of a final development budget with documentation of all committed development sources.
- b. Eligible Recipients must sign a grant contract, initially, preliminarily awarding HOME funds to a proposed project.
- c. Prior to requesting any draws, a Recipient must execute a note and record a fully and accurately executed deed of trust and restrictions (the “Legal Documents”) and provide such to THDA.

6. SUBSIDY LIMITS

The investment of HOME funds must conform to the following minimum and maximum subsidy limits per unit:

The minimum amount of HOME funds that must be invested in a project is \$1,000 times the number of HOME-assisted units (“HOME Units”) in the project.

- a. The maximum amount of HOME funds that may be invested per HOME Unit per size is based on HUD’s maximum subsidy limits as the time the project contract is executed. The current approved subsidy limits are:

\$136,613	0-Bedroom (Efficiency) Limit
\$156,036	1-Bedroom Limit
\$189,745	2-Bedroom Limit
\$245,470	3-Bedroom Limit
\$269,447	4-Bedroom Limit

7. DEVELOPER FEE

The sum of the Developer’s overhead and the Developer’s profit is (the “Developer Fee”). Consulting fees and guarantor fees are also considered part of the total Developer Fee calculation. A Developer Fee of up to fifteen percent (15 percent) of the HOME development costs, net of the development fee, prorated acquisition costs, and any prorated permanent financing costs may be charged as a project soft cost. The Developer Fee must be drawn in proportion to the expended hard costs of the Program and no more than eighty percent (80 percent) of the Developer Fee may be drawn prior to the final project draw. No portion of the Developer Fee may be drawn until all monitoring fees have been paid.

8. ELIGIBLE ACTIVITIES

HOME funds must be used for the new construction of or the acquisition and/or rehabilitation of existing affordable, permanent rental housing projects that consist of eleven (11) total units or less that address the needs of low-income households, families whose annual incomes do not exceed 80 percent of the area median income (“AMI”), as further defined at 24 CFR 92.2, The housing may be stick built or modular housing, as defined in Tennessee Code Annotated Title 68 -126-202 & 303, provided that the housing meets all of the applicable state and local codes. All HOME Units must be occupied by low-income families and meet the requirements of 24 CFR 92.252.

HOME funds may not be used for public housing units. HOME Units may not receive Operating Fund or Capital Fund assistance under section 9 of the 1937 Act during the HOME affordability period, except within the exceptions listed below.

- a. Exception. HOME funds may be used for the development of public housing units, if the units are developed under section 24 of the 1937 Act (HOPE VI) and no Capital Fund assistance under section 9(d) of the Act is used for the development of the unit. Units developed with both HOME and HOPE VI may receive operating assistance under section 9 of the 1937 Act. Units developed with HOME and HOPE VI funds under this paragraph may subsequently receive Capital Funds for rehabilitation or modernization.

- b. Using HOME funds in public housing projects. Consistent with § 92.205(d), HOME funds may be used for affordable housing units in a project that also contains public housing units, provided that the HOME funds are not used for the public housing units (except as provided in paragraph a. of this section) and HOME funds are used only for eligible costs.
- c. The HOME funds must be used in accordance with the requirements throughout 24 CFR 92 and the project must meet the requirements of such, including rent requirements in 24 CFR 92.252.

9. ELIGIBLE COSTS

HOME funds may be used to pay the following eligible costs:

- a. Development hard costs – defined in 24 CFR 92.206(a).
- b. Acquisition costs of existing housing.
- c. Related soft costs – defined in 24 CFR 92.206(d).
- d. Relocation costs – as defined in 24 CFR 92.206(f), 24 CFR 92.353, and described in this Program Description.

10. AFFORDABILITY PERIOD

HOME Units are rent and income limited for an affordability period of 5 to 20 years, depending on the project activity type and total amount of HOME funds allocated to the project divided by the total amount of HOME Units, resulting in a per unit allocation, as described below (the “Affordability Period”). The Affordability Period begins on the date that THDA determines that the project has met the terms of “project completion” in the federal Integrated Disbursement and Information System (IDIS) as defined at 24 CFR 92.2.

ACTIVITY	HOME FUNDS PER HOME UNIT	AFFORDABILITY PERIOD
Acquisition or rehabilitation of existing housing	Under \$15,000	5 Years
Acquisition or rehabilitation of existing housing	\$15,000 - \$40,000	10 Years
Acquisition or rehabilitation of existing housing	Over \$40,000	15 Years
New construction or acquisition of newly constructed housing	Regardless of cost	20 Years

11. INCOME LIMITS & TARGETING

- a. HOME Units must be occupied by households who are low-income, meaning their annual incomes do not exceed 80 percent AMI, and must meet the requirements of 24 CFR 92.252 to qualify as affordable housing.

- b. If a rental project has 5 or more HOME Units, at least 20 percent of the HOME Units must be occupied by very low-income families, families whose annual incomes do not exceed 50 percent AMI, and meet one of the following rent requirements (the “Low HOME Rents”): The rent does not exceed 30 percent AMI of a family whose income equals 50 percent AMI, as determined by the U.S. Department of Housing and Urban Development (“HUD”), with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions. However, if the rent determined under this paragraph is higher than the applicable rent under 24 CFR 92.252(a), then the maximum rent for units hereunder is that calculated under 24 CFR 92.252; or
 - i. The rent does not exceed 30 percent of the family's adjusted income. If the unit receives Federal or State project-based rental subsidy and the very low-income family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program; and
 - ii. The remaining units can be rented at no more than the High HOME Rents, or the lesser of (i) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111 or (ii) a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent AMI, as determined by HUD, with adjustments for the number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.
 - iii. Note, very low-income households may occupy High HOME Rent units and pay High HOME Rents.
- c. Further, at initial project lease up, at least 90 percent of the households assisted must have incomes that do not exceed 60% percent of AMI, as determined and made available by HUD. The balance of the assisted households must have incomes that do not exceed 80 percent of AMI.

12. UNIT DESIGNATION

The applicant must declare in the application the number of HOME Units in the project and whether the units are fixed or floating units. All designations must be included in the grant contract and legal documents. In a project containing HOME and other non-assisted units, fixed or floating HOME Units must be designated in accordance with 24 CFR 92.252(j). The project must maintain this unit mix throughout the Affordability Period.

13. PROHIBITED ACTIVITIES

- a. Providing HOME funds to rental units that require reconstruction.
- b. Using HOME funds to refinance existing debt.
- c. Using HOME funds to create transitional housing.
- d. Using HOME funds for the acquisition and rehabilitation or new construction of housing for sale to home buyers.
- e. Providing non-federal matching contributions required under any other Federal program.

- f. Providing assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing).

- g. Carrying out activities authorized under 24 CFR Part 968 (Public Housing Modernization).
- h. Providing assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low-Income Housing Mortgages).
- i. Providing assistance to a project previously assisted with HOME funds during the period of affordability established by HUD and THDA in the written agreement with the Recipient as stated in § 93.205(a) except as permitted for renewal of funds committed to operating cost assistance.

Additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount as determined by THDA as defined by HUD. HUD has prescribed the use of the Section 234 – Condominium Housing Limits from the Annual Indexing of Basic Statutory Mortgage: Limits for Multi-Family Housing Programs as described in the Interim Rule.

- j. Using HOME funds for political activities; advocacy; lobbying, whether directly or through other parties; counseling services; travel expenses; and preparing or providing advice on tax returns.
- k. Using HOME funds for administrative, outreach, or other costs of the Recipient, or any other Recipient of such grant amounts, subject to the exception in Section 1338(c)(10)(D)(iii) of the Act,
- l. Using HOME funds to refinance multifamily loans made or insured by any federal program, including CDBG.
- m. Providing tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act.
- n. Assisting or developing emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, dormitories, including those for farm workers or housing for students.
- o. Providing HOME assistance to rental units that are Manufactured Housing, as defined in Tennessee Code Annotated Title 68 -126- 202 & 303, and/or Manufactured Housing lots.
- p. Paying for any cost that is not eligible under 24 CFR 92.730 through 93.200 or is prohibited under 24 CFR 92.214.

14. LAYERING

Before THDA can commit HOME funds, it must evaluate the project proposed in the application to determine that the proposed amount of HOME funds needed to complete the project is necessary to provide a quality affordable housing project that meets the Program requirements and will remain financially viable throughout the Affordability Period. Layering is the combining of more than one governmental resource on a HOME-assisted project.

The applicant must disclose all government resources that have been utilized and/or that the applicant intends

to utilize in the HOME project, especially THDA resources. Failure to disclose said information may result in cancellation of award and money due to THDA.

THDA will evaluate the project in accordance with its underwriting and subsidy layering guidelines and standards that require the following:

- a. An in-depth review of underlying project assumptions, development sources and uses, and projected operating income and expenses, and the project's long-term financial viability to determine the project's proposed costs and need for HOME funds are necessary and reasonable, while preventing over-subsidization of the project;
- b. An assessment of the current market demand for the proposed budget;
- c. Review of and determination that the applicant's experience and financial capacity are satisfactory based on the size and complexity of the project;
- d. Firm written financial commitments for the project;
- e. A careful review of the project's operating budget, including the basis for assumptions, projections of a project's net operating income, and reasonably expected changes in revenue and expenses during the Affordability Period to determine if any HOME-funded operating cost assistance is necessary and, if applicable, an operating cost assistance reserve is sized appropriately;
- f. An assessment of the project's overall viability through the Affordability Period based on the households it will serve; and
- g. THDA will require completion and submission of a development budget, operating budgets, and an operating proforma, as defined below, for the length of the Affordability Period in a format that will be included with the application.

15. PROFORMA

A proforma is a cash flow projection for a specific period of time that takes into account expected income and expenses of a rental property and projects financial viability and affordability over the period ("Proforma").

- a. All Applicants must complete a proforma included in the application in a term of 5, 10, 15 or 20 years depending on the project type and its Affordability Period. The applicant must demonstrate a need for the HOME funds. If the project development costs require additional financing, including other grant source funding, prior to making any HOME draws documentation must be provided by Recipient that all other financing or grant funding has been identified and secured.

A project may not incur more debt in the development than the operating budget and proforma indicate that the development can support. Documentation that final debt does not exceed the supportable debt as indicated on the operating budget will be a threshold requirement.

- b. An updated final Development Budget, Operating Budget and Proforma package will be required before any draw requests may be processed.

16. PROJECT COMPLETION AND INITIAL OCCUPANCY

HOME rental projects must meet the definition of project completion at 24 CFR 92.2. If the project fails to meet the project completion definition within 4 years of project commitment, the project must comply with the terminated project requirements at 24 CFR 92.205(e)(2). If the HOME Units are not occupied by eligible low-income households within six months following project completion, the Recipient must submit to THDA a report of its efforts to market the development to low income households and an updated marketing plan of new steps that will be taken to fill units by eligible low income populations. The Recipient must repay all HOME funds invested in any housing unit that is not rented to eligible low-income households within 18 months of project completion.

17. LEVERAGE

Leverage is a contribution of value in the form of cash, materials, or labor in a pre-approved form and method toward the hard development costs of a project. Leverage must be in the form of contributions to the project's hard development costs.

- a. In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the applicant and grants from other sources. The value of land acquired through non-HOME resources may be counted as leverage when the appraised value is documented and proof of ownership at the time of application is demonstrated. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage when properly documented. Administrative funds, anticipated fund-raising revenues, and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. All proposed leverage must be thoroughly supported by appropriate back-up documentation, including firm commitment letters, award letters, and warranty deeds.
- b. The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the project. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.

18. MARKET

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

19. MIXED-USE PROJECTS

A "mixed-use" project contains, in addition to at least one residential unit, other non-residential space, which is available to the public. The following rules apply regarding mixed-use:

- a. Laundry and/or community facilities for use exclusively by the project tenants and their guests do not constitute a mixed-use project.
- b. The presence of a leasing office or a maintenance area does not constitute a mixed-use project either.
- c. HOME funds may not be used to fund the commercial or non-residential portion of a mixed-use project. Therefore, if a HOME assisted project contains such commercial or non-residential space, other sources of funding must be used to finance that space.
- d. HOME funds can only be used to fund the residential portion of a mixed-use project, which meets the HOME rent limits and income targeting requirements.
- e. If the rental project will contain a model apartment that will be shown to potential renters, the model apartment will be considered a non-residential area, unless the model apartment will be rented in the event of high occupancy.
- f. In order for a mixed-use project to be eligible to use HOME funds, the residential living space in the project must constitute at least fifty one percent (51 percent) of the total project space and each building in the project must contain residential living space.

20. RENT LEVELS AND UTILITY ALLOWANCES

HUD requires that the rent charged for HOME Units be affordable to low- and very low-income households for the duration of the Affordability Period. THDA must annually review and approve the rents for each HOME-assisted rental project.

HUD publishes HOME Rent Limits annually to define what is considered affordable. The HOME Rent Limits are adjusted for different localities and for each bedroom-size unit from zero (efficiency) to six bedrooms.

- a. The HUD-published HOME Rent Limits include utilities. Therefore, when a tenant pays directly for utilities, the cost of utilities paid by the tenant must be subtracted (using the applicable utility allowances) from the published HOME rents to determine the maximum rent that can be charged for the HOME Unit.
- b. The Recipient must determine individual utility allowances for each rental project either by using the HUD Utility Schedule Model or determining the utility allowance based on the specific utilities used at the project. Utility allowances must be reviewed and updated annually. Use of utility allowances provided by public housing authorities is not permitted.
- c. HUD adjusts the HOME Rent Limits every year. If the rent limits go up and utility costs remain steady, the Recipient may raise rents accordingly, but if the rent limits decrease or the utility costs increase, the Recipient may be required to decrease rents. The Recipient is never required to decrease rents below the initial rents approved by the THDA at time of project commitment, although market conditions may make it necessary to do so.
- d. Rent adjustments must be made in accordance with the tenant's lease. THDA must approve all rent schedules for a project prior to lease-up and throughout the Affordability Period.
- e. Recipients must never charge rent amounts that exceed the published HOME rents, adjusted for utility arrangements and bedroom size.

- f. If the HOME-assisted unit receives Section 8 or Tenant-Based Rental Assistance (“TBRA”), then the maximum rent for the HOME Unit cannot exceed the HUD-published HOME Rent Limit. Therefore, the subsidy payment plus the tenant’s contribution towards rent cannot exceed the HUD-published High HOME rent limit for a High HOME Rent unit or the Low HOME rent limit for a Low HOME Rent unit.
 - i. Rents charged to tenants with Section 8 or TBRA (subsidy plus tenant contribution) must be the same as the rents charged to other tenants without such assistance for comparable units. The Section 8 rules specifically prohibit an owner from charging a higher rent for a unit that is occupied by a voucher holder than the rent charged for a comparable unit not occupied by a voucher holder. This means that if the Recipient charges less than the maximum HOME rent for HOME Units that are not occupied by vouchers holders, it can only charge that rent to the voucher holder.
- g. For the duration of the Affordability Period, the property must accept a Housing Choice Voucher if one is presented by a HOME eligible tenant for a non-PBRA/PBV covered HOME unit.
- h. High HOME Rent Limits. The lesser of (i) the Section 8 Fair Market Rents for existing housing or (ii) 30 percent of the adjusted income of a family whose annual income exceeds 65 percent AMI. The High HOME Rents apply to HOME Units that are High HOME Rent units and are occupied by low-income tenants.
- i. Low HOME Rent Limits. One of the following; (i) 30 percent of the tenant’s monthly adjusted income; (ii) 30 percent of the annual income of a family whose income equals 50 percent AMI; or (iii) if a unit has a Federal or state project-based rental subsidy and the very low-income tenant pays no more than 30 percent of his or her adjusted income toward rent, then the maximum allowable rent for the HOME Unit is the rent allowable under the project-based rental subsidy program.
 - ii. THDA determines which LOW HOME Rent limits apply at the property.
 - iii. Low HOME Rents apply to at least 20 percent of the units in properties with five or more HOME Units that are occupied by very low-income tenants.

21. OCCUPANCY REQUIREMENTS

If a household’s income increases above the allowable income limit for the HOME Unit during the Affordability Period, the HOME Unit will continue to qualify as affordable housing, despite the temporary noncompliance caused by the increase in income of the household, if steps are taken at the next available opportunity to restore compliance.

The requirements for correcting any noncompliance using vacancies or re-designation of units depends on whether the HOME Units are fixed or floating and whether other funding sources impose income or other restrictions on the units.

- a. Fixed HOME Unit. When a tenant becomes over income in a Fixed HOME Unit, correction depends on whether the over-income tenant is occupying a High HOME Rent Unit or a Low HOME Rent Unit.
 - i. High HOME Rent Unit. If the tenant is occupying a High HOME Rent Unit, the property is temporarily out of compliance until the unit is vacated and can be rented to another low-income household. The Recipient cannot terminate or fail to renew the household’s lease because the household is over-income, but the household’s rent must be adjusted according to 92.252(i)(2).

However, such over-income households are protected by the terms of their lease and such rent change can only go into effect at renewal or when the lease permits.

- ii. Low HOME Rent Unit, Income Increases within Low-Income Limit. The property is temporarily out of compliance and will continue to be out of compliance until either (i) a High HOME Rent Unit can be re-designated as a Low HOME Rent Unit or (ii) the Low HOME Rent Unit is vacated by the over-income tenant and can be rented to a very low-income tenant. The Recipient may not increase the tenant's rent above the Low HOME Rent Limit while the unit remains designated as a Low HOME Rent Unit. When a High HOME Rent Unit in the property is vacated, the unit must be re-designated as a Low HOME Rent Unit, regardless of bedroom size, and be rented to a very low-income tenant at no more than the Low HOME Rent. Once this happens, the unit occupied by the over-income tenant must be re-designated as a High HOME Rent Unit and the Recipient may then increase the tenant's rent up to the HIGH HOME Rent Limit, subject to the lease provisions.
 - iii. Low HOME Rent Unit, Income Increases Above Low-Income Limit. The property is temporarily out of compliance until the unit is vacated and can be rented to another very low-income household. The Recipient cannot terminate or fail to renew the household's lease because the household is over-income, but the household's rent must be adjusted according to 92.252(i)(2). However, such over-income households are protected by the terms of their lease and such rent change can only go into effect at renewal or when the lease permits. When a High HOME Rent unit becomes available, it must be re-designated as a Low HOME Rent Unit, regardless of bedroom size, and be rented to a very low-income tenant, at no more than the Low HOME Rent. The unit occupied by the over-income tenant must be re-designated as a High HOME Rent unit, but since the tenant is over the low-income limit, the property will continue to be temporarily out of compliance until the tenant vacates the unit.
- b. Floating HOME Units. When a tenant becomes over income in a project with Floating HOME Units, correction depends on whether the over-income tenant is occupying a High HOME Rent Unit or a Low HOME Rent Unit.
- i) Floating High HOME Rent Unit. The Recipient must adjust the rent of the over income household so that it pays 30 percent of its month adjusted income as rent. The rent adjustment must be made as soon as the lease permits in accordance with the terms of the lease. In a property with floating HOME units, a household is not required to pay more than the market rent for a comparable, unassisted unit in the neighborhood. The next vacant comparable non-assisted unit must be designated as a High HOME Rent Unit. "Comparable" is defined as a unit that is equal to or greater in terms of size, number of bedrooms, amenities, etc. The Recipient may not make the replacement with a lesser unit unless doing so would preserve the original unit mix. Once the comparable non-assisted unit is designated as the new High HOME Rent Unit, the unit with the over income tenant is re-designated as a non-assisted unit. The new High HOME Rent Unit must be rented to a low-income tenant at a rent that does not exceed the High HOME Rent. Once the unit with the over-income tenant is re-designated as a non-assisted unit, the Recipient may adjust the tenant's rent without considering the HOME limits, subject to the lease term.

- ii) Floating Low HOME Rent Unit, Income Increases Within Low-Income Limit. When a tenant's income increases to low-income and is no longer very low-income and occupies a floating Low HOME Rent Unit, the unit that is occupied by the over-income household keeps its designation as a Low HOME Rent Unit until a comparable unit can be substituted. The rent of the over-income tenant must not exceed the Low HOME Rent Limit while the unit is a Low HOME Rent Unit. When the next High HOME Rent Unit in the property is vacated, it must be re-designated as a Low HOME Rent Unit rented to a household whose income does not exceed the very low-income limit, at a rent that does not exceed the Low HOME Rent Limit. Once the new Low HOME Rent unit is designated, the unit with the over income household is re-designated as a High HOME Rent Unit and the households rent may be adjusted to no more than the High HOME Rent Limit, subject to the terms of the lease.
- iii) Floating Low HOME Rent Unit, Income Increases Above Low-Income Limit. The next vacant, comparable, non-assisted unit must be designated as a Low HOME Rent Unit and rented to a tenant whose income does not exceed the very low-income limit at a rent that does not exceed the Low HOME Rent Limit. Comparable is defined as a unit that is equal to or greater in terms of size, number of bedrooms, amenities, etc. The Recipient may not make the replacement with a lesser unit unless doing so would preserve the original unit mix. Until a comparable Low HOME Rent Unit is designated, the unit that is occupied by the over-income tenant is considered a Low HOME Rent Unit that is temporarily out of compliance. The rent of the over-income tenant in the original Low HOME Rent Unit must be adjusted as soon as the terms of the lease permit it. The over-income tenant must pay 30 percent of the household's monthly adjusted income as rent until a comparable Low HOME Rent Unit is substituted, Once a comparable Low HOME Rent Unit is substituted, the unit with the over-income tenant must be re-designated as a non-assisted unit. The Recipient may adjust the tenant's rent without considering the HOME restrictions, subject to the terms of the lease.

22. HOUSING SET-ASIDES FOR INDIVIDUALS WITH DISABILITIES

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

<https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider>.

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

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

23. PROPERTY AND DESIGN STANDARDS

- a. Property standards must be met when HOME funds are used for a project. All rental housing constructed or rehabilitated with HOME funds must meet all THDA Design Standards, applicable local, county and state codes, rehabilitation standards, Uniform Physical Condition Standards (UPCS) or other Standard as defined by HUD, and zoning ordinances at the time of project completion. In the absence of a local code, new construction of single- family units for rental must meet the current, State-adopted edition of the International Residential Code for One- and Two- Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc. Rehabilitation of existing single-family units for rental must meet the current, State- adopted edition of the International Existing Building Code.
- b. HOME funded units must also conform to the THDA Minimum Design Standards for New Construction and Rehabilitation of Single Family and Multifamily Units. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.
- c. Additional design standards include:
 - i) Energy Code. New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.
 - ii) Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (“HERS”) rater.
 - iii) Broadband Infrastructure. THDA requires that newly constructed rental units and those which are substantially rehabilitated must be wired for broadband internet access or infrastructure for project wide wireless internet service.
 - iv) Modular Housing must be certified by the state of Tennessee
- d. Section 504

- i) Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.
 - ii) For new construction of Multifamily Housing (five or more units), a minimum of 5 percent of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and at a minimum, an additional two percent (2 percent) of the units (but not less than one unit) must be accessible to individuals with sensory impairments. The total number of units in a HOME-assisted project, regardless of whether all units are HOME-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.
 - iii) The Section 504 definition of substantial rehabilitation for Multifamily Housing includes construction in a project with eleven (11) or more units for which the rehabilitation costs will be seventy five percent (75 percent) or more of the replacement cost. In such projects, a minimum of five percent (5 percent) of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two (2 percent), at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the total number of units in a HOME-assisted, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all of the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.
 - iv) When rehabilitation less extensive than Substantial Rehabilitation is undertaken in projects of Eleven (11) or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with a disability, until a minimum of five percent (5 percent) of the units (but not less than one (1) unit) are accessible to people with mobility impairments. For this category of rehabilitation, the additional two percent (2 percent) of unit's requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible.
- e. Fair Housing Act of 1968, as amended. In buildings that are ready for first occupancy after March 13, 1991, and that have an elevator and four or more units, the public and common areas must be accessible to persons with disabilities; doors and hallways must be wide enough for wheelchairs; and all units must have the following:
- i) An accessible route into and through the unit.
 - ii) Accessible light switches, electrical outlets, thermostats and other environmental controls.
 - iii) Reinforced bathroom walls to allow later installation of grab bars; and kitchens and bathrooms that can be used by people in wheelchairs.
 - iv) If a building with four or more units has no elevator and will be ready for first occupancy after March 13, 1991, these standards apply to ground floor units.

- v) These requirements for new construction do not replace any more stringent standards in State or local law.
- f) Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131–12189) implemented at 28 CFR parts 35 and 36, as applicable.

24. UNIVERSAL DESIGN AND VISITABILITY

THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the units constructed or rehabilitated with federal HOME funds through the use of Universal Design and Visitability.

a. Universal Design

- i) Universal Design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:

- (1) Make the unit usable by the greatest number of people.
- (2) Respond to the changing needs of the resident.
- (3) Improve the marketability of the unit.

- ii) The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:

- (1) Stepless entrances. Minimum 5' x 5' level clear space inside and outside entry door.
- (2) Broad blocking in walls around toilet, tub and shower for future placement of grab bars.
- (3) Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
- (4) Front mounted controls on all appliances.
- (5) Lever door handles.
- (6) Loop handle pulls on drawers and cabinet doors.

- iii) More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <http://www.ncsu.edu/ncsu/design/cud/index.htm>.

b. Visitability

- i) Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:

- (1) One zero-step entrance.
- (2) Doors with thirty two (32) inches of clear passage space.
- (3) One bathroom on the main floor that is accessible to a person using a wheelchair.

More information on Visitability can be found at: <http://www.visitability.org>.

25. ENVIRONMENTAL REVIEW

The environmental effects of each activity carried out with HOME Rental funds must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (“NEPA”) and the related authorities listed in HUD's regulations at 24 CFR 58.

Under the Program, THDA is responsible for carrying out environmental reviews. THDA may not commit any funds under the Program or any other program listed at 24 CFR 58.1(b) for an activity or project until the environmental review process is complete and the HOME funds have been released. The applicant is responsible for gathering the information required for the environmental review. THDA must make a request for the release of the funds (“RROF”) from HUD for all projects.

Further, until the RROF and related certification have been approved, neither a Recipient nor any participant in the development process may commit non-HUD funds on or undertake an activity or project under a 24 CFR 58.1 program if the activity or project would have an adverse environmental impact or limit the choice of reasonable alternatives. This prohibition prohibits physical activity, including acquisition, rehabilitation, and construction, as well as contracting for or committing to any of these actions. ***As a result, an applicant may not take any choice limiting actions associated with the proposed site beginning with the submission of the HOME application to THDA.***

The restriction on undertaking or committing funds for choice-limiting actions does not apply to undertakings or commitments of non-federal funds before a project participant has applied for HUD funding. A party may begin a project in good faith as a private project and is not precluded from later deciding to apply for federal assistance. However, when the party applies for federal assistance, it will generally need to cease further actions on the project, using either federal or non-federal funds, until the environmental review process is complete.

Therefore, the Environmental Review covers the entire project, not just the portion funded by HOME funds. Except for the very limited exclusions listed under 24 CFR 58, any such prohibited action will make the entire project ineligible for funding under HOME.

26. LEAD-BASED PAINT

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323). Lead-based paint requirements apply to all units and common areas in the project.

27. FLOOD PLAINS

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

in the National Flood Insurance Program and flood insurance must be obtained on the units.

28. PROCUREMENT

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

- a. At a minimum all Recipients must comply with 2 CFR 200.318 - 326.
- b. All Recipients must have adopted procurement policies and procedures that meet state and federal requirements.
- c. Recipients must seek to obtain three (3) to five (5) quotes or bids using formal advertising or requests for proposals for the procurement of professional or construction services.
- d. There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

29. CONFLICT OF INTEREST

In the procurement of property and services, THDA and Recipients must adhere to the conflict of interest provisions at 24 CFR 92.356. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Recipients shall repay that portion of the HOME grant related to the conflict of interest or may have all or some portion of the HOME grant rescinded, all as determined by THDA in its sole discretion.

30. DEBARMENT AND SUSPENSION

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

31. PROJECT SOFT COSTS

In planning their programs, applicants may include, as a project soft costs, the reasonable and customary costs for work write-up and inspections. In addition, the costs for inspections and work write-ups, the costs for lead-based paint inspections, environmental reviews, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. All project soft costs charged to the HOME grant will be calculated on a prorated basis of committed HOME Units to all buildings and units in the project and count toward the maximum per unit subsidy limit.

32. MATCH

All applications from nonprofit housing developers **MUST** provide a 25 percent match of the requested amount towards the proposed project. Eligible Match must be demonstrated in the project budget and supported by letters or other documentation of firm commitment to be counted.

HOME match is permanent, non-federal contributions to a project. Matching contributions may be in the form of one or more of the following:

- a. Cash contributions not provided by an assisted household and not from a federal source, including the

present value of the interest subsidy for loans made at rates below market.

- b. The grant equivalent of a below-market interest rate loan to the project that is not repayable to the Tennessee Housing Development Agency or the State of Tennessee as outlined at 24 CFR 92.220(a)(1)(iii).
- c. The cost, not paid with Federal resources, of on-site and off-site infrastructure that are directly required for the HOME-assisted project. The infrastructure must have been completed no earlier than 12 months before HOME funds are committed to the project.
- d. Reasonable value of donated site-preparation and construction materials.
- e. Reasonable rental value of the donated use of site preparation or construction equipment.
- f. Waived fees and taxes.
- g. Property donation or below-market sale. A copy of the appraisal and/or purchase contract must be submitted. The donor/seller of the property must also provide a statement certifying that the property was donated or sold for affordable housing purposes and an acknowledgment that the donor/seller received the URA Guide Form Notice Disclosure to Seller, as well as the HUD booklet entitled, "When a Public Agency Acquires Your Property." **If the property was originally acquired with federal funds, the value of the property is not match eligible.**
- h. The direct cost of supportive services provided to families residing in HOME-assisted units during the period of affordability as defined at 24 CFR 92.220(a)(10). This must be properly documents and will be considered at THDA's discretion.
- i. Reasonable value of donated or volunteer labor or professional services. Unskilled volunteer labor may not be valued at more than \$10 per hour; skilled volunteer labor may be valued at the documented going rate.
- j. Other match sources as permitted under the HOME Final Rule.

THDA will monitor the contribution of match throughout the implementation of the grant. Failure to provide all committed match may result in forfeiture of the grant.

33. REPLACEMENT RESERVE ACCOUNTS

All projects must maintain a replacement reserve account beginning at the time of project completion for the term of the HOME Rental period of affordability.

- a. The replacement reserve requirement for all one-bedroom units is, initially, two hundred fifty dollars (\$250) per unit, inflated at three percent (3 percent) annually.
- b. The replacement reserve requirement for all units with two or more bedrooms is, initially, three hundred dollars (\$300) per unit per year, inflated at three percent (3 percent) annually.

- c. This account shall be used only for capital improvements and the replacement of long-lived capital assets, and not for routine maintenance and upkeep expenses.
- d. The replacement reserve must be, and must remain, an asset of the project, and will not be distributed to the Recipient or any entity or person affiliated with the Recipient at any time during or after the Affordability Period.
- e. Recipients shall provide THDA with a record of all activity associated with the replacement reserve account during the prior fiscal year in conjunction with submission of the project's annual compliance monitoring materials.
- f. The replacement reserve account must be maintained in a separate account in a federally insured financial institution.
- g. Reserve accounts must also be separate from the project's ordinary operating account.

34. OPERATING RESERVE ACCOUNT

All projects must establish and maintain, until the project has achieved a minimum of five (5) years of Stabilized Occupancy (occupancy of at least ninety percent (90 percent) of the units in the property for a continuous period of at least ninety (90) calendar days), an operating reserve equal to a minimum of six (6) months of projected operating expenses plus must-pay debt service payments and annual replacement reserve payments.

- a. This requirement can be met with an up-front cash reserve; a guarantee from the owner with a surety bond to stand behind the guarantee; or partnership documents specifying satisfactory establishment of an operating reserve.
- b. The operating reserve account must be maintained in a separate account in a federally insured financial institution.
- c. For purposes of this paragraph, eligible operating costs are limited to insurance, utilities, real property taxes, maintenance, and replacement reserve payments.

35. NON-COMPLIANCE REPAYMENT & OTHER PENALTIES

All HOME awards will be structured as a grant to a Recipient with an Affordability Period of between five (5) and twenty (20) years, depending on the activity type and the amount of HOME investment per unit of HOME-assisted housing. (See Section 10 of this Program Description).

- a. Construction begin within twelve (12) months of the date of the start date of the grant term. Failure to start construction within that timeframe may result in forfeiture of the award and require repayment of any HOME funds drawn.
- b. Any HOME funds that are used for costs that are ineligible, invested in a project that is terminated before completion, either voluntarily or otherwise, or invested in HOME Units that do not meet all federal Program requirements and requirements outlined herein for the Affordability Period must be repaid.

- c. Termination of the Restrictions on the project, including foreclosure or deed in lieu of foreclosure, do not terminate the repayment obligations under 24 CFR 503(b).

Failure to adhere to or maintain compliance with the requirements of a program administered through the Community Housing Division will result, depending on the egregiousness of the noncompliance, in penalties being assessed in the scoring of future applications and/or the inability to participate in programs administered by THDA for a period to be determined in THDA's sole discretion.

36. AFFORDABILITY PERIOD REVIEWS

- a. Prior to drawing down HOME funds, Recipients shall sign a grant note, deed of trust and a declaration of land use restrictive covenants to enforce the Affordability Period.
- b. Once HOME funds are awarded to a Recipient, THDA will monitor compliance by reviewing certain records related to the HOME project. THDA will monitor compliance by conducting desk and/or on-site reviews of the project.
- c. THDA will conduct an on-site inspection at project completion in order to confirm that the project meets THDA's Minimum Design Standards for New Construction and Rehabilitation of Single Family and Multifamily Housing.
- d. At a minimum, THDA will conduct compliance reviews annually.
- e. THDA will conduct desk file reviews during the Affordability Period in order to determine compliance with income and rent requirements, tenant selection, affirmative marketing requirements and to verify any information submitted by the Recipient to THDA. In addition, THDA will conduct on-site physical condition inspections of the property and design standards.
 - i. THDA will perform onsite inspection of all HOME assisted projects no less than every three (3) years during the Affordability Period.
 - ii. For HOME projects of four (4) HOME Units or less, THDA will perform an on-site inspection of one hundred percent (100 percent) of the units no less than every three (3) years during the Affordability Period.
 - iii. For HOME projects consisting of five (5) or more HOME Units, THDA will inspect a minimum of four (4) of the HOME Units no less than every three (3) years during the Affordability Period.
 - iv. The on-site inspection may include a review of records for all or a sample of the income and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations.
 - v. The on-site review may also include a review of any local health, safety, or building code violation reports or notices and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety, and building codes, applicable THDA Design

Standards, and current standards as prescribed by HUD.

- vi. Any reports made by state or local government units of violations, with documentation of correction, will be reviewed.
- f. Each year during the Affordability Period, the Recipient shall submit to THDA, within ninety (90) days after the end of the project's fiscal year, each of the following:
- i. Audited financial statements for the Project.
 - ii. Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.
 - iii. Proof of sufficient property and liability insurance coverage with THDA listed as mortgagee.
 - iv. Documentation to show the current utility allowance is being used (i.e. a copy of the utility allowance table).
 - v. For projects that received points at initial HOME application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project's population during the fiscal year must be provided by the provider(s) of such services.
 - vi. Such other information as may be requested in writing by THDA in its sole discretion.

37. MONITORING FEES

THDA charges a monitoring fee for all HOME assisted units. HOME Recipients shall pay the entire fee covering the Affordability Period as indicated in the current HOME Operating Manual - Schedule of Monitoring Fees; but no less than \$300 per HOME Unit.

- a. The monitoring fee must be paid prior to the Recipient making the request for Developer Fees to be drawn from the HOME grant.
- b. Additional fees may be charged when follow-up is required due to non-compliance findings. Failure to pay these fees will be considered an administrative noncompliance issue.
 - i) The fee will be the current approved fee as published in the HOME manual and the most current program description at the time the fee is incurred but no less than:
 - (1) Re-inspection of a file or re-inspection of a 1-4 unit property: Two Hundred Dollars (\$200) per unit inspected.
 - (2) Re-inspection of a HOME project with five (5) or more units:

- (a) Two hundred dollars (\$200) per unit inspected;
 - (b) Standard mileage rate in effect under the current State of Tennessee travel regulations at the time of the re-inspection from Nashville to the property and back to Nashville;
 - (c) Applicable state allowed per-diem for one staff person;
 - (d) Lodging expenses as allowed under then current State of Tennessee travel regulations;
 - (e) Any other expenses incurred by THDA relating to the project re-inspection.
- c. Fees for re-inspections will be due to THDA prior to issuance of re-inspection results or release of any additional HOME-funded operating subsidy.

38. RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

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

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

- a. A description of the proposed assisted project;
- b. The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project.
- c. A time schedule for the commencement and completion of the demolition or conversion.
- d. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided.
- e. The source of funding and a time schedule for the provision of the replacement housing.
- f. The basis for concluding that the replacement housing will remain lower income housing for at least fifteen (15) years from the date of initial occupancy.
- g. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

39. HOME RELOCATION REQUIREMENTS

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

HOME funds are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act (“URA”) of 1970 and section 104(d) of the Housing and Community Development Act of 1974, in addition to the Displacement, Relocation, and Acquisition regulatory requirements of 24 CFR 92.353.

- a) URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between THDA and the Recipient and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or household; (3) has income above or below the Section 8 Lower Income Limit.
- b) A Displaced Person is any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with HOME Rental funds. Relocation requirements apply to all occupants of a project/site for which HOME Rental assistance is sought even if less than one hundred percent (100 percent) of the units are HOME Rental assisted.
 - i) Before application, displacement is triggered when a tenant moves permanently from the project before the applicant submits an application for HOME Rental assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the HOME Rental project. (e.g., THDA determines that the applicant displaced tenants in order to propose a vacant building for HOME Rental assistance.)
 - ii) After application, displacement is triggered when a tenant moves permanently from the project after submission of the application, or, if the applicant does not have site control, the date THDA or the Recipient approves the site because:
 - (1) The applicant requires the tenant to move permanently; or
 - (2) The applicant fails to provide timely required notices to the tenant; or
 - (3) The tenant is required to move temporarily and the applicant does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.
 - iii) After execution of the grant contract, displacement is triggered when a tenant moves permanently from the project after execution of the grant contract covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.
- c) A Displaced person is not:
 - i) A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations.
 - ii) A person with no legal right to occupy the project under State or local law (e.g., squatter).
 - iii) A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project.
 - iv) A person, after being fully informed of their rights, waives them by signing a Waiver Form.
- d) URA and its implementing regulations at 49 CFR Part 24 require relocation assistance where acquisition has occurred under URA. In addition, URA coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition or private acquisition carried out

under a federally assisted project or program.

- e) Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with CDBG, UDAG, HOME, or HOME Rental funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.
- f) Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME Rental program decisions. Concerns about relocation may cause a Recipient to consider establishing a preference for vacant buildings. However, Recipients should also consider that vacant buildings are often in various states of deterioration. Rehabilitating an occupied building, even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, Recipients must consider whether occupants will be able to return after rehabilitation and whether Section 8 assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the Recipient must consider whether the owner removed the tenants in order to apply for HOME Rental assistance for a vacant building. If so, these tenants are displaced persons.
- g) Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for HOME Rental and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

40. SITE AND NEIGHBORHOOD STANDARDS

Housing provided through the HOME program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and must promote greater choice of housing opportunities. All projects must meet the site and neighborhood standards as codified at 24 CFR § 891.125 - Site and neighborhood standards.

- a) New Construction Rental Housing. In carrying out the site and neighborhood requirements for new construction, the Recipient shall provide documentation as THDA may require, in THDA's sole discretion, to determine that proposed sites for new construction meet the requirements in 24 CFR 93.150 with cross reference to 983.6(b) which places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas.
- b) Rehabilitation of Rental Housing. Site and neighborhood standards do not general apply to

rehabilitation projects funded under HOME unless project-based vouchers are used in an HOME rehabilitation unit. In such case, the site and neighborhood standards for project-based vouchers will apply as determined by the issuing authority for the project-based vouchers.

41. EQUAL OPPORTUNITY AND FAIR HOUSING

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

- a) The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:
 - i) Fair Housing Act (24 CFR Part 100)
 - ii) Executive Order 11063, as amended (24 CFR Part 107 - Equal Opportunity in Housing)
 - iii) Title VI of the Civil Rights Act of 1964 (24 CFR Part 1 - Nondiscrimination in Federal programs)
 - iv) Age Discrimination Act of 1975 (24 CFR Part 146)
 - v) Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8)
 - vi) Section 109 of Title I of the Housing and Community Development Act of 1974 (24 CFR Part 6)
 - vii) Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.
 - viii) Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity 24 CFR Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982
 - ix) Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135
 - Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.
 - x) Build America, Buy America Act (BABA) 2 CFR 184
 - (BABA) enacted as part of the Infrastructure Investment and Jobs Act on November 15, 2021, established a domestic content procurement preference for all HOME Projects obligated for infrastructure projects where HOME funding was obligated after August 23, 2024
 - (BABA) requires that all iron, steel, manufactured products, and construction materials used for federally funded infrastructure projects are produced in the United

States, unless otherwise exempt or subject to an approved waiver. This requirement is known as the “Buy America Preference (BAP)” and the specific requirements are codified in 2 CFR § 184

- xi) Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)
 - xii) Executive Order 11625, as amended (Minority Business Enterprises)
 - xiii) Executive Order 12432, as amended (Minority Business Enterprise Development)
 - xiv) Executive Order 12138, as amended (Women’s Business Enterprise)
 - xv) Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that Recipients prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Recipients must also develop acceptable policies and procedures if their application is approved by THDA.
- b) The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:
- i) Architectural Barriers Act of 1968 42 U.S.C. §4151 et seq.
 - ii) Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)
 - iii) Executive Order 12898
 - iv) Executive Order 13166 (Limited English Proficiency)
 - v) Executive Order 13217 (Community-based living arrangements for persons with disabilities)
- c) In addition to the above requirements, the Recipient must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with the State’s current Consolidated Plan.

42. AFFIRMATIVE MARKETING

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

- a) Methods for informing the public, owners and potential tenants about fair housing laws and the Recipient’s policies;
- b) A description of what the Recipient will do to affirmatively market housing assisted with HOME funds;

- c) A description of what the Recipient will do to inform persons not likely to apply for housing without special outreach;
- d) Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and
- e) Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.
- f) All projects that receive HOME grants must advertise all vacant units on the www.TNhousingsearch.org website.

43. BUILD AMERICA BUY AMERICA ACT

The Build America, Buy America Act (BABA) was enacted as part of the Infrastructure Investment and Jobs Act on November 15, 2021 and established a domestic content procurement preference applicable to all HOME funded activities obligated for infrastructure projects, including housing construction and rehabilitation.

BABA requires that all iron, steel, manufactured products, and construction materials used for federally funded infrastructure projects are produced in the United States, unless otherwise exempt or subject to an approved waiver. This requirement is known as the “Buy America Preference (BAP)” and the specific requirements are codified in 2 CFR § 184.

Implementation guidance for all HOME funded projects is found in HUD Notice CPD-2023-12.

44. APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria include:

- a) Submission by an eligible applicant of a complete application, including any documentation required to be submitted through THDA’s Participant Management System (PIMS).
- b) The applicant’s financial statements and audit indicate a healthy financial position and include diverse funding sources.
- c) Application demonstrates a market need for the project.
- d) Proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements outlines herein and under 24 CFR Part 92, as amended.
- e) Submission of a Proforma based on the required Affordability Period demonstrating a need for the HOME funds.
- f) All projects must meet the site and neighborhood standards as codified at 24 CFR § 891.125 - Site and 2025 Home Rental Housing Development Program

neighborhood standards.

- g) All applications must demonstrate a minimum match contribution equal to 25 percent of the total HOME funds requested for the project.
- h) Applicants must have met all spend down requirements for other THDA rental development grants and be in good standing with all THDA programs on February 28, 2025.
- i) Proposals that will set-aside more than 20 percent of the units for individuals with disabilities must demonstrate that the project will meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:

<https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider>.

- j) Receipt of a score that equals at least 60 percent of the total points available.

Applications meeting the threshold requirements will be scored and ranked by Grand Division, as defined in Tennessee Code Annotated Title 4, Chapter 1, Part 2, in descending numerical order based on the scoring matrix provided on page 35, Section 44 of this Program Description. THDA will first select the highest scoring application from each Grand Division of Tennessee. If additional funding is available, THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than the need for the next highest scoring application. Given the limited funding available statewide and in order to distribute HOME funding across Tennessee, THDA reserves the right to limit funding to only one award per county.

When the amount of funds available is less than the request for funding identified in the application, THDA reserves the right to offer partial funding pending the applicant's ability to secure additional financing within a timeframe established by THDA or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant.

1. When the applicant is not able to secure additional financing within THDA's identified timeline, THDA, subsequently and at its sole discretion, may move to the next lower scoring application(s) in order to meet its commitment obligations under the HOME program.
2. When THDA opts to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant, THDA may move to the next lower scoring project(s) in order to meet its commitment obligations under the HOME program.

In the event of a tie score between applications, THDA will prioritize that application with the highest combined total of the Need and Opportunity Score. In the event that a tie still remains, the application with the highest Opportunity Score will be selected. If a tie still exists after the first two (2) tie breakers, THDA will prioritize the application with the highest percentage of Match. THDA reserves the right to transfer unused funding to other HOME activities.

43. HOME RENTAL HOUSING SCORING MATRIX - Up to 100 Points _

PROGRAM DESIGN AND PLANNING- Up to 35 points

- a) The proposed project demonstrates appropriate planning, readiness to proceed, and administrative capability. All necessary components to accomplish the project have been identified in the application including all necessary funding to complete the project. The applicant has site control of the proposed site to be developed.
- b) Firm financial commitments for non-HOME resources have been secured, are current, and are demonstrated within the application.
- c) The extent to which the project has a binding commitment for Federal, State, or local project-based rental assistance so rents are affordable to extremely low and very low-income families and sufficient funds support the project's operation.
 - i) Projects with committed project-based VASH vouchers, Continuum of Care rental assistance, or project-based Section 8 vouchers are preferred.
 - ii) Projects that preserve existing housing with project-based rental assistance also are encouraged.
- d) The project's proforma demonstrates sufficient cash flow to supports the project's operation without a contribution of HOME funds by THDA to an operating reserve account for the project.
- e) The extent to which the proposed project fills the need demonstrated by the neighborhood market conditions.
- f) The extent to which the design of the proposed project is appropriate and meets the needs of the targeted population to be served.
- g) The extent to which formal partnerships have been established and demonstrated within the application to provide voluntary and appropriate support services for the targeted population.
- h) The extent to which the proposed project provides easy access to community living, including retail, employment, transportation, medical, education, recreation, and government services.
- i) The extent to which Universal Design and Visitability features will be included in the design of the projects.
- j) The extent to which energy efficiency features exceed the requirements of THDA's Design Standards for New Construction or Rehabilitation, as applicable.

APPLICANT'S CAPACITY AND EXPERIENCE - Up to 30 points

- a) The applicant's experience with owning, developing and managing rental units of similar size and scope serving the intended population proposed.
- b) The capacity of the applicant and its development and management team to carry out the proposed project within the schedule proposed.
- c) The past experience of the applicant and its development and management team to successfully develop or manage rental housing in compliance with all Federal, state or local program requirements.
- d) The past experience of the applicant and its development and management team to undertake THDA rental development projects in a timely manner.
- e) The past history of the applicant in serving the community in which the proposed project is to be located.
- f) The past history of the applicant and its development and management team to comply with THDA funding requirements and processes.
- g) The applicant is a qualified Community Housing Development Organization.

NEED - Up to 10 points

THDA has determined rental housing need factors for households whose annual incomes do not exceed 80% of the current published area median income. The county need factors are the percentage of low income tenant households that are cost burdened; projected 10-year population growth rate; county's projected 10-year population growth as a percent of the state's overall growth; prior allocation amount per low income household; prior allocation; rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the LIHC Program under construction and in lease-up. Scores to be used in the evaluation of rental projects are available [HERE](#)

AREAS OF OPPORTUNITY SCORE - Up to 10 Points

THDA has determined factors which indicate census tracts of high opportunity. These factors include areas of high median gross rent, high cost burden, proximity to employment, high workforce participation, low levels of abandoned housing, rental market (LIHTC) vacancy rate, and the pipeline of rental housing financed under the LIHC Program under construction and in lease-up. Scores to be used in the evaluation of areas of opportunity are available [HERE](#)

CHDO DESIGNATION – Up to 5 points

THDA will award 5 points for applications where the applicant meets the requirements of a CHDO under the HOME program.

RURAL DESIGNATION– Up to 5 points

THDA will award 3 points for applications with projects located in designated rural areas of Tennessee. For this program description, “rural” is defined as all Tennessee counties except the following: Anderson, Bedford, Blount, Bradley, Carter, Coffee, Hamblen, Hamilton, Haywood, Hawkins, Loudon, Madison, Maury, McMinn, Montgomery, Putnam, Roane, Robertson, Rutherford, Sevier, Sumner, Williamson and Wilson. All other counties are considered Rural.

THDA will award an additional 2 points if the applicant is a Tennessee Public Housing Authority in one of the above identified rural counties.

PROJECTS LOCATED OUTSIDE OF A LOCAL PJ – 5 points

HUD has awarded HOME funds directly to Local Participating Jurisdictions (Local PJs). The Local PJs are Clarksville, Chattanooga, Jackson, Knoxville, Memphis, Nashville/Davidson County, Knox County, Shelby County, and the Northeast Tennessee/Virginia Consortium (the cities of Bristol, Kingsport, Johnson City, Bluff City, Sullivan County, and Washington County, excluding the Town of Jonesborough). Projects that are located outside the jurisdictional limits of a Local PJ will receive points under this criterion.

DESIGNATED DISTRESSED COUNTIES – 5 points Bonus

The Appalachian Regional Commission has designated eight counties as distressed in Tennessee, including: Bledsoe, Clay, Cocke, Hancock, Hardeman Lake, Perry, Scott. THDA will award 5 bonus points for applications with projects in these designated counties.

QUALIFIED MATCH SIGNIFICANTLY EXCEEDING 25% MINIMUM – 5 points Bonus

For a project that provides match in excess of 40%, THDA will award 5 bonus points.



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: Tennessee Housing Development Agency Board of Directors

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

SUBJECT: 2024 HOME Homeowner Rehabilitation East Tennessee Disaster Recovery Program Description

DATE: November 18, 2024

Recommendation:

Staff recommends that the Tennessee Housing Development Agency (“THDA”) Board of Directors (“Board”) consider and approve the following:

Adoption of the attached proposed 2024 HOME Homeowner Rehabilitation East Tennessee Disaster Recovery Program Description as attached (“Program Description”) including,

- Authorization of the Executive Director or a designee to award 2024 HOME funds to applicants for requests submitted by County Mayors in the eight (8) eligible counties;
- 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.



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

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

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



Background:

President Biden issued disaster declaration 4832 in response to the flooding effects of Tropical Storm Helene during the period of September 26 – 30, 2024. The declaration designated eight counties in East Tennessee as disaster areas eligible for Individual Assistance through the Federal Emergency Management Agency (“FEMA”), including: Carter, Cocke, Greene, Hamblen, Hawkins, Johnson, Unicoi, and Washington counties.

Given the wide-spread effects of the disaster, THDA has identified and is able to make available \$8M of funds recouped from prior program years for each designated County government to assist affected homeowners with recovery in accordance with HOME program requirements.

To view full documentation, please click [here](#).



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TENNESSEE HOUSING DEVELOPMENT AGENCY

HOME PROGRAM FOR 2024 HOMEOWNER REHABILITATION PROGRAM DESCRIPTION EAST TENNESSEE DISASTER RECOVERY

The Tennessee Housing Development Agency (THDA) administers the federally funded HOME Investment Partnership Program at 24 C.F.R.92 (HOME Program) to promote the production, preservation, and rehabilitation of single-family housing for low-income households. The purpose of this Program Description is to explain the requirements and the application process of THDA's HOME Program with regard to homeowner rehabilitation assistance.

HOME Program funds under this Program Description will be offered to eight (8) Tennessee counties under a Federal Disaster declaration for Individual Assistance to assist with disaster recovery following the effects from Hurricane Helene. The eligible counties are Carter, Cocke, Greene, Hamblen, Hawkins, Johnson, Unicoi, and Washington. A county must request a minimum HOME grant of \$250,000.00 and may request a maximum HOME grant of \$1,000,000.00.

Requests for the HOME Program funds must be received by THDA on or before 4:00 PM CST on Friday, January 31, 2025. HOME contracts for applicants funded under the East Tennessee Disaster Recovery round will begin on or about February 1, 2025, or on the date the contract is executed, no later than April 1, 2025, and will end thirty-six (36) months from the date of execution of the contract and no later than March 31, 2028.

This Program Description and the instructions for applying for the HOME Program funds are available at [Tennessee Housing Development Agency | HOME Program \(thda.org\)](https://www.thda.org). If you have questions, please call Aaron Toran at (615) 815-2037.

The HOME Program

The HOME program is governed by Title 24 Code of Federal Regulations, Part 92, as amended. Those regulations are incorporated herein by this reference. In cases of conflicting requirements, the more stringent requirement will apply.

A. ALLOCATION OF FUNDS

1. HOME funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. THDA will make a maximum of a total of \$8 Million in program funds available to local county governments in the approved counties.
2. THDA will also make an amount equal to 8% of each grantee's award from THDA's administrative

set aside towards Grantee administrative expense.

3. Funding Requirements:

- a) HOME awards will be in the form of a reimbursement grant via a grant contract (“Written Agreement”) between THDA and the Grantee.

The Grantee must also enter into a Written Agreement with the homeowner obligating funds to a specific site address.

The Grantees must have the beneficiary execute a note and execute and record a deed of trust and restrictive covenants in favor of THDA to secure the award (the “Legal Documents”).

- b) Grantees must repay any HOME funds expended on projects that do not result in a qualified HOME unit or are not completed and ready for occupancy within 4 years of the date of the Written Agreement between THDA and the Grantee. Grantees may also be required to repay HOME funds if there is a default under the Working Agreement or Legal Documents.
- c) Commitment Requirement. A successful Grantee that receives an allocation of funds must commit 100% of those funds to specific units by January 1, 2027. Failure to meet a particular deadline may result in a reduction of the grant award to the amount of funding committed at such deadline. Commitment means that a Grantee has entered into a Working Agreement with a homeowner for a specific site address.

B. ELIGIBLE ACTIVITY REQUIREMENTS

- 1. The only eligible activity under this Program Description is Homeowner Rehabilitation, including reconstruction. All projects must address the housing needs of low-income households (80% Area Median Income or less).
- 2. Grantees must administer the program using County staff or contract with a recognized administrator with a minimum of three (3) years of experience administering HOME Homeowner Rehabilitation Grant programs awarded by THDA in the last ten (10) years.
- 3. The value of the HOME-assisted property after rehabilitation must not exceed 110% of the U.S. Department of Housing and Urban Development’s (HUD) published property value limit for new construction housing for the area. Property Value Limits – New Construction HOME Purchase Price are posted online at <https://thda.org/government-nonprofit-partners/home-program>
- 4. If the proposed HOME investment for hard construction costs for a unit to be rehabilitated exceeds 75% of the after-rehabilitation value of the unit, as determined by a method approved by THDA, the unit must be reconstructed.
 - a) THDA may waive this requirement, in its sole discretion, and allow the unit to be rehabilitated.
 - b) Hard construction costs exclude costs for building inspections, lead-based paint inspections, energy related inspections, and work write-ups, but include all remaining costs associated with

addressing lead-based paint hazards for the unit.

5. “Reconstruction” is defined as the rebuilding, on the same lot, of housing standing on a site at the time of project commitment, except that housing that was destroyed by a disaster may be rebuilt on the same lot if HOME funds are committed within 12 months of the date of destruction. The number of housing units on the lot may not be decreased or increased as part of a reconstruction project. However, the number of rooms per unit may be increased or decreased depending upon the needs and the size of the household. The reconstructed housing must be substantially similar to the original housing unit. All debris and demolition associated with the reconstruction of the home must be properly disposed. All reconstructed housing will have a compliance period of 15 years.
6. Assisted units must meet one of the following three housing types:
 - a) Stick-built single-family (1-unit structure) residence sited on a lot owned by the homeowner;
 - b) Manufactured housing built in conformance with 24 CFR 3280.2 and must, at the time of project completion, be connected to permanent utility hook-ups, affixed to a permanent foundation, and sited on land that is owned by the homeowner. Manufactured housing must be reconstructed; or
 - c) Modular built in conformance with State of Tennessee Modular Building Program established under the authority of the Tennessee Code Annotated 68-126-301 as implemented by the Tennessee Department of Commerce and Insurance and in accordance with the Property Standards requirements outlined in Section H.5 of this program description. Additionally, the unit must be on a lot owned by the homeowner.
7. Emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and dormitories, including those for farm workers or housing for students are not eligible housing types.

C. PROHIBITED ACTIVITIES

HOME funds awarded under this Program Description may not be used to:

1. Provide project reserve accounts, or operating subsidies;
2. Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;
3. Provide non-federal matching contributions required under any other Federal program;
4. Provide assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);
5. Carry out activities authorized under 24 CFR Part 968 (Public Housing Modernization);
6. Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low

Income Housing Mortgages;

7. Provide assistance to a project previously assisted with HOME funds during the period of affordability established by HUD or THDA in the written agreement. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the HUD maximum per-unit subsidy amount;
8. Pay for any cost that is not eligible under 24 CFR 92.206 through 92.209;
9. Provide HOME funds for rental housing projects;
10. Provide HOME funds for the new construction or rehabilitation of homes for sale; or
11. Provide assistance for a homeowner rehabilitation project by a CHDO from the 15% CHDO set-aside. A CHDO funded through the 15% CHDO set-aside can only participate in the HOME program if they are the owner and developer of a project.

D. FORM OF ASSISTANCE TO HOMEOWNERS

Grantees must provide assistance to eligible homeowner beneficiaries as grants that are completely forgiven at the expiration of the applicable compliance period as long as the homeowner adheres to the grant conditions for the duration of the compliance period.

E. COMPLIANCE PERIODS

1. Homeowner rehabilitation projects that do not include reconstruction, where the hard construction costs are equal to or less than 75% of the after rehabilitation appraised value of the unit, have a compliance period of five (5) years with a forgiveness feature of 20% annually.
2. Homeowner rehabilitation projects that do not include reconstruction, where the hard construction costs are greater than 75% of the after rehabilitation appraised value of the unit, have a compliance period of fifteen (15) years with a forgiveness feature of 6.67% annually.
3. Homeowner rehabilitation projects that include reconstruction have a compliance period of fifteen (15) years with a forgiveness feature of 6.67% annually.
4. In order to enforce the applicable Compliance Period, THDA will require that Grantees obtain a grant note and a recorded deed of trust executed by the homeowners.
5. If a homeowner dies during the Compliance Period, the property may be inhabited by heirs or the heirs may rent out the property without repaying the unforgiven portion of the HOME subsidy to THDA. However, if the house is sold by the heirs during the Compliance Period, the remaining unforgiven portion must be repaid to THDA.

F. LAYERING

Before THDA can commit HOME Program funds, it must evaluate each project proposed to determine that the proposed amount of HOME Program funds needed to complete the project is necessary to

provide a quality affordable housing project that meets the HOME Program requirements including serviceability of all major systems throughout the Compliance Period. Layering is the combining of more than one governmental resource on a HOME-assisted project.

1. The Grantee and homeowner must disclose all government or private resources that have been utilized and/or that the homeowner or county intends to utilize in the HOME project, especially THDA resources. Failure to disclose said information may result in cancellation of award and money due to THDA.
2. THDA will evaluate the project in accordance with its underwriting and subsidy layering guidelines.

G. MATCH

For the Fiscal Year 2024 HOME Program, THDA will provide the required federal match for projects submitted under the East Tennessee Disaster Recovery Round. Though no match is required, THDA requires reporting of any additional funds that are committed to projects, including funds that would qualify as match as defined below.

HOME match is permanent, non-federal contributions to a project. THDA will monitor the contribution of match throughout the implementation of the grant. Matching contributions may be in the form of one or more of the following:

1. Cash contributions not provided by the assisted household and not from a federal source, including the present value of the interest subsidy for loans made at rates below market.
2. Reasonable value of donated site-preparation and construction materials when passed on as a final benefit to the project.
3. Reasonable rental value of the donated use of site preparation or construction equipment when passed on as a final benefit to the project.
4. Waived fees and taxes.
5. Property donation or below-market sale. A copy of the appraisal and/or purchase contract must be submitted. The donor/seller of the property must also provide a statement certifying that the property was donated or sold for affordable housing purposes and an acknowledgment that the donor/seller received the URA Guide Form Notice Disclosure to Seller, as well as the HUD booklet entitled, "When a Public Agency Acquires Your Property." If the property was originally acquired with federal funds, the value of the property is not match eligible.
6. The direct cost of donated, compliant home buyer counseling services provided to families that acquire properties with HOME funds under the provisions of 24 CFR 92.254, including on-going counseling services provided during the period of affordability. Counseling may not be valued at more than \$40 per hour.
7. Reasonable value of donated or volunteer labor or professional services. Unskilled volunteer labor may not be valued at more than \$10 per hour; skilled volunteer labor may be valued at the

documented going rate. Must result is a permanent benefit to the project.

8. Value of sweat equity may also be eligible only if every assisted household under the HOME grant award is required to perform sweat equity. Sweat equity may not be valued at more than \$10 per hour.
9. Other match sources as permitted under the HOME Final Rule.

H. INCOME LIMITS

HOME funds may only be used to benefit low-income households. "Low-income households" means an individual or household whose income does not exceed 80% of the area median income, adjusted for household size.

THDA encourages the targeting of HOME resources for homeowner rehabilitation activities to very low-income households. "Very low-income household" means a household whose income does not exceed 50% of the area median income, adjusted for household size.

The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other household member residing in the home. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Current limits are posted online at: thda.org/government-nonprofit-partners/home-program. Median income for an area or the state shall be that median income estimate made by HUD. Median incomes change when HUD makes revised estimates.

I. LEVEL OF SUBSIDY

The current maximum HOME investment per unit for this program will be 240% of the HUD published base subsidy limits. The current subsidy limits for this program only are provided below:

MINIMUM HOME DOLLARS	\$1,000.00	PER UNIT
MAXIMUM HOME DOLLARS	\$181,488.00	0-BEDROOM (EFFICIENCY) LIMIT
	\$208,049.00	1-BEDROOM LIMIT
	\$252,994.00	2-BEDROOM LIMIT
	\$327,293.00	3-BEDROOM LIMIT
	\$359,263.00	4-BEDROOM OR MORE LIMIT

Periodically, THDA may update these limits pending approval from HUD. Updated limits will be effective for all activities in which the written agreement for the activity is entered into after the effective date for the limits issued by HUD. These updates will be posted on THDA's web site at

J. PROPERTY STANDARDS

1. Property standards must be met when HOME funds are used for a project. All housing rehabilitated or reconstructed with HOME funds must meet all THDA Design Standards, applicable local, county and state codes, rehabilitation standards, HUD prescribed design and neighborhood standards (which at the time of the publication of this Program Description is the National Standards for the Physical Inspection of Real Estate: Inspection Standards (NSPIRE), and zoning ordinances at the time of project completion. In the absence of a local code, the reconstruction of single-family units will be treated as new construction and must meet the current, State-adopted edition of the International Residential Code for One- and Two- Family Dwellings. The reconstructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc. Rehabilitation of existing single-family units must meet the current, State-adopted edition of the International Existing Building Code.
2. HOME funded units must also conform to the THDA Minimum Design Standards for New Construction and Rehabilitation of Single Family and Multifamily Units, as applicable. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness prior to the project being put out to bid.
3. Additional design standards include:
 - a) Energy Code. Reconstructed units must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.
 - b) Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, reconstructed units must be Energy Star qualified as certified by an independent Home Energy Rating System (“HERS”) rater.
 - c) Modular Housing must be certified by the state of Tennessee.
 - d) Section 504. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.
4. Units assisted with HOME funds must require at least \$1,000 of rehabilitation work to bring the unit into compliance with the applicable codes. Housing units that cannot be brought up to the applicable code using the maximum grant funds are ineligible.
5. Housing Rehabilitation Costs and Lead-based Paint. If a unit to be rehabilitated was built after 1978, the rehabilitation costs are capped by the HOME subsidy limit. All units built prior to 1978 will require a risk assessment by a qualified lead inspector. If the risk assessment of a pre-1978 unit discloses no lead, then the cap for rehabilitation costs will be the HOME subsidy limit. If the risk assessment for a pre-1978 unit reveals the presence of lead-based paint and the estimated rehabilitation costs are less than \$25,000, then standard treatments will apply and the HOME subsidy

for rehabilitation is limited to \$25,000. If the risk assessment reveals the presence of lead-based paint and the estimated rehabilitation costs exceed \$25,000, then abatement will be required by a qualified abatement contractor to provide rehabilitation assistance up to the HOME subsidy limit.

Each housing type must also meet all applicable requirements as identified in this program description. Priority should be given to the Uniform Property Condition Standards (UPCS) Checklist deficiencies identified during the initial inspection. Level 3, 2, and 1, respectively, rate the severity of the item needing the repair, including, but not limited to: roofs, HVAC systems, electrical systems, plumbing systems, foundation problems, water supply issues, exterior painting to maintain the structure, and limited interior painting. The structure must exhibit at least one code violation as revealed by the initial code inspection to be eligible for assistance.

K. UNIVERSAL DESIGN/VISITABILITY

THDA encourages, but does not require, the inclusion of features that allow individuals with physical disabilities to reside and/or visit the housing that is constructed or rehabilitated with federal HOME funds.

Universal design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:

- Make the unit usable by the greatest number of people;
- Respond to the changing needs of the resident; and
- Improve the marketability of the unit

The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:

- Stepless entrances.
- Minimum level clear space inside and outside entry door as defined by the American with Disabilities Act.
- Broad blocking in walls around toilet, tub and shower for future placement of grab bars.
- Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
- Front mounted controls on all appliances.
- Lever door handles.
- Loop handle pulls on drawers and cabinet doors.

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <http://www.ncsu.edu/ncsu/design/cud/index.htm>.

Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:

- One zero-step entrance.
- Doors with 32 inches of clear passage space.
- One bathroom on the main floor that is accessible to a person using a wheelchair.

More information on Visitability can be found at: <http://www.visitability.org>.

L. EQUAL OPPORTUNITY AND FAIR HOUSING

No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:

Fair Housing Act 24 CFR Part 100

Executive Order 11063, as amended 24 CFR Part 107 (Equal Opportunity in Housing)

Title VI of the Civil Rights Act of 1964 24 CFR Part 1 (Nondiscrimination in Federal programs)

Age Discrimination Act of 1975 24 CFR Part 146

Section 504 of the Rehabilitation Act of 1973 24 CFR Part 8

Section 109 of Title I of the Housing and Community Development Act of 1974

Title II of the Americans with Disabilities Act 42 U.S.C. §12101 *et seq.*

Equal Access to Housing in HUD Programs Regardless of 24 CFR Parts 5, 200, 203, Sexual Orientation or Gender Identity 236, 400, 570, 574, 882, 891 and 982

Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135

- Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.

Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)

Executive Order 11625, as amended (Minority Business Enterprises)

Executive Order 12432, as amended (Minority Business Enterprise Development) Executive Order 12138, as amended (Women's Business Enterprise)

- Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must

also develop acceptable policies and procedures if their application is approved by THDA.

The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:

Architectural Barriers Act of 1968 at 42 U.S.C. § 4151 *et seq.*

Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)

Executive Order 12898

Executive Order 13166 (Limited English Proficiency)

Executive Order 13217

(Community-based living arrangements for persons with disabilities)

In addition to the above requirements, the PJ and local programs must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with its current Consolidated Plan.

M. BUILD AMERICA BUY AMERICA ACT

The Build America, Buy America Act (BABA) was enacted as part of the Infrastructure Investment and Jobs Act on November 15, 2021 and established a domestic content procurement preference applicable to all HOME funded activities obligated for infrastructure projects, including housing construction and rehabilitation.

BABA requires that all iron, steel, manufactured products, and construction materials used for federally funded infrastructure projects are produced in the United States, unless otherwise exempt or subject to an approved waiver. This requirement is known as the “Buy America Preference (BAP)” and the specific requirements are codified in 2 CFR § 184.

Implementation guidance for all HOME funded projects is found in HUD Notice CPD-2023-12.

N. ENVIRONMENTAL REVIEW

In implementing the HOME program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58.

THDA, as the Participating Jurisdiction, and the units of local government receiving HOME funds from THDA will be responsible for carrying out environmental reviews. THDA will approve the release of funds for local governments and must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews. HOME funds and any other funds involved in the project cannot be committed until the environmental review process has been completed and the HOME funds have been released. The Environmental Review covers the entire project, not just the portion funded by HOME. Therefore, except under very limited circumstances, ***no funds, including both HOME and non-HOME resources, may be***

expended on a project prior to the release of funds under the Environmental Review process. Any such expenditure will make the entire project ineligible for funding under the HOME program.

O. LEAD-BASED PAINT

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323).

P. DEBARMENT AND SUSPENSION

Local programs must require participants in lower-tier transactions covered by 24 CFR 24 to certify that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

Q. FLOOD PLAINS

THDA discourages the rehabilitation of units located in special flood hazard areas, but, with approved mitigation steps or where an official flood zone map revision has been obtained and with written permission from THDA, houses located in a floodplain may be assisted. When a unit in a special flood zone is assisted, the community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

R. CONFLICT OF INTEREST

In the procurement of property and services, THDA and Grantees must adhere to the conflict of interest provisions at 24 CFR 92.356. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Grantees shall repay that portion of the HOME grant related to the conflict of interest or may have all or some portion of the HOME grant rescinded, all as determined by THDA in its sole discretion.

S. PROCUREMENT

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties and non-profit organizations must follow their procurement policies and meet all state and federal requirements. At a minimum, applicants must comply with 2 CFR 200.318 – 326 General Procurement Standards.

Prior to solicitation of bids, the Grantee should develop a comprehensive scope of work and perform an independent cost estimate. Grantees must use formal solicitation methods including advertisement and solicitation of sealed bids for all construction activity requiring a general contractor's services. Grantees should obtain a minimum of 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections, and work write-ups. There must be an established, well documented selection procedure and a written rationale for selecting the successful bid or proposal.

T. PROGRAM COMPLIANCE

HOME Program Grantees must adhere to, or maintain compliance with, the requirements of the HOME Program and other programs administered through the Community Housing Division. Failure to maintain compliance with any program funded through Community Housing will result, depending on the egregiousness of the noncompliance, in penalties being assessed in the scoring of future applications and/or the inability to participate in programs administered by THDA for a period to be determined at THDA's sole discretion.

U. POTENTIAL HUD WAIVERS

THDA intends to follow the normal requirements of the HOME program provided in the 2013 Final HOME rule, unless otherwise indicated in this program description, HUD has issued various waivers for specific requirements associated with grants that respond to disaster recovery that THDA may choose to employ if the Executive Director determines the waiver is necessary to provide the assistance needed in the affected counties.

V. X. APPLICATION

THDA will accept requests for funding from County Mayors of eligible counties between November 20, 2024, and January 31, 2025. Proposal of project(s) that meets the requirements of 24 CFR Part 92, as amended is required.



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: Tennessee Housing Development Agency Board of Directors

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

SUBJECT: 2025 Competitive Grants Round of the Tennessee Housing Trust Fund (THTF)

DATE: November 4, 2024

Recommendation

Staff recommends that the Tennessee Housing Development Agency (“THDA”) Board of Directors (“Board”) approve the following:

- Adoption of the proposed 2025 Competitive Grants Program Description (“Program Description”);
- Authorize the Executive Director or a designee to award an allocation of THTF funds to the 2025 Competitive Grants 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:

- Amount available for 2025 grant round – approximately \$3.5 million.



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

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

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



- Initial awards are to be made to the highest scoring, eligible applicant in each of the three Grand Divisions. THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than the need for the next highest scoring application.
- Applicants must be in good standing with all THDA rental development programs, including LIHTC and Multifamily Tax-Exempt Bond Authority Program to be eligible.
- Added a 24-month commitment requirement to enter the final written agreement for the project.
- Added development of dormitories to the list of prohibited activities.
- Projects containing Low-income Tax Credits and Multi-Family Bond Authority were removed as eligible projects.

For the full proposed Program Description please click [here](#).



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TENNESSEE HOUSING TRUST FUND
2025 COMPETITIVE GRANTS PROGRAM
Program Description

The Tennessee Housing Development Agency (“THDA”) is seeking creative and innovative proposals for a 2025 Round of Competitive Grants funded under the Tennessee Housing Trust Fund (“THTF”). The purpose of this Program Description is to explain program requirements and the application process. The amount available for the FY 2025 Round is approximately \$3.5 million. Additionally, THDA may make available any unallocated or returned funds from the 2024 or earlier funding rounds, as determined at the time of award.

Applications for the 2025 Round will be available on January 16, 2025 and must be received by THDA on or before 4:00 PM Central on Thursday, February 28, 2025. THDA anticipates notifying successful applicants on or before May 30, 2025. The 2025 Competitive Grants grant term will begin on July 1, 2025 and will end June 30, 2028. Applicants should be aware that there is no cure period for general application responses; however, THDA will allow 72 hours from the date/time of notification to provide missing threshold documents to be uploaded to PIMS. Submission of a complete, signed application is a threshold requirement.

The Program Description and Application Package will be made available on THDA’s website at [Tennessee Housing Development Agency | Competitive Grants \(thda.org\)](https://www.thda.org) on or before January 16, 2025. (From the homepage of the website, go to GOVERNMENT & NONPROFIT PARTNERS, TENNESSEE HOUSING TRUST FUND, COMPETITIVE GRANTS, COMPETITIVE GRANTS ADMINISTRATORS). Applications must be submitted to THDA electronically through the secure EDT site provided by THDA. Access to the secured site may be obtained by emailing THTF@thda.org. Applicants must submit an email to THTF@thda.org once the application has been uploaded. If you have questions, please call Toni Shaw at (615) 815-2034.

1) ELIGIBLE APPLICANTS

THDA will accept applications for the 2025 Grant Round from public housing authorities and private, non-profit housing development organizations, that each meet the requirements of this Program Description (“Applicant”).



Competitive grant funds may not be layered with Low Income Housing Tax Credits (LIHTC) or Multifamily Tax-Exempt Bond Authority (MTBA) issued by THDA.

The Applicant selected for a Competitive Grant (“Grantee”) must be the owner of the proposed rental project or at minimum, the applicant must be the sole general partner or the sole managing member of the final ownership entity or own 100% of the stock of a final corporate ownership entity.

The applicant must materially participate (regular, continuous, and substantial on-site involvement) in the development and operation of the development throughout the compliance period.

All private, non-profit organizations must submit *Attachment One: Non-Profit Checklist* with supporting documentation. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than 30 days prior to the application date) or, if organized and existing in another state, be organized and existing under the laws of that state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from that state’s Secretary of State dated no more than 30 days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than 30 days prior to the application date).

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

Applicants seeking funding for transitional housing targeted to formerly incarcerated individuals shall demonstrate good standing with the Tennessee Department of Corrections (“TDOC”) as of the date of submission of the 2025 Round Competitive Grant application. All such Applicants shall demonstrate evidence of being included on TDOC’s List of Approved Transitional Housing Providers.

Additionally, with regard to faith-based organizations, if a religious exemption under the Fair Housing Act is requested, the organization must include with the Competitive Grant application, an attorney opinion letter demonstrating satisfaction of the religious exemption prongs under the Fair Housing Act.

2) SPEND DOWN REQUIREMENTS

Applicants with prior Competitive Grant awards must have submitted an official Request For Payment Form with supporting documentation demonstrating the spend down of the following percentages of their existing rental development grants no later than January 31, 2025, to be eligible for the FY 2025 Competitive Grants Program. Grant term extensions for previous grants do not extend the spend down requirements:



COMPETITIVE GRANT YEAR	SPEND DOWN REQUIREMENT
All 2021 Winter and Earlier Grants	100%
2022 Summer and Winter Grants	75%
202	25%

In addition to meeting spend-down requirements for Competitive Grants, applicants must also be in compliance with Competitive Grants contract terms as well as the contract terms of other THDA rental development programs to be eligible. Whether an applicant is in compliance with spend-down requirements and contract terms will be determined by THDA in its sole discretion.

3) FORM OF ASSISTANCE

Competitive Grants funds will be awarded to successful Applicants in the form of a grant, secured by a note, deed of trust, and declaration of land use restrictive covenants (“restrictions”). The entire grant term, beginning with the issuance of a Reservation of Funds and ending with the final project completion, issuance of a Certificate of Occupancy or equivalent, and submission of all final draw requests and legal documentation, is 3 years.

Applicants receiving a Competitive Grants award will be initially provided a Reservation of Funds with a total term period of 3 years, but with a commitment requirement of 24 months from the beginning of the contract term date. Commitment is defined as having entered into a grant contract for the project. Prior to being issued the grant contract and within nine (9) months of the beginning of the term of the Reservation of Funds, Grantees must have satisfied the following requirements:

- a. Submittal of a final development budget and proforma worksheet with documentation of all committed development sources. Committed development sources will be accepted as determined by THDA in its sole discretion. Committed development sources may include but are not limited to Low Income Housing Credit preliminary award letters, bank commitment letters, and/or grant award letters.
- b. If serving special needs or specialized populations, submittal of program agreement or occupancy agreement if these are being utilized in lieu of a standard lease.

Upon satisfaction of the Reservation of Funds terms, Grantees must sign a grant contract awarding Competitive Grants funds to a proposed project.

Prior to requesting any draws, a Grantee must execute a note and record a fully and accurately executed deed of trust and restrictions (the “Legal Documents”) and provide such to THDA.

All applicants must complete the Competitive Grants Budget and Proforma Worksheet to demonstrate the need for the Competitive Grant funds and the financial feasibility of the project



throughout the period of compliance.

4) LEVEL OF SUBSIDY

The investment of Competitive Grant funds must conform to the following standards per unit:

- a. Minimum Competitive Grant Funds: \$1,000 per unit
- b. Maximum Competitive Grant Funds Per Unit:

\$136,316	0-Bedroom (Efficiency) Limit
\$156,036	1-Bedroom Limit
\$189,745	2-Bedroom Limit
\$245,470	3-Bedroom Limit
\$269,447	4-Bedroom Limit

Periodically, THDA may update these limits. The maximum amount of Competitive Grants funds that may be invested per Competitive Grants unit per bedroom size is based on THDA’s subsidy limits at the time the written agreement is executed. Updated limits will be posted on the Competitive Grants Administrators page of the THDA website.

5) ELIGIBLE ACTIVITIES

All housing financed using Competitive Grant resources must be affordable rental housing and must address the housing needs of households who are low-, very low-, and/or extremely low-income as defined in Section 6. The following rental housing activities are eligible:

- New construction of rental housing units.
- Acquisition of rental housing units.
- Rehabilitation of rental housing units.
- Conversion of non-residential units to residential units.
- Combinations of the above.

The rental housing provided may be either permanent or transitional as defined below:

- “Permanent Housing” is community-based housing with a tenant on a lease (or a sublease) for an initial term of at least one year that is renewable and is terminable only for cause.
- “Transitional Housing” is housing that is designed to provide individuals and families with interim stability and support for up to 24 months in order to assist the household to successfully move to and maintain permanent housing. Transitional Housing must include a lease, sublease, or occupancy agreement.



6) ELIGIBLE POPULATIONS

Low-income households at or below 80% of Area Median Income (“AMI”) are eligible for rental housing. THDA will provide a preference for applications with a 25% set-aside of units for extremely low-income households (0-30% AMI) or with a 50% set-aside of units for very low-income households (0-50% AMI). Income level set asides apply to Competitive Grants units, however THDA encourages applicants to apply income set asides to all units.

7) HOUSING FOR INDIVIDUALS WITH DISABILITIES

Housing for Individuals with Disabilities is rental housing set-aside for adult persons with a disability.

If units are designated as housing for persons with disabilities, the project must provide access to flexible support services designed to help the individual stay housed and live a more productive, integrated life in the community. However, services must not be mandated or a condition of housing the individual.

A “*person with disabilities*” is defined as a person who has a physical, mental or emotional impairment that is expected to be of long-continued and indefinite duration; substantially impedes his or her ability to live independently; and is of such a nature that such disability could be improved by more suitable housing.

A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability that is attributable to a mental or physical impairment or combination of mental and physical impairments; is manifested before the person attains age 22; is likely to continue indefinitely; results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and reflects the person’s need for a combination and sequence of special interdisciplinary, or generic care, treatment, or other services that are of life long or extended duration and are individually planned and coordinated.

If more than 20 percent of total units are designated as housing funded for this population the project must meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (“CMS”) in the final rule dated January 16, 2014:

<https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider>

The final rule requires that all home and community-based settings meet certain qualifications, including:

- The setting is integrated and supports full access to the greater community;
- Is selected by the individual from among setting options;



- Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint;
- Optimizes autonomy and independence in making life choices; and,
- Facilitates choice regarding services and who provides them.

For provider owned or controlled residential settings, the following additional requirements apply:

- The individual has a lease or other legally enforceable agreement providing similar protections;
- The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit;
- The individual controls his/her own schedule, including access to food at any time;
- The individual can have visitors at any time; and,
- The setting is physically accessible

8) UNIT DESIGNATION

In a project containing Competitive Grants assisted and other units, the Grantee may designate fixed or floating Competitive Grants units. This designation will be required in the application and designation of specific units must be included in the written agreement between THDA and the Grantee.

9) PROHIBITED ACTIVITIES

A Grantee may not use the Competitive Grant for any of the following:

- A. Pledge Competitive Grant funds as support for tax-exempt borrowing by local grantees.
- B. Provide off-site improvements or neighborhood infrastructure or public facility improvements.
- C. Provide any portion of the Competitive Grant or the required local match for administrative expenses by local governments.
- D. Provide assistance to private, for-profit owners of rental property.
- E. Implement homeowner rehabilitation projects.
- F. Implement homeownership activities, including down payment assistance programs and the development of units for homeownership.
- G. Acquire, rehabilitate or construct rental housing that is a treatment, hospice, nursing home, convalescent facility, or dormitory.

H. Project Operating Reserves.



- I. Cover costs incurred prior to the Competitive Grant contract start date.

10) MATCH

Proposals must include a 50% match of the Competitive Grants Funds requested. .

Eligible Sources of Match include:

- A. Grants from other agencies.
- B. Federal sources such as the Community Development Block Grant (“CDBG”) program, HOME or USDA Rural Development award.
- C. Cash Contributions by local church groups, local agencies, or contributions by individuals.
- D. Bank loans.
- E. A funding pool established by a local lender for the applicant.
- F. Supportive services provided for projects serving individuals with disabilities, homeless veterans, formerly incarcerated individuals, older persons, or youth transitioning out of the foster care system. The value of supportive services may be counted over the length of the applicable compliance period.
- G. Rental assistance tied to the property. To be eligible, the commitment of rental assistance must extend beyond the end of the grant term. The value of rental assistance may be counted over the duration of the compliance period. For purposes of application scoring, THDA will only count that value of rental assistance that extends beyond the grant term.
- H. The value of property already owned by the Applicant upon which the proposed housing will be rehabilitated or constructed. The appraised value of the property must be documented by appraisal or tax assessment.
- I. The value of donated property upon which the proposed housing will be rehabilitated or constructed. The appraised value of the property must be documented by appraisal or tax assessment.
- J. HOME grants from local participating jurisdictions to non-profit applicants.

Ineligible Sources of Match include, but are not limited to:

- A. THDA program funds, including federal funding sources, made available to Applicants will not be an eligible source of the matching funds.



B. In-kind donations, services, or labor will not be an eligible source of matching funds.

THDA will prioritize applications with a firm match commitment, the value of which is clearly documented in the application by the entity providing the match source.

11) PROGRAM REQUIREMENTS

A. Income Limits

Competitive Grants for rental projects may be used to benefit *low-, very low- or extremely low-income* households.

- “Low-income household” means an individual or family unit whose gross annual income does not exceed 80% of the area median income, adjusted for family size;
- "Very low-income household" means an individual or family unit whose gross annual income does not exceed 50% of the area median income, adjusted for family size.
- “Extremely low-income household” means an individual or family unit whose gross annual income does not exceed 30% of the area median income, adjusted for family size.

The income limits apply to the incomes of the tenants, not to the owners of the property.

Grantees shall use the income limits established by the U.S. Department of Housing and Urban Development for the HOME Program and household income as defined by the Section 8 Rental Assistance Program. Current limits are in *Attachment Three: Income Limits*. The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other family member residing in the home or rental unit. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Grantees shall ensure occupancy of units for which Competitive Grants were used by low-, very low- or extremely low- income tenants during the compliance period. Tenants whose annual income increase to over 80% of the area median may remain in occupancy, but must pay no less than 30% of their adjusted monthly income for rent and utilities.

In the event that a 30% or 50% AMI household’s income rises above that level, the tenant may remain in occupancy and the next available unit must be leased to a 30% or 50% AMI household in accordance with the designations made in the proposal, THDA Competitive Grants contract, and the THDA Competitive Grants legal documents.

THDA Competitive Grants units may be designated as fixed or floating units, however, the



unit mix described in the proposal, THDA Competitive Grants contract, and the Competitive Grants legal documents must be maintained throughout the compliance period.

B. Criminal Background

Grantees shall follow HUD regulations with regard to the provision of housing for formerly incarcerated individuals. HUD regulations prohibit housing assistance to the following groups of formerly incarcerated individuals:

- Formerly incarcerated individuals who have been evicted from federally assisted housing for drug-related criminal activity with an effective date of eviction within the last three (3) year period.
- A formerly incarcerated individual’s household that includes a member who has ever been convicted of a drug-related criminal activity involving the manufacturing or production of methamphetamines on the premises of federally assisted housing.
- A formerly incarcerated individual’s household that includes a member who is subject to a lifetime registration requirement under a state sex offender registry program.

C. Compliance Period

All rental housing projects for which Competitive Grant funds are used will have a compliance period beginning on the date of issuance of the certificate of occupancy for the final building within the project. If a certificate of occupancy is not issued, the compliance period will begin on the date of recordation of the notice of completion for the project. Prior to drawing down Competitive Grant funds, Grantees shall sign a grant note, deed of trust, and restrictive covenants to enforce the compliance period (the “legal documents”). The Competitive Grant is forgiven at the end of the compliance period if full compliance was achieved throughout the compliance period. No forgiveness will occur for a year in which there is a default as defined in the legal documents.

The length of the compliance period will be determined based on the amount of Competitive Grant funds invested per unit. The annual forgiveness rate will be based on the length of the compliance period:

Average Per Unit Competitive Grants Investment	Compliance Period	Annual Forgiveness Rate
< \$15,000	5 Years	20% per year
\$15,000 – \$40,000	10 Years	10% per year
> \$40,000	15 Years	6.67% per year

D. Property Standards

Property standards must be met when Competitive Grant funds are used for a project. Any rental units constructed or rehabilitated with Competitive Grant funds must meet THDA



Design Standards for New Construction or Rehabilitation, as applicable. Additionally, all housing must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion.

In the absence of local codes, new construction of multi-family apartments of 3 or more units must meet the State-adopted edition of the International Building Code; new construction of single-family rental units or duplexes must meet the State-adopted edition of the International Residential Code for One- and Two-Family Dwellings; and rehabilitation of existing rental units must meet the State-adopted edition of the International Existing Building Code.

All contractors performing work on Competitive Grants assisted units must be appropriately licensed for the type of work being performed. Following project completion, all properties assisted with Competitive Grant funds must meet or the National Standards for the Physical Inspection of Real Estate (NSPIRE) throughout the compliance period.

Energy Code. New construction projects must also meet the current edition of the International Energy Conservation Code.

Visitability. Additional points will be awarded to Applicants proposing single-family rental or multi-family new construction projects that include design features to make the units visitable by individuals with physical disabilities. These options include a step-free entrance, free passage of 32-36” for interior/exterior doorways, and easy use by individuals confined to a wheelchair. Further information about visitability may be found at www.visitability.org.

Universal Design. Additional points will be awarded to applications that incorporate features that meet the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. Universal design, however, is inclusive of adaptable design as universal design incorporates structural features that will allow a residence to be adapted to an individual’s current or future needs. Universal design features include, but are not limited to:

- Stepless entrances
- Minimum 5’ x 5’ level clear space inside and outside entry door
- Broad blocking in walls around toilet, tub and shower for future placement of grab bars
- Full-extension, pull out drawers, shelves, and racks in base cabinets in the kitchen
- Front mounted controls on all appliances
- Lever door handles
- Loop handle pulls on drawers and cabinet doors

More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <https://design.ncsu.edu/research/center-for-universal-design/>

Building Permits. Building permits must be pulled on all new construction and rehabilitation



projects as required by the state or local jurisdiction, including building, mechanical, plumbing, and or electrical permits.

Inspections. All rehabilitation or new construction work must be inspected by a licensed inspector based on the rules applicable for the local jurisdiction in which the units are located. Licensed inspectors are certified by the Tennessee Department of Commerce and Insurance – State Fire Marshal’s Office.

If a building permit is issued by a local jurisdiction or the state, inspection by a state certified inspector of that jurisdiction is required. If the work is exempted by the state or local code and a permit is not required, then a qualified inspector may be used.

A “qualified inspector” is defined as an individual with credentials appropriate for the type of work being performed, such as inspectors licensed by the State of Tennessee as Building, Mechanical, Plumbing, or Electrical Inspectors. For activities in which a building permit is not issued, a qualified inspector may include home inspectors as appropriate for the work performed; individuals certified by a national organization such as the International Code Council, the National Fire Protection Association, or the Standard Building Code Congress as a Housing Inspector. Other qualifications may be accepted on a case-by-case basis, and require THDA approval before the inspector may perform inspections.

E. Lead Based Paint

Units assisted with Competitive Grants funds are subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and requirements as indicated in the Competitive Grants manual. The Lead-Based Paint regulations are available at Office of Lead Hazard Control and Healthy Homes | HUD.gov / U.S. Department of Housing and Urban Development (HUD). The lead based paint requirements apply to all units and common areas in the project.

Units assisted with Competitive Grants funds are subject to the Tennessee Department of Environment and Conservation’s Lead Based Paint Abatement Rules found in Rule Chapter 1200 – 1 – 18 Lead Based Paint Abatement here: <https://www.tn.gov/environment/toxic-substances-program/regulations.html>

F. Flood Plains

Competitive Grant funds may not be used to acquire or construct housing in an area identified by the Federal Emergency Management Agency (“FEMA”) as having special flood hazards. In addition, THDA strongly discourages the rehabilitation of units located in special flood hazard areas, but in a few limited instances and with written permission from THDA, units located in a floodplain may be assisted if the flood plain is mitigated by construction design.

In cases where rehabilitation in the flood plain is allowed, the project must be participating in the National Flood Insurance Program and flood insurance must be obtained, on the units.



With permission from THDA, units located in a floodplain may be assisted if the flood plain is mitigated by construction design.

G. Rent Levels

Every rental unit assisted with Competitive Grant funds is subject to rent controls designed to make sure that rents are affordable to low-, very low- or extremely low-income households. The maximum rents used for Competitive Grants are the *High HOME rents except as noted below with regard to Federal or State rental subsidies, group homes, and single room occupancy units*. The tenant portion of rent in *any* rental property assisted with Competitive Grants funds may not exceed 30% of gross monthly income. See *Attachment Four: HOME Program Rents*.

If the unit receives Federal or State rental subsidy payments if there is a tenant based voucher, and the very low-income family pays as a contribution toward rent no more than 30% of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus rental subsidy) is the rent allowable under the Federal or State rental subsidy program.

Rents are controlled for the length of the compliance period and are determined on an annual basis by HUD. The published rents include utilities. *The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published HOME rents to determine the maximum allowable rents.*

Each Grantee should be aware of the market conditions of the area in which the project is located. The High HOME rents are maximum rents which can be charged. Each project should show market feasibility not based upon the High HOME rents, but rather upon area housing markets and THDA Competitive Grants occupancy requirements, which require occupancy by low-, very- low-, or extremely low-income tenants. Rents shall not exceed the published High HOME rents, adjusted for utility arrangements and bedroom size.

However, because these rents must also be attractive to *low-, very low-, or extremely low-income* tenants, actual rents may be lower than the High HOME rents to keep within 30% of the tenant's monthly income. Programs should be designed so they take into consideration the market feasibility of projects funded.

A Competitive Grant may assist with the development of a group home, a housing unit that is occupied by two or more single persons or families. A group home consists of common space and/or facilities for group use by the occupants and, except in the case of a shared one-bedroom unit, a separate private space for each individual or family. Group homes often house older persons or persons with disabilities who require accompanying supportive services. The calculation of the applicable rent and tenant contributions must adhere to the following requirements:



- A THDA Competitive Grants -assisted group home is treated as a single Competitive Grants -assisted housing unit with multiple bedrooms. The Competitive Grants rent limit for a group home is the HUD-published FairMarket Rent (“FMR”) rent limit for the total number of bedrooms in the group home.
- However, the bedrooms of live-in supportive service providers or other non-client staff are not included when calculating the total number of bedrooms for the purpose of establishing the rent. For example, if one bedroom in a four-bedroom home is occupied by a service provider, the maximum rent for the group home is the HUD-published FMR Limit for a three-bedroom unit.
- The HUD-published FMR Limit is the maximum combined rent that can be charged to all income eligible tenants residing in the group home. Each tenant pays a pro-rata share of the total rent.
- When group home tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published FMR limit in order to determine the maximum combined rent that can be charged to all tenants.
- Group homes frequently include food and/or other supportive services to its residents. Group home rents may not include food costs or the costs of supportive services. Costs for such services must be billed as separate charges. For group home units that are developed for persons with disabilities, disability-related services must be non- mandatory and the resident must have the option to choose the service provider. The lease must also state whether the fee-based services are optional or mandatory and must identify the amount of the additional fees or surcharges separately from the basic Competitive Grants rent for each tenant.

A Competitive Grant may assist with the development of Single Room Occupancy (“SRO”) housing, which consists of a single room dwelling unit that is the primary residence of a single occupant. The unit may or may not have food preparation and sanitary facilities. Rents for SRO units are based on the HUD Fair Market Rent or the HUD High HOME rent depending on the characterization of the unit as described below.

IF THE SRO HOUSING IS....	THEN...
A unit with <i>neither</i> food preparation nor sanitary facilities, or with one (food preparation or sanitary facilities)	The Competitive Grants rent may not exceed 75% of the HUD- published FMR limit for a 0-bedroom (efficiency) unit.
A unit with <i>both</i> food preparation and sanitary facilities	The Competitive Grants rent cannot exceed the HUD published High HOME rent limit for a 0-bedroom unit.



A unit that receives State or Federal rental assistance or if there is a tenant based voucher and the unit is occupied by a very low income tenant	The Competitive Grants rent can be the applicable State or Federal project-based rent, as long as it is occupied by a very low income tenant who does not pay more than 30% of the family's monthly adjusted income for rent.
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The calculation of the applicable rent and tenant contributions must adhere to the following requirements:

- Utility costs are included in the maximum published High HOME or FMR SRO rent. If SRO tenants pay directly for utilities, the utility allowance must be subtracted from the HUD-published High HOME rent limit or FMR limit in order to determine the maximum rent that can be charged for the SRO unit.
- SRO units may not include food costs or the costs of any supportive services. Costs for such services must be billed as separate charges. For SRO units that are developed for persons with disabilities, disability-related services must be non-mandatory and the resident must have the option to choose the service provider.
- Each SRO tenant's lease must clearly state whether the fee-based services are optional or required and must also identify the amount of additional fees or surcharges separately from the basic Competitive Grants rent for each tenant.

H. Grantee's On-Going Obligations for Rental Property

During the compliance period, the Grantee shall:

1. Conduct initial and annual income certification of tenants;
2. Adhere to the Competitive Grants rent limits;
3. Comply with Competitive Grants Property Standards as defined in the Competitive Grants manual;
4. Comply with fair housing and affirmative marketing requirements;
5. Comply with THDA conducted desk file reviews during the compliance period in order to determine compliance with tenant selection, income, rent, and affirmative marketing requirements, and to verify any information submitted by the Grantee to THDA.
6. Comply with THDA conducted physical condition inspections of the property.
7. Report to THDA as THDA may require; and
8. Take other actions as THDA may require.

I. Compliance Monitoring and Close Out

Upon project completion and occupancy, the Competitive Grants funded rental project will



be subject to a development close out review by THDA Community Housing Division. The development close out review is for the purpose of ensuring that the grant is administratively compliant prior to transfer of the grant for long term monitoring by THDA's Compliance and Asset Management Division. Monitoring will occur every 3 years throughout the compliance period, but may occur more frequently as determined necessary by THDA.

12) PROCUREMENT

It is important to keep the solicitation of bids for goods and services, materials, supplies and/or equipment open and competitive. Grantees shall develop and follow their procurement policies. At a minimum, Grantees must adhere to the current procurement requirements included in THDA's Competitive Grants Manual at the time of solicitation of goods or services. In cases requiring sealed bids, Grantees shall make every effort to obtain a minimum of three bids when possible, and the purchase should be made from the lowest qualified, responsive bidder. There must be a written rationale for selecting the successful bid or proposal. At THDA's sole discretion, an award may be made in cases where less than three (3) bids were received if it is likely that additional solicitations would not increase the number of respondents.

13) CONFLICT OF INTEREST

- A. No person listed in paragraph B below may obtain a financial interest or benefit from a Competitive Grants -assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.
- B. **PERSONS COVERED** – Immediate family members of any local elected official or of any employee or board member of a Competitive Grants Grantee are ineligible to receive benefits through the Competitive Grants program. “Immediate family member” means the spouse, parent (including a stepparent), child (including a stepchild), grandparent, grandchild, sister or brother (including a stepsister or stepbrother) of any covered individual.

In addition, the conflict of interest provisions also apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, the local community or the Grantee receiving Competitive Grants funds, and who exercises or has exercised any functions or responsibilities with respect to activities assisted with Competitive Grants funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities.

- C. **APPEARANCE OF A CONFLICT OF INTEREST** - Grantees must also make every effort to avoid the appearance of favoritism in the eligibility determination process. In those cases where the applicant is otherwise eligible, but there exists the appearance of a conflict of interest or the appearance of favoritism, the Grantee should contact THDA for guidance.

14) PROJECT SOFT COSTS



In planning their programs, applicants may include as a project soft cost, the reasonable and customary costs for work write up and inspections, the costs for lead-based paint inspections, risk assessments and clearance testing, as well as architectural and engineering fees. The value of eligible project soft costs charged to the Competitive Grants funding may not exceed 10% of the total awarded grant amount.

15) MARKETING REQUIREMENTS

One goal of Competitive Grants is to raise the profile of affordable housing at the local, state and federal level, and to demonstrate that decent housing impacts all facets of community development.

Each Grantee shall implement marketing and public relations plans to accentuate the achievements of the program. THDA’s Communications Division will assist in the development of these plans. Grantees shall submit data and beneficiary stories to THDA as may be required by THDA.

16) FAIR HOUSING AND EQUAL OPPORTUNITY

Each Grantee receiving a Competitive Grant shall comply with both state and federal laws regarding fair housing and equal opportunity (“FHEO”). FHEO requirements have been developed to protect individuals and groups against discrimination on the basis of: race, color, national origin, religion, age, disability, familial status, or sex.

In particular, owners and program administrators will need to be aware of discrimination issues with regard to: housing opportunities; employment opportunities; business opportunities; and benefits resulting from activities funded in full or in part by a Competitive Grant.

Each Grantee shall establish and follow procedures to inform the public and potential tenants of FHEO and the Grantee's affirmative marketing program. Grantees shall establish and follow procedures by which Grantees will solicit applications from potential tenants. Grantees shall maintain records of efforts to affirmatively market rental units. Grantees shall provide evidence of all of the above at the request of THDA.

17) TN HOUSING SEARCH.ORG

Beginning at the start of initial lease-up through the end of the compliance period, all Grantees must list units available for occupancy on TNHousingSearch.org or any subsequent affordable rental housing locator system sponsored by THDA and, as permitted by the locator system for the type of housing funded. All units must be listed on TNHousingSearch.org or any subsequent affordable rental housing locator system sponsored by THDA unless specifically waived in writing by THDA.

18) DEVELOPER FEE REQUIREMENTS



A Developer Fee of up to seven percent (7%) of the Competitive Grants development costs, net of the development fee, prorated acquisition costs, and any prorated permanent financing costs may be charged as a project soft cost.

The developer fee may be requested in equal percentages along with project funds until 75% of the grant has been expended. The final 25% of the developer fee may not be requested until project development is complete, with all applicable certificates of occupancy or inspection reports issued and all required documentation submitted to THDA.

No administrative funds are provided under this program description.

19) APPLICATION AND EVALUATION PROCEDURE

Applications for Competitive Grant funds should be limited only by imagination, program requirements, availability of matching funds, availability of support services, and a demonstrated need for the proposed project in a given area.

Proposals for funding in the 2025 Grant Round are limited to a maximum of \$600,000 and a minimum of \$100,000. THDA expects that the combination of Competitive Grant funds and the required matching funds will be sufficient to allow the proposed project to be completed in a timely manner.

Proposals that address the housing needs of very low or extremely low income households and who meet other requirements specified in the Program Description, will receive additional points in the scoring matrix. Proposals with an identified, firm commitment for the matching funds are preferred and those proposals with a firm commitment for match resources which exceeds the 50% requirement will be highly preferred.

Additionally, applications with projects located in designated rural areas of Tennessee or located in one of the eight distressed counties will receive extra points on the scoring matrix. The eight designated distressed counties are: Bledsoe, Clay, Cocke, Hancock, Hardeman, Lake, Perry, and Scott.

For this Program Description, rural counties are defined as all Tennessee counties, except the following: Anderson, Bedford, Blount, Bradley, Carter, Coffee, Davidson, Hamblen, Hamilton, Haywood, Hawkins, Knox, Loudon, Madison, Maury, McMinn, Montgomery, Putnam, Roane, Robertson, Rutherford, Sevier, Shelby, Sumner, Williamson, and Wilson.

THDA will evaluate each application to determine if the proposal meets program criteria, including, without limitation, submission of a complete application, proposal of an eligible activity serving eligible populations, proposal of a project that is ready to get underway except for the gap in financing to be provided by the Competitive Grant, and proposal of a project that, in the opinion of THDA, in its sole discretion, is physically, financially and administratively feasible.



Applications will not be considered if the following threshold items are not submitted to THDA by the application due date:

- Application signed by the Chief Executive of the organization or the President/Chairman of the Board of Directors.
- Copy of the latest audit or audited financial statement of the organization. Audit period covered must be within 12 months of the application due date.
- Submission of a Competitive Grants project budget and proforma worksheet. The proforma will be for 5 – 15 years depending on the compliance period for a given project.
- Copy of a current resolution by the Board of Directors or governing body approving the submission of the application under the 2025 Competitive Grants Program Description.
- If a non-profit organization, a Certificate of Existence or Certificate of Authorization from the Tennessee Secretary of State, as applicable, dated within 30 days of the application due date. If the non-profit organization is organized in a state other than Tennessee, a Certificate of Existence from the Secretary of State in which the organization was organized must also be submitted.
- If a non-profit organization, documentation of an IRS designation under Section 501(c)3 or Section 501(c)4 of the federal tax code.
- If a nonprofit organization, copy of the Charter and By-laws of the organization.

Additionally, all nonprofit organizations must upload through THDA’s Participant Information Management System (“PIMS”) those organizational documents required to be uploaded through PIMS. Copies of organizational documents that are required to be submitted through PIMS, but are submitted through another means, will not be considered.

Additionally, as a threshold requirement, organizations seeking funding for transitional housing targeted to formerly incarcerated individuals shall demonstrate approval and good standing with the Tennessee Department of Corrections (“TDOC”) as of the application due date. All such organizations shall demonstrate evidence of being included on TDOC’s List of Approved Transitional Housing Providers.

As a threshold requirement for consideration, applications from organizations seeking Competitive Grants to provide permanent or transitional rental housing for formerly incarcerated individuals shall provide a copy of the policies and procedures guiding the operation of their program and a copy of the program’s application for tenancy.

A Review Committee will score and rank all applications meeting the threshold criteria, as determined by the Review Committee in its sole discretion. Applications will be ranked in descending numerical order based on the categories in the Competitive Grant Matrix.

Applications meeting the threshold requirements will be scored and ranked by Grand Division, as defined in Tennessee Code Annotated Title 4, Chapter 1, Part 2, in descending numerical order based on the scoring matrix.



- a) THDA will first select the highest scoring application from each Grand Division of Tennessee. To be considered the highest scoring application in a Grand Division, all Competitive Grant proposed units proposed must be in the same Grand Division.
- b) If additional funding is available, THDA will combine all remaining applications into a single ranking by score. THDA will award funding starting with the highest score to lowest score until all funds are allocated or the amount of funds available is less than the need for the next highest scoring application.
- c) Given the limited funding available statewide and in order to distribute Competitive Grants funding across Tennessee, THDA reserves the right to limit funding to only one award per county.

In the event of a tie score, THDA first will select the application with the highest total Innovation score. Then, if a tie still remains, the highest total Need score. If a tie still remains, THDA will prioritize funding for the application with the greatest number of Competitive Grants funded units as the final determinant.

Applicants must receive a minimum score of 60 to be considered for funding.

The Review Committee will present its recommendations to the Executive Director for determination of awards.



1. CAPABILITY and CAPACITY - The program design is complete, and all necessary components are identified in the application **Up to 70 points Total**

• CAPABILITY - Up to 35 Points

- Components are identified in the application.
- The proposal demonstrates adherence to program guidelines, is well designed for the targeted population, and demonstrates an effective use of THDA resources.
- Sites have been identified and the applicant has site control of the parcel(s) on which the housing will be developed or the applicant can demonstrate a consistent and successful history for securing ownership control of property in each of the past five consecutive years that is either (1) at least double the number of single family units proposed in this Competitive Grants application or (2) if multifamily housing is proposed, at least double the number of sites proposed for acquisition in this Competitive Grants application.
- The project is physically, administratively, and financially feasible with sufficient revenue for the on-going operation of the housing during the compliance period. The applicant’s financial statements and audit indicate a healthy financial position and include diverse funding sources.
- The project budget and proforma worksheet is complete, correct, and demonstrates a need for a Competitive Grant.
- The proposed rents charged to tenants are reasonable given the income of the targeted population or rental assistance is committed to lower the contribution of the tenant toward rent and utilities.
- If new construction, the housing will include design features that meet Universal Design standards, Visitability standards, and Energy code standards.
- For projects targeting special populations, including but not limited to individuals with disabilities, the homeless, the elderly, or youth aging out of foster care, a firm commitment for the delivery of supportive services is in place.
- For projects targeting formerly incarcerated individuals, a plan for the screening of formerly incarcerated individuals and a plan for the provision and funding of support services are in place.
- For projects targeting individuals with disabilities, the proposed housing meets the goals of the Final Rule for the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that have been established by the Centers for Medicare and Medicaid Services (CMS) on January 16, 2014. Point deductions will be assessed if the CMS qualities of settings are not met based on THDA’s sole determination.
- The applicant demonstrates the likelihood and feasibility to secure matching funds. Firm commitment letters are included in the application.



- **CAPACITY – Up to 35 Points**
 - The Applicant and its staff have experience in providing housing to the targeted population.
 - The Applicant and its staff have a demonstrated capacity to manage rental housing.
 - The Applicant’s organizational budget reflects multiple sources of funding.
 - If the Applicant has previous experience with Competitive Grants or other THDA programs, point deductions will be assessed if the Applicant has not demonstrated success in:
 - drawing down funds;
 - completing a project in a timely manner;
 - operating a program within THDA guidelines; and,
 - responding timely to client concerns or complaints, contractor concerns or complaints, and THDA requests for information and/or client stories.

2. NEED Up to 23 points

Income Targeting

The Applicant will set aside 25% of the units for individuals at 30% of AMI or less. 5 points

The Applicant will set aside 50% of the units for individuals at 50% of AMI or less 4 points

Prior Funding

A Competitive Grant has not been awarded since July 1, 2020, for a project located in the county in which the proposed housing will be located. 5 points

Distressed Counties

The proposed project is located in one of the designated distressed counties. 5 points

Rural Counties

The proposed project is located in one of the designated rural counties. 4 points



3. INNOVATION

Up to 7 points

The housing proposed in the application demonstrates a creative approach to affordable rental housing for low, very low income, or extremely low income households through unique partnerships, a variety of funding sources, use of alternative energy sources or energy conservation measures, inclusion of universal design elements in housing that will be rehabilitated, the addition of design elements to make the unit to be rehabilitated visitable for individuals with physical disabilities, the targeting of individuals who are homeless through a housing first approach, a commitment for the provision of services for populations other than individuals with disabilities, youth transitioning from foster care, formerly incarcerated individuals, and homeless veterans, and other innovative means to address housing needs.





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: Tennessee Housing Development Agency Board of Directors

FROM: Rebecca Carter, Director of Community Services
Don Watt, Chief Program Officer

SUBJECT: 2025 Emergency Solutions Grants (ESG) Program Description

DATE: November 4, 2024

Recommendation

Staff recommends that the Board approve the following:

- Adoption of the proposed 2025 ESG Program Description as attached (“Program Description”);
- Authorization of the Executive Director or a designee to award 2025 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.

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 2025 Federal budget, THDA anticipates receipt of approximately \$3 million in Federal FY2025 ESG resources. Combined with any funds remaining from prior year



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allocations, THDA will make these resources available under this Program Description provided for your consideration.

Staff proposes the following changes for the 2025 ESG Program Description:

1. Updated timetables and due dates as follow:
 - a. Application Due Date - March 27, 2025, at 4:00 pm Central
 - b. Set-Aside Application Due Date - March 27, 2025, at 4:00 pm Central
 - c. Award Announcement - By May 15, 2025
 - d. Contract Dates - July 1, 2025, through June 30, 2026
2. Updated “Category 4” homeless definition as amended by the 2022 Violence Against Women Act (VAWA).
3. Removed purchase of vehicle under street outreach. This language was removed from Emergency Shelter last year, but the Street Outreach language was missed.
4. Removed quarterly reporting requirement and added August 31 as annual Consolidated Annual Performance and Evaluation Report (CAPER) data submission date. The CAPER is due annually to HUD by September 30.



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2025 EMERGENCY SOLUTIONS GRANTS PROGRAM

Program Description Tennessee Housing Development Agency

The Emergency Shelter Grants (ESG) Program was established by the Homeless Housing Act of 1986 in response to the growing issue of homelessness in the United States. In 1987, the program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. Sec. 1137111378), now known as the McKinney-Vento Homeless Assistance Act. The U.S. Department of Housing and Urban Development (HUD) awards these funds to the State of Tennessee. The Governor of Tennessee has designated the Tennessee Housing Development Agency (THDA) to administer ESG funds on behalf of the State.

The purpose of this Program Description is to explain the requirements and the application process for the ESG Program. Agencies applying for 2025 ESG funding must include in their application documentation that is supported by data showing: 1) need for the program; 2) evidence of homelessness or at-risk of homelessness population within the community; 3) a plan that summarizes how funds will be used to address the unmet needs of their community; and 4) evidence that the applicant has collaborated with the local Continuum of Care (CoC) and that activities selected will help the CoC to meet its goals to address and end homelessness. Preference is given to applicants whose programs will help to meet priorities identified by HUD, the State of Tennessee, and the local Continuum of Care.

ESG funds are awarded competitively to local units of governments and to 501(c)(3) or 501(c)(4) non-profit organizations that serve areas outside of the ESG entitlement communities that receive their own ESG funding directly from HUD. The Tennessee entitlement communities that receive their own allocation of ESG funds are Knoxville, Memphis, and Nashville-Davidson County.

Applications under the ESG Competitive Allocation will be made available through THDA's Grants Management System (GMS) and must be received by THDA on or before 4:00 PM CDT on Thursday, March 27, 2025. Applications under the ESG Set-Aside City Allocation also must be received by THDA on or before 4:00 PM CDT on Thursday, March 28, 2024. Contingent upon notification of a 2025 ESG allocation from HUD, THDA anticipates notifying successful applicants by May 15, 2025 for the period July 1, 2025 through June 30, 2026. An applicant must apply for at least \$35,000 and may apply for a maximum of \$125,000 in ESG funding.

The program description is available at www.thda.org. Once at the THDA website, click on Programs and then the ESG Program link under Programs for Local Government & Nonprofit Partners. There will be a link for the program description, the application instructions, and application attachments. If you have questions, contact the ESG Team with the Community Services Division of THDA at ESG@thda.org.

THE ESG PROGRAM

The ESG Program in Tennessee is governed by Title 24 Code of Federal Regulations, Parts 91 and 576 (ESG Regulations) and this Program Description. ESG Regulations are incorporated by reference in this Program Description. In cases of conflicting requirements, the more stringent requirement will apply.

The objectives of the ESG program are:

1. Reduce the length of time program participants experience homelessness;
2. Exit program participants to permanent housing;
3. Limit returns to homelessness one year after exiting the program; and,
4. Based on the activity, all ESG resources must be used to benefit individuals who are defined by HUD as “homeless” in the ESG Regulations.

HUD defines “homeless” as:

- (1) *Category 1: An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:*
 - (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport or camping ground;
 - (ii) An individual or family living in a supervised publicly or privately operated shelter designed to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or
 - (iii) An individual who is exiting an institution where he or she resided for 90 day or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;
- (2) *Category 2: An individual or family who will imminently lose their primary nighttime residence, provided that:*
 - (i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;
 - (ii) No subsequent residence has been identified; and
 - (iii) The individual or family lacks the resources or support networks, e.g., family friends, faith-based or other social networks, needed to obtain other permanent housing;
- (3) *Category 3: Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:*
 - (i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637 of the Head Start Act (42 U.S.C. 9832), section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(h) of the Public

Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), SECTION 17(b) or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434A);

- (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing the 60 days immediately preceding the date of application for assistance;
 - (iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and
 - (iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or
- (4) *Category 4: Any individual or family who:*
- (i) Is experiencing trauma or a lack of safety related to, or fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous, traumatic, or life-threatening conditions related to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;
 - (ii) Has no other residence; and
 - (iii) Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing.

HUD defines "at risk of homelessness" as follows:

(1) An individual or family who:

1. Has an annual income below 30 percent of median family income for the area, as determined by HUD;
2. Does not have sufficient resources or support networks, e.g., family, friends, faith-based or other social networks, immediately available to prevent them from moving to an emergency shelter or another place described in paragraph (1) of the "homeless" definition in this section; and
3. Meets one of the following conditions:
 - a. Has moved because of economic reasons two or more times during the 60 days immediately preceding the application for homelessness prevention assistance;
 - b. Is living in the home of another because of economic hardship;
 - c. Has been notified in writing that their right to occupy their current housing or living

situation will be terminated within 21 days after the date of application for assistance;

- d. Lives in a hotel or motel and the cost of the hotel or motel stay is not paid by charitable organizations or by Federal, State, or local government programs for low-income individuals;
- e. Lives in a single-room occupancy or efficiency apartment unit in which there reside more than two persons or lives in a larger housing unit in which there reside more than 1.5 persons reside per room, as defined by the U.S. Census Bureau;
- f. Is exiting a publicly funded institution, or system of care (such as a health-care facility, a mental health facility, foster care or other youth facility, or correction program or institution); or
- g. Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness, as identified in the recipient's approved consolidated plan;

- (2) A child or youth who does not qualify as “homeless” under this section, but qualifies as “homeless” under section 387(3) of the Runaway and Homeless Youth Act ([42 U.S.C. 5732a\(3\)](#)), section 637(11) of the Head Start Act ([42 U.S.C. 9832\(11\)](#)), section 41403(6) of the Violence Against Women Act of 1994 ([42 U.S.C. 14043e-2\(6\)](#)), section 330(h)(5)(A) of the Public Health Service Act ([42 U.S.C. 254b\(h\)\(5\)\(A\)](#)), section 3(m) of the Food and Nutrition Act of 2008 ([7 U.S.C. 2012\(m\)](#)), or section 17(b)(15) of the Child Nutrition Act of 1966 ([42 U.S.C. 1786\(b\)\(15\)](#)); or
- (3) A child or youth who does not qualify as “homeless” under this section, but qualifies as “homeless” under section 725(2) of the McKinney-Vento Homeless Assistance Act ([42 U.S.C. 11434a\(2\)](#)), and the parent(s) or guardian(s) of that child or youth if living with her or him.

A. CONSISTENCY WITH THE CONSOLIDATED PLAN

All applicants serving a county located within a local HUD Consolidated Plan jurisdiction must obtain a “certificate of consistency” with the local HUD Consolidated Plan. Local HUD Consolidated Plan jurisdictions include:

- City of Bristol
- City of Chattanooga
- City of Clarkesville
- City of Cleveland
- City of Franklin
- City of Johnson City
- City of Kingsport
- City of Morristown
- City of Murfreesboro
- County of Shelby
- City of Jackson
- City of Oak Ridge
- County of Knox

Organizations serving communities located outside of those jurisdictions noted above are covered by the State’s Consolidated Plan. THDA will provide a certification of consistency with the State’s Consolidated Plan during the application review process.

B. ALLOCATION OF FUNDS

ESG funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee’s Consolidated Plan, as amended. THDA anticipates an ESG allocation in 2025 of

approximately \$3 million. THDA will make available under this program description any FY2025 ESG funds allocated to the State of Tennessee as well as any funds determined by THDA to be available from prior year funding allocations.

THDA will spend up to 7.5% of its 2025 ESG allocation for administrative and planning expenses. THDA will share the amount available for administration with successful local government applicants. **Non-profit agencies are not eligible to receive funds for administration.**

The remaining ESG funds will be allocated as follows:

- Set-Aside City Allocation. THDA will allocate \$125,000 each to the cities of Chattanooga, Clarksville, Johnson City, and Murfreesboro. Each of these jurisdictions (“Set-Aside Cities”) have either recently lost their direct ESG allocation from HUD or are the location of a major entity serving veterans. Each program will operate its ESG program in accordance with its approved Consolidated Plan. Eligible activities include street outreach, shelter operation, homelessness prevention, rapid rehousing, data collection through Homeless Management Information System (HMIS) or a comparable system, and administration.

Eligible Applicants with a main office inside the jurisdictional boundaries of a Set-Aside City may apply for funding under the Competitive Allocation; however, the total of the funds received by an Eligible Applicant under both the Set-Aside and Competitive Allocations may not exceed \$125,000.

- Competitive Allocation. The remaining ESG funds will be allocated to eligible applicants in a competitive grant application process.

C. ELIGIBLE APPLICANTS

The State of Tennessee, through THDA, will accept applications for the ESG Program from non-profit organizations and local units of governments. Non-profit applicants must submit **PART V: Non-Profit Checklist** with supporting documentation, and **PART VI: Non-Profit Board Composition**.

To be eligible for ESG funding, the non-profit organization must:

1. Must meet one of the two following criteria:
 - a. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated **no more than thirty (30) days** prior to the application date).
 - Or
 - b. Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state’s Secretary of state dated **no more than thirty (30) days** prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated **no more than thirty (30) days** prior to the application date.
2. Must demonstrate at least two (2) years of experience providing affordable housing or affordable housing related services in the state of Tennessee satisfactory to THDA, in its sole discretion.
3. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual.

4. Be established for charitable purposes and whose activities include, but are not limited to, the promotion of social welfare and the prevention or elimination of homelessness, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of shelter and services to the homeless.
5. Have standards of financial accountability that conform to 24 CFR 84.21, Standards of Financial Management Systems.
6. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status.
7. Faith-based organizations receiving ESG funds, like all organizations receiving HUD funds, must serve all eligible beneficiaries without regard to religion.
8. Have approved established ESG Written Standards in accordance with Continuum of Care Coordinated Entry process.
9. Be active member of the CoC and compliant with HMIS reporting.

In accordance with 24 C.F.R. Section 576.202(a)(2), non-profit organizations are eligible to receive funding for emergency shelter activities only if such funding for emergency shelter activities is approved by the local government jurisdiction where the emergency shelter activities are physically located. Each application from a nonprofit must contain **PART VII: Certification of Local Government Approval** specific to the emergency shelter housing and service locations that it controls within each jurisdiction. This Attachment must be submitted to THDA at the time of application. If the organization intends to provide emergency shelter assistance in a number of jurisdictions, a certification of approval must be submitted by each unit of local government in which the emergency shelter activities are to be located.

D. ELIGIBLE ACTIVITIES

1. ***Street Outreach:*** Essential services to eligible participants provided on the street or in parks, abandoned buildings, bus stations, campgrounds, and in other such settings where unsheltered persons are staying. Staff salaries related to carrying out street outreach are also eligible.

Eligible Program Participants: Unsheltered individuals and families who qualify as homeless under Category 1 of HUD’s Definition of “Homeless”. Allowable Activities:

- a. ***Engagement.*** The costs of activities to locate, identify, and build relationships with unsheltered homeless people and engage them for the purpose of providing immediate support, intervention, and connections with homeless assistance programs and/or mainstream social services and housing programs. These activities consist of making an initial assessment of needs and eligibility; providing crisis counseling; addressing urgent physical needs, such as providing meals, blankets, clothes or toiletries; and actively connecting and providing information and referrals to programs targeted to homeless people and mainstream social services and housing programs, including emergency shelter, transitional housing, community-based services, permanent supportive housing and rapid rehousing programs. Eligible costs include the cell phone costs of outreach workers during the performance of these activities.

- b. *Case Management.* The cost of assessing housing and service needs, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant. Eligible services and activities are as follows: using the centralized or coordinated assessment system as required under § 576.400(d); conducting the initial evaluation required under § 576.401(a), including verifying and documenting eligibility; counseling; developing, securing and coordinating services; obtaining Federal, State, and local benefits; monitoring and evaluating program participants progress; providing information and referrals to other providers; and developing an individualized housing and service plan, including planning a path to permanent housing stability.
- c. *Emergency Health Services.*
 - (i) Eligible costs are for the direct outpatient treatment of medical conditions and are provided by licensed medical professionals operating in community-based settings, including streets, parks, and other places where unsheltered homeless people are living.
 - (ii) ESG funds may be used only for these services to the extent that other appropriate health services are inaccessible or unavailable within the area.
 - (iii) Eligible treatment consists of assessing a program participant’s health problems and developing a treatment plan; assisting program participants to understand their health needs; providing directly or assisting program participants to obtain appropriate emergency medical treatment; and providing medication and follow-up services.
- d. *Emergency Mental Health Services.*
 - (i) Eligible costs are the direct outpatient treatment by licensed professionals of mental health conditions operating in community-based settings, including streets, parks, and other places where unsheltered people are living.
 - (ii) ESG funds may be used only for these services to the extent that other appropriate mental health services are inaccessible or unavailable within the area.
 - (iii) Mental health services are the application of therapeutic processes to personal, family, situational, or occupational problems in order to bring about positive resolutions of the problem or improved individual or family functioning or circumstances.
 - (iv) Eligible treatment consists of crisis interventions, the prescription of psychotropic medications, explanation about the use and management of medications, and combinations of therapeutic approaches to address multiple problems.
- e. *Transportation.* The transportation costs of travel by outreach workers, social workers, medical professionals, or other service providers are eligible, provided that this travel takes place during the provision of services eligible under this section. The costs of transporting

unsheltered people to emergency shelters or other service facilities are also eligible. These costs include the following:

- (i) The cost of a program participant's travel on public transportation;
- (ii) If service workers use their own vehicles, mileage allowance for service workers to visit program participants;
- (iii) The cost of leasing a vehicle for the Grantee in which staff transports program participants and/or staff serving program participants, and the cost of gas, insurance, taxes, and maintenance for the vehicle; and
- (iv) The travel costs of Grantee staff to accompany or assist program participants to use public transportation.

f. *Services to Special Populations.* ESG funds may be used to provide services for homeless youth, victim services, and services for people living with HIV/AIDS, so long as the costs of providing these services are eligible under paragraphs (a) through (e) of this section. The term victim services means services that assist program participants who are victims of domestic violence, dating violence, sexual assault, or stalking, including services offered by rape crisis centers and domestic violence shelters, and other organizations with a documented history of effective work concerning domestic violence, dating violence, and sexual assault, or stalking.

2. ***Emergency Shelter:*** Funds may be used to cover the costs of providing essential services to homeless families and individuals in emergency shelters and operational expenses of emergency shelters.

Eligible Participants: Individuals and families who qualify as homeless under Categories 1, 2, 3 and 4 of HUD's Definition of "Homeless".

Allowable Activities:

a. *Essential Services.* This includes services concerned with employment, health, drug abuse, education and staff salaries necessary to provide these services and may include, but are not limited to:

- (i) *Case Management.* The cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant is eligible. Component services and activities consist of:
 - (A) Using the centralized or coordinated assessment system as required under §576.400(d);
 - (B) Conducting the initial evaluation required under §576.401(a), including verifying and documenting eligibility;
 - (C) Counseling;
 - (D) Developing, securing, and coordinating services and obtaining Federal, State and local benefits;
 - (E) Monitoring and evaluating program participant progress;

- (F) Providing information and referrals to other providers;
 - (G) Providing ongoing risk assessment and safety planning with victims of domestic violence, dating violence, sexual assault, and stalking; and
 - (H) Developing an individualized housing and service plan, including planning a path to permanent housing stability.
- (ii) *Child Care.* The costs of child care for program participants, including providing meals and snacks, and comprehensive and coordinated sets of appropriate developmental activities, are eligible. The children must be under the age of 13, unless they are disabled. Children with disabilities must be under the age of 18. The child-care center must be licensed by the jurisdiction in which it operates in order for its costs to be eligible.
- (iii) *Education Services.* When necessary for the program participant to obtain and maintain housing, the costs of improving knowledge and basic educational skills are eligible. Services include instruction or training in consumer education, health education, substance abuse prevention, literacy, English as a Second Language, and General Educational Development (GED). Component service or activities are screening, assessment and testing; individual or group instruction; tutoring; provision of books, supplies and instructional material; counseling; and referral to community resources.
- (iv) *Employment Assistance and Job Training.* The costs of employment assistance and job training programs are eligible, including classroom, online, and/or computer instruction; and services that assist individuals in securing employment, acquiring learning skills, and/or increasing earning potential. The cost of providing reasonable stipends to program participants in employment assistance and job training programs is an eligible cost. Learning skills include those skills that can be used to secure and retain a job, including the acquisition of vocational licenses and/or certificates. Services that assist individuals in securing employment consist of employment screening, assessment, or testing; structured job skills and job-seeking skills; special training and tutoring, including literacy training and prevocational training; books and instructional material; counseling or job coaching; and referral to community resources.
- (v) *Outpatient Health Services.* Eligible costs are for the direct outpatient treatment of medical conditions and are provided by licensed medical professionals. Emergency Solutions Grant (ESG) funds may be used only for these services to the extent that other appropriate health services are unavailable within the community. Eligible treatment consists of assessing a program participant's health problems and developing a treatment plan; assisting program participants to understand their health needs; providing directly or assisting program participants to obtain appropriate medical treatment, preventive medical care, and health maintenance services; including providing medication and follow-up services; and providing preventive and non-cosmetic dental care.
- (vi) *Legal Services.*
- (A) Eligible costs are the hourly fees for legal advice and representation by attorneys licensed and in good standing with the bar association of the State

in which the services are provided, and by person(s) under the supervision of the licensed attorney, regarding matters that interfere with the program participant's ability to obtain and retain housing.

- (B) ESG funds may be used only for these services to the extent that other appropriate legal services are unavailable or inaccessible within the community.
 - (C) Eligible subject matters are child support, guardianship, paternity, emancipation, and legal separation, orders of protection and other civil remedies for victims of domestic violence, dating violence, sexual assault, and stalking, appeal of veterans and public benefit claim denials, and the resolution of outstanding criminal warrants.
 - (D) Component services or activities may include client intake, preparation of cases for trial, provision of legal advice, representation at hearings, and counseling.
 - (E) Fees based on the actual service performed (i.e., fee for service) are also eligible, but only if the cost would be less than the cost of hourly fees. Filing fees and other necessary court costs are also eligible. If the Grantee is a legal services provider and performs the services itself, the eligible costs are the Grantee's employees' salaries and other costs necessary to perform the services.
 - (F) Legal services for immigration and citizenship matters and issues relating to mortgages are ineligible costs. Retainer fee arrangements and contingency fee arrangements are ineligible costs.
- (vii) *Life Skills Training.* The costs of teaching critical life management skills that may never have been learned or have been lost during the course of physical or mental illness, domestic violence, substance use, and homelessness are eligible costs. These services must be necessary to assist the program participant to function independently in the community. Component life skills training are budgeting resources, managing money, managing a household, resolving conflict, shopping for food and needed items, improving nutrition, using public transportation, and parenting.
- (viii) *Mental Health Services.*
- (A) Eligible costs are the direct outpatient treatment by licensed professionals of mental health conditions.
 - (B) ESG funds may only be used for these services to the extent that other appropriate mental health services are unavailable or inaccessible within the community.
 - (C) Mental health services are the application of therapeutic processes to personal, family, situational, or occupational problems in order to bring about positive resolution of the problem or improved individual or family functioning or circumstances. Problem areas may include family and marital relationships, parent-child problems, or symptom management.
 - (D) Eligible treatment consists of crisis interventions; individual, family, or group therapy sessions; the prescription of psychotropic medications or

explanations about the use and management of medications; and combinations of therapeutic approaches to address multiple problems.

- (ix) *Substance Abuse Treatment Services.*
 - (A) Eligible substance abuse treatment services are designed to prevent, reduce, eliminate, or deter relapse of substance abuse or addictive behaviors and are provided by licensed or certified professionals.
 - (B) ESG funds may only be used for these services to the extent that other appropriate substance abuse treatment services are unavailable or inaccessible within the community.
 - (C) Eligible treatment consists of client intake and assessment, and outpatient treatment for up to 30 days. Group and individual counseling and drug testing are eligible costs. Inpatient detoxification and other inpatient drug or alcohol treatment are not eligible costs.
 - (x) *Transportation.* Eligible costs consist of the transportation costs of a program participant's travel to and from medical care, employment, child care or other eligible essential services facilities. These costs include the following:
 - (A) The cost of a program participant's travel on public transportation;
 - (B) If service workers use their own vehicles, mileage allowance for service workers to visit program participants;
 - (C) The cost of leasing a vehicle for the Grantee in which staff transports program participants and/or staff serving program participants, and the cost of gas, insurance, taxes, and maintenance for the vehicle; and
 - (D) The travel costs of Grantee staff to accompany or assist program participants to use public transportation.
 - (xi) *Services for Special Populations.* ESG funds may be used to provide services for homeless youth, victim services, and services for people living with HIV/AIDS, so long as the costs of providing these services are eligible under paragraphs (a)(1)(i) through (a)(1)(x) of this section. The term victim services means services that assist program participants who are victims of domestic violence, dating violence, sexual assault, or stalking, including services offered by rape crisis centers and domestic violence shelters, and other organizations with a documented history of effective work concerning domestic violence, dating violence, sexual assault, or stalking.
- b. *Operations.* Eligible costs are the costs of maintenance (including minor or routine repairs), rent, security, fuel, equipment, insurance, utilities, food, furnishings, and supplies necessary for the operation of the emergency shelter. Where no appropriate emergency shelter is available for a homeless family or individual, eligible costs may also include a hotel or motel voucher for that family or individual.

Prohibition against involuntary family separation. The age of a child under age 18 must not be used as a basis for denying any family's admission to an emergency shelter that uses ESG funding or services and provides shelter to families.

Expenditures limits of combined Street Outreach and Emergency Shelter services cannot exceed 60% of the entire ESG allocation. THDA reserves the right to adjust applicants' budgets, if needed,

to remain within this requirement.

3. ***Homelessness Prevention Activities:*** Activities related to preventing persons from becoming homeless and to assist participants in regaining stability in their current or other permanent housing.

Eligible Participants: Extremely low-income individuals and families with household incomes of at or below 30% of Area Median Income who qualify as homeless under Categories 2, 3 and 4 of HUD’s Definition of “Homelessness” or any category of HUD’s Definition of “At Risk of Homelessness”.

4. ***Rapid Rehousing Activities:*** Activities related to help a homeless individual or family to move into permanent housing.

Eligible Participants: Individuals and families who meet HUD’s definition of “Homeless” under Categories 1 and 4.

Allowable Activities for Prevention and Rapid Rehousing:

- a. ***Financial Assistance*** – ESG funds may be used to pay housing owners, utility companies, and other third parties for the following costs:
- (i) Rental application fees. ESG funds may pay for the rental housing application fee that is charged by the owner to all applicants.
 - (ii) Security deposits. ESG funds may pay for a security deposit that is equal to no more than 2 months’ rent.
 - (iii) Last month’s rent. If necessary to obtain housing for a program participant, the last month’s rent may be paid from ESG funds to the owner of that housing at the time the owner is paid the security deposit and the first month’s rent. This assistance must not exceed one month’s rent and must be included in calculating the program participant’s total rental assistance, which cannot exceed 24 months during any 3-year period.
 - (iv) Utility deposits. ESG funds may pay for a standard utility deposit required by the utility company for all customers for the utilities listed in paragraph (5) of this section.
 - (v) Utility payments. ESG funds may pay for up to 24 months of utility payments per program participant, per service, including up to 6 months of utility payments in arrears, per service. A partial payment of a utility bill counts as one month. This assistance may only be provided if the program participant or a member of the same household has an account in his or her name with a utility company or proof of responsibility to make utility payments. Eligible utility services are gas, electric, water, and sewage. No program participant shall receive more than 24 months of utility assistance within any 3-year period.
 - (vi) Moving costs. ESG funds may pay for moving costs, such as truck rental or hiring a moving company. This assistance may include payment of temporary storage fees for up to 3 months, provided that the fees are accrued after the date the program participant begins receiving assistance under paragraph (b) of this section and before the program participant moves into permanent housing. Payment of

temporary storage fees in arrears is not eligible.

b. Service Costs. ESG funds may be used to pay the costs of providing the following services:

(i) *Housing search and placement.* Services or activities necessary to assist program participants in locating, obtaining, and retaining suitable permanent housing, include the following:

- (A) Assessment of housing barriers, needs and preferences;
- (B) Development of an action plan for locating housing;
- (C) Housing search;
- (D) Outreach to and negotiation with owners;
- (E) Assistance with submitting rental applications and understanding leases;
- (F) Assessment of housing for compliance with ESG requirements for habitability, lead-based paint, and rent reasonableness;
- (G) Assistance with obtaining utilities and making moving arrangements; and
- (H) Tenant counseling.

(ii) *Housing stability case management.* ESG funds may be used to pay cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to facilitate housing stability for a program participant who resides in permanent housing or to assist a program participant in overcoming immediate barriers to obtain housing. This assistance cannot exceed 30 days during the period the program participant is seeking permanent housing and cannot exceed 24 months during the period the program participant is living in permanent housing. Component services and activities consist of:

- (A) Using the centralized or coordinated assessment system as required under §576.400(d) to evaluate individuals and families applying for or receiving homeless prevention or rapid re-housing assistance;
- (B) Conducting the initial evaluation required under §576.401(a), including verifying and documenting eligibility, for individuals and families applying for homelessness prevention or rapid re-housing assistance.
- (C) Counseling
- (D) Developing, securing, and coordinating services and obtaining Federal, State, and local benefits;
- (E) Monitoring and evaluating program participant progress;
- (F) Providing information and referrals to other providers;
- (G) Developing an individualized housing and service plan, including planning a path to permanent housing stability; and
- (H) Conducting re-evaluations required under §576.401(b).

(3) *Mediation.* ESG funds may pay for mediation between the program participant and the owner of person(s) with whom the program participant is living, provided that the mediation is necessary to prevent the program participant from losing permanent housing in which the program participant currently resides.

- (4) *Legal Services.* ESG funds may pay for legal services, as set forth in §576.102(a)(1)(vi), except that the eligible subject matters also include landlord/tenant matters, and the services must be necessary to resolve a legal problem that prohibits the program participant from obtaining permanent housing or will likely result in the program participant losing the permanent housing in which the program participant currently resides.
- (5) *Credit Repair.* ESG funds may pay for credit counseling and other services necessary to assist program participants with critical skills related to household budgeting, managing money, accessing a free personal credit report, and resolving personal credit problems. This assistance does not include the payment or modification of a debt.

The Grantee may set a maximum dollar amount that a program participant may receive for each type of financial assistance. The Grantee may also set a maximum period for which a program participant may receive any of the types of assistance or services.

Financial assistance cannot be provided to a program participant who is receiving the same type of assistance through other public sources.

c. *Short- and Medium-Term Rental Assistance Requirements and Restrictions*

- (i) Compliance with FMR (Fair Market Rents) and Rent Reasonableness.
- (ii) For purposes of calculating rent, the rent must equal the sum of the total rent, any fees required for rental (excluding late fees and pet deposits), and, if the tenant pays separately for utilities (excluding telephone) the monthly allowance for utilities as established by the public housing authority for the area in which the housing is located.
- (iii) Compliance with minimum habitability standards.
- (iv) Tenant based rental assistance means that participants select a housing unit in which to live and receive rental assistance. Project based rental assistance means that grantees identify permanent housing units that meet ESG requirements and enter into a rental assistance agreement with the owner to reserve the unit and subsidize it so that eligible program participants have access to the unit.
- (v) A standard and legal lease must be in place.
- (vi) No rental assistance can be provided to a household receiving assistance from another public source for the same time period (with the exception of rental arrears).
- (vii) Participants must meet with a case manager at least monthly for the duration of the assistance (participants who are victims of domestic violence are exempt if meeting would increase the risk of danger to client).
- (viii) The Grantee must develop an individualized plan to help the program participant remain in permanent housing after the ESG assistance ends.
- (ix) The Grantee must make timely payments to each owner in accordance with the

Rental Assistance Agreement (RAA). The Grantee is solely responsible for paying late payment penalties that it incurs with non-ESG funds.

5. ***Homeless Management Information System (HMIS) Data Collection:*** Eligible costs include hardware; software; equipment costs; staffing for operating HMIS data collection, monitoring and analysis; reporting to the HMIS Lead Agency; training on HMIS use; and obtaining technical support. Domestic violence agencies may use HMIS funds to pay for costs in obtaining and operating a data collection program comparable to HMIS, including user fees, software, equipment, training, and maintenance.

Local government recipients may distribute all or a part of their ESG funds to eligible, private 501(c)(3) or 501(c)(4) non-profit organizations for allowable ESG activities.

For each of the eligible activities, THDA reserves the right to adjust funding requests to remain within the required percentages.

E. INELIGIBLE ACTIVITIES

1. *Under Street Outreach Services*, ESG funds may not be used for the following:
 - a. Emergency medical and/or mental health services accessible or available within the area under an existing program; and
 - b. Maintenance of existing services already being provided within the past 12 months prior to funding.
2. *Under Emergency Shelter Services*, ESG may not be used for the following:
 - a. Acquisition of real property;
 - b. New construction or rehabilitation of an emergency shelter for the homeless;
 - c. Property clearance or demolition;
 - d. Staff training or fund raising activities;
 - e. Salary of case management supervisor when not working directly on participant issues;
 - f. Advocacy, planning, and organizational capacity building;
 - g. Staff recruitment and/or training
 - h. Transportation costs not directly associated with service delivery.
 - i. Recruitment or on-going training of staff;
 - j. Depreciation;
 - k. Costs associated with the organization rather than the supportive housing project (advertisements, pamphlets about the agency, surveys, etc.)
 - l. Staff training, entertainment, conferences or retreats;
 - m. Public relations or fund raising;
 - n. Bad debts or bank fees; and
Mortgage payments.

3. *Under Prevention and Rapid Rehousing Activities*, ESG funds may not be used for the following:
 - a. Mortgage loan payments;
 - b. Pet deposits;
 - c. Late fees incurred if grantee does not pay agreed rental subsidy by agreed date;
 - d. Payment of temporary storage fees in arrears;
 - e. Payment of past debt not related to rent or utility; and
 - f. Financial assistance to program participants who are receiving the same type of assistance through other public sources or to a program participant who has been provided with replacement housing payments under URA during the same time period.
4. *Under HMIS Data Collection*: Grantees that are not compliant with HUD’s standards on participation, data collection, and reporting under a local HMIS will not be eligible for advancement or reimbursement for HMIS activities.

F. PARTICIPANT FILE RECORDS

Records must be kept for each program participant that document:

1. Evidence of “homeless” status or “at risk of homelessness” status, as applicable.
2. The services and assistance provided to each program participant, including, as applicable, the security deposit, rental assistance, and utility payments made on behalf of the program participant;
3. Compliance with the applicable requirements for providing services and assistance to that program participant under the program components and eligible activities provisions at 24 CFR 576.101 through 24 CFR 576.106, the provision on determining eligibility and amount and type of assistance at 24 CFR 576.401(a) and (b), and the provision on using appropriate assistance and services at 24 CFR 576.401(d) and (e); and
4. Where applicable, compliance with the termination of assistance requirement in 24 CFR 576.402.

G. RECORDKEEPING REQUIREMENTS

Grantees must meet all recordkeeping and reporting requirements as outlined in 24 CFR 576.500. These requirements include:

- Homeless status
- At risk of homelessness status
- Determinations of ineligibility
- Annual income
- Program participant records
- Centralized or coordinated assessment systems and procedures
- Rental Assistance Agreements and payments
- Utility allowance
- Shelter and housing standards
- Emergency shelter facilities
- Services and assistance provided
- Coordination with Continuum(s) of Care and other programs
- HMIS
- Matching
- Conflicts of interest
- Homeless Participation
- Faith-based activities
- Other Federal Requirements
- Relocation
- Financial Records
- Subrecipients and contractors
- Other records specified by HUD
- Confidentiality
- Period of record retention
- Access to Records
- Reports

H. MATCHING FUNDS

The ESG program requires a dollar for dollar match for the ESG funds. Each application must contain **PART VIII: Certification of Matching Funds**. All Grantees must supplement their ESG funds with equal amounts of funds or in-kind support from non-ESG sources. Certain other federal grants contain language that may prohibit their being used as a match. Matching funds or in-kind support must be provided after the date of the grant award to the Grantee and within the period of the ESG contract with THDA. The Grantee may not include funds used to match any previous ESG grant.

I. OTHER FEDERAL REQUIREMENTS

1. **NON-DISCRIMINATION AND EQUAL OPPORTUNITY**. Grantees must make facilities and services available to all on a nondiscriminatory basis, and publicize the facilities and services. The procedures a Grantee uses to convey the availability of such facilities and services should be designed to reach persons with disabilities or persons of any particular race, color, religion, sex, age, familial status, or national origin within their service area who may qualify for them. If not, the Grantee must establish additional procedures that will ensure that these persons are made aware of the facilities and services. Grantees must adopt procedures to disseminate information to anyone who is interested regarding the existence and location of services or facilities that are accessible to individuals with disabilities.

Grantees must also comply with the requirements of 24 CFR Parts 5, 200, 203, et al Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity. The regulation

is available at <http://www.gpo.gov/fdsys/pkg/FR-2012-02-03/pdf/2012-2343.pdf>. Grantees should include in their ESG standards a written policy for Fair Housing to all persons and/or families regardless of sexual orientation, gender identity or family identification.

2. **LEAD BASED PAINT**. Housing assisted with ESG funds is subject to the Lead-Based Paint Poisoning Prevention Act and the Act's implementing regulations at 24 CFR Part 35, Subparts C

through M for any building constructed prior to 1978. Grantees using ESG funds only for essential services and operating expenses must comply with Subpart K to eliminate as far as practical lead-based paint hazards in a residential property that receives federal assistance for acquisition, leasing, support services or operation activities.

3. PROPERTY MANAGEMENT STANDARDS. Grantees are required to follow uniform standards for using and disposing of capital improvements and equipment. Equipment is defined as having a useful life of one year and a per unit value of \$5,000 or more.
4. RELOCATION AND DISPLACEMENT. Grantees are required to take reasonable steps to minimize the displacement of persons, families, individuals, businesses, non-profit organizations or farms as a result of administering projects funded through ESG. Any persons displaced by the acquisition of property must be provided with relocation assistance (24 CFR 576.59).
5. ENVIRONMENTAL REVIEW. In implementing the ESG program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Part 58. THDA as the Responsible Entity and the units of local government funded by THDA will be responsible for carrying out environmental reviews.

THDA will review the release of funds for local governments and must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews. ESG funds cannot be committed until the environmental review process has been completed. Commitments for expenditures made prior to the approval of the environmental review cannot be reimbursed or advanced with ESG funds.

6. CONFLICT OF INTEREST. Each ESG Grantee must adopt a conflict of interest policy which prohibits any employee, persons with decision making positions or having information about decisions made by an organization, from obtaining a personal or financial interest or benefit from the organization's activity, including through contracts, subcontracts, or agreements. (24 CFR 576.57). ASBESTOS. Prior to renovation, Tennessee State law requires an asbestos inspection for any structure that is not a residential building having four or fewer dwelling units. The costs of asbestos removal may be included in the grant request.
7. CONTRACTUAL AGREEMENT. All Grantees must enter into a contractual agreement with THDA. This Working Agreement includes all requirements contained in the ESG Interim Rule (24 CFR Part 576 and 91) in addition to all other applicable rules and regulations. The Working Agreement will include, but is not limited to the following:
 - a. BUILDING STANDARDS. Grantees must ensure that any building for which ESG funds are used for meets the local government standards for safety and sanitation.
 - b. CERTIFICATION OF ASSISTANCE. Grantees must certify that on-going assistance will be provided to homeless individuals to obtain appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision and other services essential for achieving independent living and other federal, state local and private assistance available for such persons.
 - c. CONFIDENTIALITY. Grantees must develop procedures to ensure the confidentiality of victims of domestic violence.

- d. DRUG AND ALCOHOL-FREE FACILITIES. Grantees must administer a policy designed to ensure that each assisted homeless facility is free from the illegal use, possession or distribution of drugs or alcohol by its beneficiaries.
- e. CLIENT PARTICIPATION. The grantee must provide for the participation of not less than one homeless individual or formerly homeless individual on the board of directors or other equivalent policy-making entity of the grantee to the extent that the entity considers and makes policies and decisions regarding any facilities, services, or other assistance that receive funding under Emergency Solutions Grant (ESG).

If the Grantee is unable to meet above requirement, it must instead develop and implement a plan to consult with homeless or formerly homeless individuals in considering and making policies and decisions regarding any facilities, services, or other assistance that receive funding under Emergency Solutions Grant (ESG). The plan must be included in the annual action plan required under 24 CFR 91.220.

To the maximum extent practicable, the grantee must involve homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under ESG, in providing services assisted under ESG, and in providing services for occupants of facilities assisted under ESG. This involvement may include employment or volunteer services.

- f. PROCUREMENT PROCEDURES. Each ESG Grantee must have an appropriate procurement procedure in place. At a minimum, three telephone bids must be obtained for any equipment or furniture purchases to be charged totally or in part to ESG. The grantee must retain copies of all procurement contracts and documentation of compliance with the procurement requirements in 2 CFR part 200, subpart D.
- g. FAIR HOUSING. All ESG Grantees must perform and document action in the area of enforcement and/or promotion to affirmatively further fair housing. During the grant year Grantees must carry out a minimum of one activity to promote fair housing. Non-discrimination and equal opportunity are applicable to ESG programs (24 CFR 5.105(a) as amended).
- h. TERMINATING ASSISTANCE. All ESG Grantees must have a formal process for terminating assistance to an individual or family. At a minimum, there must be an appeals procedure with one level of administrative review for clients who are evicted or refused service from the facility for any reason. Termination does not bar the recipient or subrecipient from providing further assistance at a later date to the same family or individual.
- i. REPORTING REQUIREMENTS. All ESG Grantees are required to upload the ESG Consolidated Annual Performance and Evaluation Report (CAPER) via Comma Separated Valued (CSV) into the Sage HMIS Reporting Repository by August 31 following the end of the program year. Domestic violence agencies must also upload CAPER information from their comparable data system as required by HUD.

Additional reports may be required by THDA at its sole and absolute discretion.

HMIS PARTICIPATION. All ESG Grantees must certify that they will fully utilize the Homelessness Management Information System (HMIS) for the Continuum of Cares in

which the assistance is delivered, or if a victim services provider, the ESG Grantee will operate a comparable database that collects client-level data over time (i.e. longitudinal data) and generates unduplicated aggregate reports based on the data. Grantees that are not victim services providers must work with their local CoC to coordinate HMIS access and technical assistance. All ESG Grantees assume full responsibility for all reporting to THDA. Please check the following website for local CoC contact information and for information on the geographic areas covered by each CoC: <http://thda.org/business-partners/esg>.

- j. COORDINATED ENTRY. All Grantees must participate in the Coordinated Entry process of the Continuum of Care in which services are delivered. Grantees serving multiple Continuums of Care must participate in each Coordinated Entry process established by each CoC.
- k. SERVING FAMILIES WITH CHILDREN. Organizations that use ESG funds for emergency shelter to families with children under the age of 18 shall not deny admission to any family based on the age of any child under age 18. Providing these families with stays in a hotel/motel or other off-site facility does not suffice. If the Grantee's facility serves families, provisions must be made for the facility to accommodate **all** families.
- l. Violence Against Women Act (VAWA). All ESG Grantees are required to apply the requirements of the Violence Against Women Act (VAWA) and the Violence Against Women Act Reauthorization Act of 2022 (VAWA 2022) to all survivors of domestic violence, dating violence, sexual assault, and stalking, regardless of sex, gender identity, or sexual orientation, consistently across all HUD administered programs along with all nondiscrimination and fair housing requirements.
- m. PROGRAM COMPLIANCE. All ESG Grantees must adhere to, or maintain compliance with, the requirements of the ESG Program and other programs administered through the Community Services and Community Housing Divisions. Failure to maintain compliance with any program funded through Community Services and Community Housing Divisions will result, depending on the egregiousness of the noncompliance, in penalties being assessed in the scoring of future applications and/or the inability to participate in programs administered by THDA for a period to be determined at THDA's sole discretion.

J. POLICIES AND PROCEDURES / WRITTEN STANDARDS

Grantees are required to establish and consistently apply, written standards for providing ESG assistance. These written standards may be established by the Grantee or established by the Continuum of Care (CoC) and followed by each Grantee providing assistance in that area.

At a minimum these written standards must include:

- 1. Standard policies and procedures for evaluating individuals' and families' eligibility for assistance under Emergency Solutions Grant (ESG);
- 2. Standards for targeting and providing essential services related to street outreach;

Policies and procedures for admission, diversion, referral, and discharge by emergency shelters

assisted under ESG, including standards regarding length of stay, if any, and safeguards to meet the safety and shelter needs of special populations, *e.g.*, victims of domestic violence, dating violence, sexual assault, and stalking; and individuals and families who have the highest barriers to housing and are likely to be homeless the longest;

3. Policies and procedures for assessing, prioritizing, and reassessing individuals' and families' needs for essential services related to emergency shelter;
4. Policies and procedures for coordination among emergency shelter providers, essential services providers, homelessness prevention, and rapid re-housing assistance providers; other homeless assistance providers; and mainstream service and housing providers (see 24 CFR 576.400(b) and (c) for a list of programs with which ESG-funded activities must be coordinated and integrated to the maximum extent practicable);
5. Policies and procedures for determining and prioritizing which eligible families and individuals will receive homelessness prevention assistance and which eligible families and individuals will receive rapid re-housing assistance (these policies must include the emergency transfer priority required under 24 CFR 576.409);
6. Standards for determining what percentage or amount of rent and utilities costs each program participant must pay while receiving homelessness prevention or rapid re-housing assistance;
7. Standards for determining how long a particular program participant will be provided with rental assistance and whether and how the amount of that assistance will be adjusted over time; and
8. Standards for determining the type, amount, and duration of housing stabilization and/or relocation services to provide to a program participant, including the limits, if any, on the homelessness prevention or rapid re-housing assistance that each program participant may receive, such as the maximum amount of assistance, maximum number of months the program participant receive assistance; or the maximum number of times the program participant may receive assistance.

APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that meets the requirements of the ESG Regulations; Written ESG Standards, Habitability Standards, Confidentiality and Privacy Policies; and compliance with and participation in the applicable CoC. Additionally, to be considered for funding, the application must be signed with an original signature by a nonprofit entity's Chairman of the Board or the Executive Director, or the Mayor of the local government.

All nonprofit organizations must upload all organizational information required to be submitted through THDA's Participant Information Management System (PIMS). Copies of organizational documents that are required to be submitted through PIMS but that are submitted through another means will not be considered.

Additional requirements for non-profit organizations are included in the application at **Part X: Non-Profit Checklist**. Documentation must be submitted along with the completed Checklist to demonstrate that the organization meets threshold requirements and has the capacity to provide shelter, essential services and/or operations for programs serving the homeless. Applications meeting the threshold criteria will be scored and ranked in descending numerical order.

THDA will provide a limited opportunity of five (5) business days for applicants to correct the following threshold factors:

- Failure to upload all required documents to PIMS and GMS.
- Failure to submit a Certificate of Existence that was issued within the required time established by the application instructions.
- Failure of the Mayor, Executive Director, or the Board Chairman to sign the application.

All applicants that are required to submit corrections for an issue identified above will receive an automatic 5 point deduction to the final application score. The point deduction will be assessed regardless of the number of the above threshold items requested to be corrected.

THDA will not provide an opportunity to correct other application items nor will THDA extend the time period for correction of the threshold item beyond the period identified above.

Application Score Tiebreaker Process

In the event of a tied score under the ESG Funding Matrix, THDA will follow the following tiebreaker review process to select the agency that will receive funding.

The application with the highest score for the following categories will be selected in this order, until the tie is broken.

1. Fiscal Capacity Score;
2. Agency Capacity Score;
3. CoC Score; and
4. Program Design.

Key Applicant Eligibility Factors

- Eligible non-profit agency or unit of general local government
- No outstanding findings or other issues from any program operated by THDA
- Experienced homeless services/prevention provider
- Must be able to meet recordkeeping and reporting requirements, including use of HMIS
- Must be able to meet HMIS requirements or, if a domestic violence program provider, a comparable database that collects client level data over time and generates unduplicated aggregate reports based on the data
- Must be certified by local CoC Lead Agency as a participating member
- Must receive a Certification of Consistency with the Consolidated Plan if serving a community in which a Consolidated Plan is prepared locally
- Must receive local government approval if a nonprofit entity seeking funding to provide

emergency shelter using ESG resources

- Must submit ESG Written Standards
- Must be participating in the Coordinated Entry process set up by the regional CoC.
- Must submit audit or financials dated not more than 12 months prior to the date of the application.
- Proposed activities must be in compliance with HUD requirements as specified in this Program Description.

ESG COMPETITIVE ALLOCATON RATING SCALE

100 POINTS

1. PROGRAM DESIGN

UP TO 40 POINTS

The degree to which the proposed program demonstrates:

- a. An understanding of the ESG objectives and requirements, including whether the proposed activities are eligible by category, are realistic and are needed in the community.
- b. A cost effective project with documentable and realistic outcomes, and, if the proposed project is a continuation of an on-going program, the applicant's demonstration that performance outcomes been met.
- c. Support for the local CoC to end homelessness, including whether the proposed activities duplicate other resources within the region and the applicant's demonstration of participation in the coordinated entry process.
- d. A strategic plan to leverage and support other funding sources to reduce and end homelessness;
- e. The program design meets the objectives of providing housing solutions without unnecessary barriers or program requirements.
- f. The use of rapid rehousing to move individuals and families from homelessness to permanent housing; and,
- g. Degree to which the project shows success in finding permanent housing solutions for the population served.

2. APPLICANT CAPACITY

UP TO 20 POINTS

- a. Relative experience of the individual(s) on staff of the applicant who shall have primary responsibility for the oversight and management of the proposed project;
- b. Relative capacity of applicant's organizational infrastructure to establish and administer the project, including demonstrated capacity to meet HUD reporting requirements through HMIS and to provide all HUD required deliverables in an accurate and timely manner.

- c. Demonstrated experience of the applicant in establishing and operating ESG eligible activities, or similar projects, for at-risk and literally homeless persons.
- d. Relative performance similar to existing or previously funded projects (i.e. past performance outcomes).
- e. Relative experience in collaborating with relevant public and/or private entities to obtain appropriate mainstream services on behalf of the population to be served.
- f. Active involvement of board of directors and volunteers to support the mission of the project.

3. FISCAL CAPACITY

UP TO 20 POINTS

- a. Clear and specific documentation of match, including the source and level of committed match. Letters of support, documentation of real value of buildings or donated lease are included. Donations are supported by documentation of current year's donations or financial records. Sample volunteer job descriptions/timesheets are included.
- b. Completeness of budget, which includes both the narrative and the budget pages, demonstrating realistic staff compensation specific to the category of ESG activity and showing eligible line items under the ESG Regulations.
- c. Applicant audit and/or financial records support applicant's ability to cash-flow an advancement or reimbursement program.
- d. Applicant's success at drawing down previous years ESG funding allocation.

4. COORDINATION WITH COC PRIORITIES

UP TO 20 POINTS

THDA will award up to 20 points for an application that actively participates in and coordinates with the local CoC, including active participation in the coordinated entry process established by the CoC at time of application.



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: Tennessee Housing Development Agency Board of Directors

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

SUBJECT: 2025 National Housing Trust Fund Program Description

DATE: November 4, 2024

Recommendation:

Staff recommends that the Board approve the following:

- Adopt the attached proposed 2025 National Housing Trust Fund Program Description (“NHTF PD”); 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.

Background:

Multifamily Programs and Compliance and Asset Management staff have updated the NHTF PD for 2025 and now seek Board approval. Changes from the 2024 NHTF PD are minimal, consisting of revisions necessary to reflect the year change, updated limits and anticipated NHTF amounts, and clarifications and changes in Section 32 (“Compliance”) reflecting the regulatory-required shift from the Uniform Physical Condition Standards inspection model to the National Standards for Physical Inspection of Real Estate (“NSPIRE”) model, and in Section 38 reflecting the statutory and regulatory requirements under the “Build America, Buy America Act” (2 CFR 184).



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

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

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





NATIONAL HOUSING TRUST FUND 2025

PROGRAM DESCRIPTION

Tennessee Housing Development Agency

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

NHTF grants are awarded in conjunction with 9% Low Income Housing Tax Credits (Competitive LIHTC) through a competitive application process. Applications for the NHTF program are accepted concurrent with and as a part of an application for Competitive LIHTC, and are targeted towards proposals for permanent Supportive Housing or proposals for multifamily housing in Rural Counties. THDA anticipates notifying successful applicants on or about June 1, 2025. NHTF grant agreements will begin on July 1, 2025 and will end on June 30, 2027.

Development partners intending to apply for NHTF resources shall indicate the need for NHTF as a part of their Competitive LIHTC application, available through the THOMAS website.

DEFINITION OF TERMS

For purposes of the NHTF program, the following definitions shall apply.

Developer Fee: Means the sum of the Developer's overhead and Developer's profit. Consulting fees and guarantor fees are also considered part of the total Developer Fee calculation.

Housing for the Elderly: Means housing intended for, and solely occupied by, individuals sixty two (62) years of age or older.

Housing for Older Persons: Means housing intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is fifty five (55) years of age or older; and where the Owner publishes and adheres to policies and procedures which demonstrate an intent by the Owner and manager to provide housing for individuals fifty five (55) years of age or older.

Extremely Low Income: Means an individual or household whose income does not exceed thirty percent (30%) of the area median income, adjusted for household size or households with incomes at or below the poverty line (whichever is greater).

Family Housing: Means housing designed for families which does not meet the definition of “Elderly Housing” or “Housing for Older Persons”.

Grantee: Means the state entity that prepares the NHTF Allocation Plan, receives the NHTF dollars from HUD, and administers the NHTF in the state. THDA is the NHTF grantee for the State of Tennessee.

Housing for Homeless: Means housing created to provide permanent supportive housing for individuals or families defined and documented as homeless under the “Criteria and Recordkeeping Requirements for Definition of Homelessness” published as HUD Guidance in January 2012, as found on the HUD Exchange website at <https://www.hudexchange.info/resource/1974/criteria-and-recordkeeping-requirements-fordefinition-of-homeless/>.

Layering: Means the combining of more than one governmental resource on a NHTF-assisted project.

Leverage: Means a contribution of value in the form of cash, materials or labor in a pre-approved form and method toward the hard development costs of a project.

Modular Housing: Means housing as defined in Tennessee Code Annotated Title 68 -126-202 & 303

- *"Modular Building Unit"*: Means a structural unit, or preassembled component unit, including the necessary electrical, plumbing, heating, ventilating and other service systems, manufactured off-site and transported to the point of use for installation or erection, with or without other specified components, as a finished building. "Modular building unit" does not apply to temporary structures used exclusively for construction purposes, nonresidential farm buildings, or ready-removables that are not modular structures;
- *"Ready-removable"*: Means a structure without any foundation, footings, or other support mechanisms that allow a structure to be easily relocated but which may include electrical wiring. Ready-removable structures include, but are not limited to, stadium press boxes, guard shelters, or structures that contain only electrical, electronic, or mechanical equipment that are solely occupied for service or maintenance of such equipment; and
- *"Structure"*: Means any building or improvement and its components, systems, fixtures, and appurtenances at the time of completion or construction.

Manufactured Housing: Means housing as defined in Tennessee Code Annotated Title 68 -126-202 & 303

- *"Manufactured Home"*: Means a structure, transportable in one (1) or more sections, which, in the traveling mode, is eight (8) body feet or more in width, or forty (40) body feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained in the structure; except that "manufactured home" includes any structure that meets all the requirements of this subdivision (2), except the size requirements and with respect to which

the manufacturer voluntarily files a certification required by the secretary;

- “*Manufacturer*”: Means any person engaged in manufacturing or assembling new manufactured homes.
- “*Mobile Home*”: Means a structure manufactured before June 15, 1976, that is not constructed in accordance with the National Manufactured Home Construction and Safety
- Standards Act of 1974, compiled in 42 U.S.C. § 5401 et seq. It is a structure that is transportable in one (1) or more sections that in the traveling mode is eight (8) body-feet or more in width and forty (40) body-feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet and that is built on a chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities and includes any plumbing, heating, air conditioning and electrical systems contained in the structure;

Multifamily Housing: Means any building or group of buildings totaling more than four permanent residential rental units operated as a single housing project.

NHTF-Assisted Unit: Means a housing unit which meets the NHTF eligibility requirements and benefits from financial assistance from the NHTF.

NSPIRE: Means the National Standards for Physical Inspection of Real Estate (“NSPIRE”) to assess the overall condition, health, and safety of properties and units assisted or insured by the U.S. Department of Housing and Urban Development (“HUD”).

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

Proforma: Means a cash flow projection for a specific period of time that takes into account expected income and expenses of a rental property and projects financial viability and affordability over the period.

Recipient: Means an organization, agency or other entity (including a public housing authority, a for-profit entity or a nonprofit entity) that receives NHTF assistance from THDA and is the owner of a NHTF–assisted project.

Rent Restricted: Means rent, including utilities and tenant-based rental assistance that does not exceed the published Maximum NHTF Rent Limit, which is affordable to households at 30% AMI and based on an assumed (1.5) persons per bedroom (single person in an efficiency).

Rural County: Means a county which, according to 2020 Census Data, has a population of 50,000 or less as defined as rural by the US Census Bureau AND/OR a minimum of 65% of its population living in a rural area.

Single Family Housing: Means a structure that contains at least one but no more than four permanent residential units.

Stabilized Occupancy: Means occupancy of at least ninety percent (90%) of the units in the property for a continuous period of at least ninety (90) calendar days.

Substantial Rehabilitation: Means the rehabilitation of a project in which the rehabilitation costs will be seventy five percent (75%) or more of the replacement cost.

Supportive Housing: Means housing targeted to households in need of and provided with Supportive Services as defined below.

Supportive Services: Means 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 development to remain independent and avoid placement in a hospital, nursing home, or intermediate-care facility.

Total Development Cost: Means the all-in cost of developing the project including acquisition, predevelopment costs, hard and soft construction or rehab costs, financing costs, developer fees, and reserve account capitalization.

THE NATIONAL HOUSING TRUST FUND LEGAL AUTHORITY

The NHTF was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289). Section 1131 of HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) (Act) to add a new section 1337, entitled "Affordable Housing Allocation" and a new section 1338, entitled "Housing Trust Fund."

This program is governed by Title 24 Code of Federal Regulations, Parts 91 and 93; Interim Rule. Those regulations are incorporated by reference in this Program Description. In cases of conflicting requirements, the more stringent requirement will apply.

Tennessee operates a THDA-funded Housing Trust Fund commonly known as the "Housing Trust Fund", "HTF", or the "Tennessee Housing Trust Fund" While all references in this program description and other related documentation refer to this funding as the "National HTF" or "NHTF", all federal requirements will identify this resource as the "Housing Trust Fund" or "HTF". Applicants and recipients of NHTF funding must maintain awareness of this distinction in all program documentation.

1) ALLOCATION OF FUNDS

National Housing Trust Fund (NHTF) funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. The amount of the 2025 NHTF allocation is unknown until earnings are reported by designated Government Sponsored Enterprises (GSE) and a formula allocation is determined by HUD. However, THDA anticipates receipt of an amount equivalent to the amount received in FY 2023, approximately \$5.2 Million Dollars. Additionally, THDA may make available any returned or leftover funds from the 2024 or earlier funding rounds as determined at the time of award in July 2025.

- a. THDA will award ninety percent (90%) of the allocated amount in NHTF grants to successful applicants through a competitive application process. Each award will be a minimum of 100,000 and a maximum of \$1,500,000.

- b. NHTF funding will be allocated as provided in the State of Tennessee's Consolidated Plan, as amended. THDA will use ten percent (10%) of the NHTF allocation for its own administrative expenses.

2) ELIGIBLE RECIPIENTS

THDA will accept applications for the NHTF program from public housing authorities, and non-profit entities that will be the final owner of the proposed rental project. If the applicant is involved in a partnership associated with a low-income housing tax credit project, the applicant must be the sole general partner or the sole managing member of the final ownership entity or own 100% of the stock of a final corporate ownership entity. The Applicant must materially participate (regular, continuous, and substantial on-site involvement) in the development and operation of the development throughout the compliance period.

- a. To be eligible the entity must meet the following criteria:
 - i) Be organized and existing to do business in the State of Tennessee, or if organized in another state, must be qualified to do business in the State of Tennessee.
 - ii) Demonstrate at least two years of related housing experience in Tennessee. For the purposes of this program, “related housing experience” means the development, ownership and management of affordable rental housing.
 - iii) Demonstrate the financial capacity necessary to undertake, complete, and manage the proposed project, as demonstrated by its ability to own, construct, or rehabilitate and manage and operate affordable rental housing. THDA will evaluate the experience of the entire proposed team with owning, developing and managing projects of similar size and scope serving the intended population proposed. Applicants and their development team must undergo an evaluation by THDA of their capacity before the applicant may qualify as an eligible Recipient.
 - iv) Have demonstrated understanding of the Federal, State and local housing programs used in conjunction with NHTF funds to ensure compliance with all applicable program requirements and regulations.
 - v) Not be debarred or excluded from receiving federal assistance or THDA assistance prior to selection or entering into the written agreement with THDA.
 - vi) Certify that housing units assisted with the NHTF will comply with NHTF program requirements during the entire period that begins upon selection and ending upon the conclusion of all NHTF-funded activities.

3) SPEND DOWN REQUIREMENT

Applicants with past NHTF grant awards must meet both of the following requirements:

- a. Must not have received an award under the 2024 NHTF Program Description round.
- b. *Requested* (submitted an official Request for Payment Form with supporting documentation) the following percentages of their grants by April 30, 2025 to be eligible for the 2025 NHTF program:

NHTF GRANT YEAR	SPEND DOWN REQUIREMENT
2022 and Prior NHTF Rounds	100%
2023 NHTF Round	50%
2024 NHTF Round	Not Eligible

4) FORM OF ASSISTANCE

NHTF funds will be awarded as a grant secured by a note, deed of trust, and a restrictive covenant.

- a. Recipient shall execute a note and record a fully and accurately executed deed of trust and restrictive covenants during the construction phase prior to requesting any draws.
- b. Final legal documents including a grant note, deed of trust and restrictive covenants must be recorded at time of final closing. A copy of all recorded final legal documents must be submitted to THDA within 30 days of final closing.

5) LEVEL OF SUBSIDY

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

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

\$ 136,613	0-Bedroom (Efficiency) Limit
\$ 156,036	1-Bedroom Limit
\$ 189,745	2-Bedroom Limit
\$ 245,470	3-Bedroom Limit
\$ 269,447	4-Bedroom Limit

6) DEVELOPER FEE

A Developer Fee of up to fifteen percent (15%) of the NHTF development costs, net of the development fee, prorated acquisition costs and any prorated permanent financing costs may be charged as a project soft cost. No portion of the Developer Fee may be drawn until all monitoring fees have been paid.

7) ELIGIBLE ACTIVITIES

NHTF funds must be used to produce or preserve affordable, permanent rental housing that addresses the needs of extremely low-income households. The housing may be stick built or Modular Housing, provided that the housing meets all the applicable state and local codes. NHTF funds may only be charged to NHTF units or proportionately to residential buildings where NHTF fixed or floating units are located per the allocation formula in HUD’s final rule for the “National” Housing Trust Fund. Eligible housing activities include:

- i) New construction of qualified Supportive Housing or Rural County rental housing units.
- ii) Acquisition and/or rehabilitation of existing qualified Supportive Housing or Rural County rental housing units.
- iii) Funding of an operating cost reserve associated with the new construction or acquisition and rehabilitation of qualified Supportive Housing or Rural County rental housing assisted with NHTF funds

8) UNIT DESIGNATION

Fixed and floating HTF units. In a project containing HTF-assisted and other units, the Recipient may designate fixed or floating HTF units. This designation will be required in the application and designation of specific units must be included in the written agreement between THDA and the recipient.

9) PROHIBITED ACTIVITIES

- a. Providing tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act.
- b. Assisting or developing emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, dormitories, including those for farm workers or housing for students.

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

10) LAYERING

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

- a. The applicant must disclose all government resources that have been utilized and/or that applicant intends to utilize in the NHTF project, especially THDA resources. Failure to disclose said information may result in cancellation of award and money due to THDA.
- b. The NHTF closing documents will require approval from the attorneys for all parties to the LIHTC transaction and, if applicable, HUD. Further, any Rental Assistance Demonstration (“RAD”) Program project will require HUD approval. This may delay closing transactions.
- c. THDA will review each project to ensure that only the minimum amount of NHTF assistance needed is allocated to the project.
- d. Total NHTF resources allocated to any project cannot exceed the current maximum per unit subsidy limit.

11) LEASE-UP AND INITIAL OCCUPANCY

Projects must be fully occupied by income eligible tenants within six (6) months of issuance of a certificate of occupancy for the completed units. If all units are not fully occupied by income eligible tenants within six (6) months of completion of construction or acquisition and rehabilitation, the grant Recipient must report to THDA on current marketing efforts in a form and with substance as required by THDA.

- a. If a rental project has not achieved initial occupancy within eighteen (18) months of completion, all NHTF funds invested in the rental project must be repaid to THDA.

12) MARKET

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

13) MIXED INCOME TENANCY

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

14) MIXED USE PROJECTS

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

residential space, other sources of funding must be used to finance that space. In order to be eligible for NHTF funding, a mixed-use project must meet the following conditions:

- a. NHTF funds can only be used to fund the residential portion of the mixed-use project which meets the NHTF rent limits and income requirements. If the rental project will contain a model apartment that will be shown to potential renters, the model apartment will be considered a non-residential area subject to the mixed-use requirements, unless the model apartment will be rented in the event of high occupancy.
- b. Residential living space in the project must constitute at least fifty one percent (51%) of the total project space.
- c. Each building in the project must contain residential living space.

15) RENT LEVELS AND UTILITY ALLOWANCES

Every NHTF assisted unit is subject to rent limits designed to make sure that rents are affordable to extremely low income households. These maximum rents may be referred to as NHTF rents. Available at rents are limited for the length of the Period of Affordability. These rents are determined on an annual basis by HUD. The Recipient/Owner will be provided with these rents, which include all utilities.

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

- f. For the duration of the compliance period, the property must accept a Housing Choice Voucher if one is presented by a NHTF eligible tenant for a non-PBRA/PBV covered NHTF unit.

16) LONG TERM OCCUPANCY REQUIREMENTS

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

17) INCOME LIMITS

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

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

18) HOUSING SET-ASIDES FOR INDIVIDUALS WITH DISABILITIES

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

<https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider>.

- a. The final rule requires that all home and community-based settings meet certain

qualifications, including:

- i) Is integrated and supports full access to the greater community.
 - ii) Is selected by the individual from among setting options.
 - iii) Ensures individual rights of privacy, dignity, and respect, and freedom from coercion and restraint.
 - iv) Optimizes autonomy and independence in making life choices.
 - v) Facilitates choice regarding services and who provides them.
- b. For provider owned or controlled residential settings, the following additional requirements apply:
- i) The individual has a lease or other legally enforceable agreement providing similar protections.
 - ii) The individual has privacy in their unit including lockable doors, choice of roommates, and freedom to furnish or decorate the unit.
 - iii) The individual controls his/her own schedule, including access to food at any time.
 - iv) The individual can have visitors at any time.
 - v) The setting is physically accessible.

19) PROPERTY AND DESIGN STANDARDS

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

- a. In the absence of a local code, new construction of single-family units for rental must meet the current, State-adopted edition of the International Residential Code for One- and Two-Family Dwellings. The newly constructed units must also meet accessibility requirements and mitigate disaster impact as applicable per State and local codes, ordinances, etc. Rehabilitation of existing single-family units for rental must meet the current, State-adopted edition of the International Existing Building Code.
- b. NHTF funded units must also conform to the THDA Minimum Design Standards for New Construction of Single Family and Multifamily Units or to the THDA Design Standards for Rehabilitation of Single Family and Multifamily Housing Units, as applicable. THDA must review and approve plans, work write-ups and written cost estimates and determine cost reasonableness for both new construction and rehabilitation prior to putting the project out to bid.
- c. Additional design standards include:
 - i) Energy Code. New construction projects must also meet the State-adopted edition of the International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.

- ii) Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (HERS) rater.
 - iii) Broadband Infrastructure. THDA requires that newly constructed rental units and those which are substantially rehabilitated must be wired for broadband internet access.
 - iv) Modular Housing must be certified by the state of Tennessee
- d. Section 504
- i) Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.
 - ii) For new construction of Multifamily Housing (five or more units), a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and at a minimum, an additional two percent (2%) of the units (but not less than one unit) must be accessible to individuals with sensory impairments. The total number of units in a NHTF-assisted project, regardless of whether all units are NHTF-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are NHTF-assisted, the accessible units may be either NHTF-assisted or non-NHTF-assisted.
 - iii) The Section 504 definition of substantial rehabilitation for Multifamily Housing includes construction in a project with fifteen (15) or more units for which the rehabilitation costs will be seventy five percent (75%) or more of the replacement cost. In such projects, a minimum of five percent (5%) of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two (2%), at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the total number of units in a NHTF-assisted, regardless of whether they are all NHTF-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all of the units are NHTF-assisted, the accessible units may be either NHTF-assisted or non-NHTF-assisted.
 - iv) When rehabilitation less extensive than Substantial Rehabilitation is undertaken in projects of fifteen (15) or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with a disability, until a minimum of five percent (5%) of the units (but not less than one (1) unit) are accessible to people with mobility impairments. For this category of rehabilitation, the additional two percent (2%) of unit's requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible.
- e. Fair Housing Act of 1968, as amended. In buildings that are ready for first occupancy after

March 13, 1991, and that have an elevator and four or more units, the public and common areas must be accessible to persons with disabilities; doors and hallways must be wide enough for wheelchairs; and all units must have the following:

- i) An accessible route into and through the unit.
 - ii) Accessible light switches, electrical outlets, thermostats and other environmental controls.
 - iii) Reinforced bathroom walls to allow later installation of grab bars; and kitchens and bathrooms that can be used by people in wheelchairs.
 - iv) If a building with four or more units has no elevator and will be ready for first occupancy after March 13, 1991, these standards apply to ground floor units.
 - v) These requirements for new construction do not replace any more stringent standards in State or local law.
- f. Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131–12189) implemented at 28 CFR parts 35 and 36, as applicable.

20) UNIVERSAL DESIGN AND VISITABILITY

THDA encourages the inclusion of features that allow individuals with physical disabilities to reside and/or visit the units constructed or rehabilitated with federal NHTF funds through the use of Universal Design and Visitability.

a. Universal Design

- i) Universal Design is a building concept that incorporates products, general design layouts and other characteristics to a housing unit in order to:
 - (1) Make the unit usable by the greatest number of people.
 - (2) Respond to the changing needs of the resident.
 - (3) Improve the marketability of the unit.
- ii) The goal of universal design seeks to build housing that meets the needs of the greatest number of residents within a community. Universal design differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. However, universal design is inclusive of adaptable design as universal design incorporates structural features that will allow a housing unit to be adapted to an individual's current or future needs. Universal design features include, but are not limited to:
 - (1) Stepless entrances. Minimum 5' x 5' level clear space inside and outside entry door.
 - (2) Broad blocking in walls around toilet, tub and shower for future placement of grab bars.
 - (3) Full-extension, pull-out drawers, shelves and racks in base cabinets in kitchen.
 - (4) Front mounted controls on all appliances.

(5) Lever door handles.

- (6) Loop handle pulls on drawers and cabinet doors.
- iii) More information on Universal Design may be found at The Center for Universal Design at North Carolina State University: <http://www.ncsu.edu/ncsu/design/cud/index.htm>.

b. Visitability

- i) Visitability refers to homes that are designed and built in a manner that allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit. These features include:
 - (1) One zero-step entrance.
 - (2) Doors with thirty two (32) inches of clear passage space.
 - (3) One bathroom on the main floor that is accessible to a person using a wheelchair.
- ii) More information on Visitability can be found at: <http://www.visitability.org>.

21) ENVIRONMENTAL REVIEW

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

- a. THDA and the Recipient will be responsible for carrying out environmental reviews in accordance with HUD Notice CPD-16-14. Each Recipient will be responsible for gathering the information required for the environmental reviews. NHTF funds cannot be committed until the environmental review process has been completed. The Environmental Review covers the entire project, not just the portion funded by NHTF.

No funds may be drawn on any project until a complete and compliant Environmental Review has been submitted and the Recipient has received a “Notice of Authority to Use Grant Funds”.

22) LEAD-BASED PAINT

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

The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-Fthe lead-based paint requirements apply to all units and common areas in the project.

23) FLOOD PLAINS

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

24) PROCUREMENT

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

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

25) CONFLICT OF INTEREST

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

- a. The NHTF conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA or the Recipient. No person listed above who exercise or have exercised any functions or responsibilities with respect to activities assisted with NHTF funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a NHTF-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the NHTF-

assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

- b. No owner of a project assisted with NHTF funds (or officer, employee, agent, elected or appointed official, board member, consultant, of the owner or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, board member, consultant, of the owner) whether private, for profit or non-profit may occupy a NHTF-assisted affordable housing unit in a project during the required period of affordability. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person. This provision does not apply to an employee or agent of the owner of a rental housing project who occupies a housing unit as the project manager or maintenance worker.
- c. Recipients shall avoid conflicts of interest associated with their NHTF funded project. THDA will not request exceptions to the conflict of interest provisions from HUD. In the event a conflict of interest is discovered, Recipients shall repay that portion of the NHTF grant related to the conflict of interest or may have all or some portion of the NHTF grant rescinded, all as determined by THDA in its sole discretion.

26) DEBARMENT AND SUSPENSION

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

27) PROFORMA

- a. All Applicants must complete a Thirty (30) Year Affordability Proforma included in the application. The applicant must demonstrate a need for the NHTF funds. If the project development costs require additional financing, including other grant source funding, prior to making any NHTF draws documentation must be provided by Recipient that all other financing or grant funding has been identified and secured.
- b. A project may not incur more debt in the development than the operating budget and 30 year proforma indicate that the development can support. Documentation that final debt

does not exceed the supportable debt as indicated on the operating budget will be a threshold requirement.

- c. An updated final Development Budget, Operating Budget and 30 years proforma package will be required before any draw requests may be processed.

28) PROJECT SOFT COSTS

In planning their programs, Applicants may include, as a project soft costs, the reasonable and customary costs for work write-up and inspections. In addition, the costs for inspections and work write-ups, the costs for lead-based paint inspections, environmental reviews, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. All project soft costs charged to the NHTF grant will be calculated on a prorated basis of committed NHTF units to all buildings and units in the project and count toward the maximum per unit subsidy limit.

29) REPLACEMENT RESERVE ACCOUNTS

All projects shall maintain a replacement reserve account beginning at the time of completion for the term of the NHTF period of affordability.

- a. The replacement reserve requirement for new construction properties and the substantial rehabilitation of Housing for the Elderly shall, initially, be two hundred fifty dollars (\$250) per unit per year, inflated at three percent (3%) annually.
- b. The replacement reserve requirement for the substantial rehabilitation of Housing for Older Persons shall, initially, be two hundred fifty dollars (\$250) per unit, inflated at three percent (3%) annually.
- c. The replacement reserve requirement for all properties designed for families as well as all rehabilitation developments shall, initially, be three hundred dollars (\$300) per unit per year, inflated at three percent (3%) annually.
- d. This account shall be used only for capital improvements and the replacement of long-lived capital assets, and not for routine maintenance and upkeep expenses.
- e. The replacement reserve shall be, and shall remain, an asset of the project, and shall not be distributed to the Owner or any entity or person affiliated with the Owner at any time during or after the Period of Affordability.
- f. Owners shall provide THDA with a record of all activity associated with the replacement reserve account during the prior fiscal year in conjunction with submission of the project's annual compliance monitoring materials.

- g. The replacement reserve account must be maintained in a separate account in a federally insured financial institution.
- h. Reserve accounts must also be separate from the project's ordinary operating account.

30) OPERATING RESERVE ACCOUNT

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

- a. This requirement can be met with an up-front cash reserve; a guarantee from the owner with a surety bond to stand behind the guarantee; or partnership documents specifying satisfactory establishment of an operating reserve.
- b. The operating reserve account must be maintained in a separate account in a federally insured financial institution.
- c. If operating cost assistance is provided as part of a project's NHTF award, the Owner must submit annual audited financial statements, specific to the project.
- d. Based on an analysis of the financial statements, THDA will determine the amount of operating cost assistance that is eligible to be disbursed from the operating reserve account for the previous fiscal year.
- e. The analysis will determine the deficit remaining after the annual rent revenue of the NHTF-assisted units is applied to the NHTF-assisted units' share of eligible operating costs.
- f. For purposes of this paragraph, eligible operating costs are limited to insurance, utilities, real property taxes, maintenance, and replacement reserve payments.

31) REPAYMENT

All NHTF awards will be structured as a grant to a Recipient with a Period of Affordability of thirty (30) years. Repayment of NHTF funds may be required in the event that the final total development costs were such that NHTF assistance provided by THDA exceeds established program limits, or exceeded that which was necessary to make the project financially feasible.

- a. Compliance with income requirements, rent restrictions, design standards and NSPIRE requirements is required for the entire Period of Affordability for each project. Failure to comply with any of these requirements may trigger repayment of the NHTF grant.

- b. A NHTF assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and the Recipient must repay any NHTF funds invested in the project to THDA.
- c. In the event of a foreclosure or transfer in lieu of foreclosure, the Recipient must repay the full NHTF investment in the project.

32) COMPLIANCE

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

- a. Recipients/Owners of rental property shall maintain occupancy of NHTF assisted units by Extremely Low Income Persons for the Period of Affordability.
- b. During the Period of Affordability, the Recipient shall:
 - i) Certify annually the income of tenants.
 - ii) Adhere to the NHTF rent and income guidelines.
 - iii) Comply with all applicable adopted housing codes and the National Standards for Physical Inspection of Real Estate (“NSPIRE”).
 - iv) Report to THDA in a form and with substance as required by THDA.
- c. Prior to drawing down NHTF funds, Owners of projects with NHTF assisted units shall sign a grant note, deed of trust and restrictive covenant to enforce the NHTF Affordability Period.
- d. Once NHTF funds are awarded to a Recipient, THDA will monitor compliance by reviewing certain records related to the NHTF-assisted project. THDA will monitor compliance by conducting desk and/or on-site reviews of the project.
- e. THDA will conduct an on-site inspection at project completion in order to confirm that the project meets the Rehabilitation Standards listed in the NHTF Allocation Plan and THDA’s Minimum Design Standards for New Construction or THDA’s Minimum Design Standards for Rehabilitation, as applicable.
- f. At a minimum THDA will conduct desk compliance reviews annually.
- g. THDA will conduct desk file reviews during the Period of Affordability to determine compliance with income and rent requirements, tenant selection, affirmative marketing requirements, and to verify any information submitted by the Recipient to THDA. In addition, THDA will conduct on-site physical reviews of the property and design standards.

- i) THDA will perform a desk file review and an on-site physical review of all NHTF assisted projects no less than every three (3) years during the Period of Affordability.
 - ii) For NHTF assisted projects of four (4) NHTF assisted residential units or less, THDA will perform an on-site physical review of one hundred percent (100%) of the units no less than every three (3) years during the Period of Affordability.
 - iii) For NHTF assisted projects consisting of five (5) or more units, THDA will inspect a minimum of twenty (20%) of the NHTF assisted units no less than every three (3) years during the Period of Affordability.
 - iv) The desk file review may include a review of records for all or a sample of the income and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations.
 - v) The on-site physical review may include a review of any local health, safety, or building code violation reports or notices and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety, and building codes, applicable THDA Design Standards, and NSPIRE standards as prescribed by HUD.
 - vi) Any reports made by state or local government units of violations, with documentation of correction, will be reviewed.
- h. Each year during the Period of Affordability, the Recipient shall submit to THDA, within ninety (90) days after the end of the project's fiscal year, each of the following:
- i) Audited financial statements for the project.
 - ii) Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.
 - iii) Proof of sufficient property and liability insurance coverage with THDA listed as mortgagee.

- iv) Documentation to show the current utility allowance is being used (i.e. a copy of the utility allowance table).
- v) For projects that received points at initial NHTF application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project's population during the fiscal year must be provided by the provider(s) of such services.
- vi) Such other information as may be requested in writing by THDA in its sole discretion.

33) MONITORING FEES

THDA charges a monitoring fee for all NHTF assisted units. NHTF Recipients shall pay the entire fee covering the thirty (30) year Period of Affordability as indicated in the current NHTF Operating Manual - Schedule of Monitoring Fees; but no less than \$600 per NHTF assisted unit.

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

34) RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

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

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

- i) A description of the proposed assisted project;

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

35) NHTF RELOCATION REQUIREMENTS

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

- a) A Displaced person is any person (household, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with NHTF funds. Relocation requirements apply to all occupants of a project/site for which NHTF assistance is sought even if less than one hundred percent (100%) of the units are NHTF assisted.

- i) Before Application displacement is triggered when a tenant moves permanently from the project before the owner submits an application for NHTF assistance if THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the NHTF project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for NHTF assistance.)
 - ii) After Application displacement is triggered when a tenant moves permanently from the project after submission of the application, or, if the applicant does not have site control, the date THDA or the Recipient approves the site because:
 - (1) The owner requires the tenant to move permanently; or
 - (2) The owner fails to provide timely required notices to the tenant; or
 - (3) The tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.
 - (4) After Execution of Agreement displacement is triggered when tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.
- b) A Displaced person is not:
- (1) A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations.
 - (2) A person with no legal right to occupy the project under State or local law (e.g., squatter).
 - (3) A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project.
 - (4) A person, after being fully informed of their rights, waives them by signing a Waiver Form.
- c) The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations at 49 CFR Part 24, requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition or private acquisition carried out under a federally assisted project or program.
- d) Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may

be triggered for low-income households when units are converted or demolished with CDBG, UDAG, HOME, or NHTF funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.

- e) Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making NHTF program decisions. Concerns about relocation may cause a Recipient to consider establishing a preference for vacant buildings. However, Recipients should also consider that vacant buildings are often in various states of deterioration. Rehabilitating an occupied building, even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, Recipients must consider whether occupants will be able to return after rehabilitation and whether Section 8 assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the Recipient must consider whether the owner removed the tenants in order to apply for NHTF assistance for a vacant building. If so, these tenants are displaced persons.
- f) Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for NHTF and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.
- g) URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between THDA and the Recipient and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or household; (3) has income above or below the Section 8 Lower Income Limit.

36) SITE AND NEIGHBORHOOD STANDARDS

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

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

37) EQUAL OPPORTUNITY AND FAIR HOUSING

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

- a) The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to NHTF projects:
 - i) Fair Housing Act (24 CFR Part 100)
 - ii) Executive Order 11063, as amended (24 CFR Part 107 - Equal Opportunity in Housing)
 - iii) Title VI of the Civil Rights Act of 1964 (24 CFR Part 1 - Nondiscrimination in Federal programs)
 - iv) Age Discrimination Act of 1975 (24 CFR Part 146)
 - v) Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8)
 - vi) Section 109 of Title I of the Housing and Community Development Act of 1974 (24 CFR Part 6)
 - vii) Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.
 - viii) Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity 24 CFR Parts 5, 200, 203, 236, 400, 570, 574, 882, 891 and 982
 - ix) Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135
 - (1) Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward

low-income persons, particularly those who are recipients of government assistance for housing.

- x) Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs)
 - xi) Executive Order 11625, as amended (Minority Business Enterprises)
 - xii) Executive Order 12432, as amended (Minority Business Enterprise Development)
 - xiii) Executive Order 12138, as amended (Women’s Business Enterprise)
 - xiv) Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that Recipients prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Recipients must also develop acceptable policies and procedures if their application is approved by THDA.
- b) The HUD Office of Fair Housing also includes the following fair housing laws and Presidential Executive Orders which are not included in 24 CFR 5.105(a) but which are applicable to federally-assisted programs:
- i) Architectural Barriers Act of 1968 42 U.S.C. §4151 et seq.
 - ii) Executive Order 12892, as amended (Affirmatively Furthering Fair Housing)
 - iii) Executive Order 12898
 - iv) Executive Order 13166 (Limited English Proficiency)
 - v) Executive Order 13217 (Community-based living arrangements for persons with disabilities)
- c) In addition to the above requirements, the Recipient must assure that its Equal Opportunity and Fair Housing policies in the NHTF Program are consistent with the State’s current Consolidated Plan.

38) BUILD AMERICA, BUY AMERICA ACT

The Build America, Buy America Act (BABA) was enacted as part of the Infrastructure Investment and Jobs Act on November 15, 2021, and established a domestic content procurement preference applicable to all HOME funded activities obligated for infrastructure projects, including housing construction and rehabilitation.

BABA requires that all iron, steel, manufactured products, and construction materials used for federally funded infrastructure projects are produced in the United States, unless otherwise exempt or subject to an approved waiver. This requirement is known as the “Buy

America Preference (BAP)” and the specific requirements are codified in 2 CFR § 184.

Implementation guidance for all HOME funded projects is found in HUD Notice CPD-2023-12.

39) AFFIRMATIVE MARKETING

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

that are least likely to apply for the housing to be created. Requirements and procedures must include:

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

40) APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria.

Threshold criteria includes:

- a) Submission by an eligible applicant of a complete application, including any documentation required to be submitted through THDA's Grants Management System (GMS).
- b) Proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements of 24 CFR Parts 91 and 93, as amended.
- c) Submission of a 30-Year Proforma demonstrating a need for the NHTF funds.
- d) Proposals that will set-aside more than 20% of the units for individuals with disabilities must demonstrate that the project will meet the qualities of settings that are eligible for reimbursement under the Medicaid home and community-based services that were established by the Centers for Medicare and Medicaid Services (CMS) in the final rule dated January 16, 2014:

<https://www.federalregister.gov/articles/2014/01/16/2014-00487/medicaid-program-state-plan-home-and-community-based-services-5-year-period-for-waivers-provider>.

- e) Applications meeting the threshold requirements will be scored, ranked and awarded in conjunction with a successful allocation of Competitive LIHTC according to the application criteria established in the 2025 Qualified Allocation Plan.
- f) When the amount of funds available is less than the request for funding identified in the application, THDA reserves the right to offer partial funding pending the applicant's ability to secure additional financing within a timeframe established by THDA or to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant.
 - 1. When the applicant is not able to secure additional financing within THDA's identified timeline, THDA, subsequently and at its sole discretion, may move to the next lower scoring application(s) in order to meet its commitment obligations under the NHTF program.
 - 2. When THDA opts to not select a proposed project if sufficient funding is not available to award all funds requested by the applicant, THDA may move to the next lower scoring project(s) in order to meet its commitment obligations under the NHTF program.



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: Tennessee Housing Development Agency Board of Directors

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

SUBJECT: 2025 Multifamily Tax-Exempt Bond Allocation Program Description

DATE: November 4, 2024

Recommendation:

Staff recommends that the Tennessee Housing Development Agency Board of Directors (the “Board”) approve the following:

- Adopt the attached proposed 2025 Multifamily Tax-Exempt Bond Allocation Program Description (“MTBA PD”); 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.

Background:

Staff proposes that the Board approve the draft 2025 MTBA PD as proposed. The following key changes have been made to draft 2025 MTBA PD relative to the 2024 MTBA PD:

Key Changes

- Section 5.A.: Adjustments have been made to reflect the need to reserve a certain amount, to be determined, associated with potential twinned deals as outlined under the Economic Development Area Set-Aside.



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- Section 5.C.: The maximum amount of MTBA that may be committed to a single applicant, developer, owner, or related parties has been raised from \$66M to \$98M to accommodate the potential for two new construction projects; the cap is \$100M if an application is submitted under a new Economic Development Area section (Section 14) in the MTBA PD.
- Section 5.D.4.: Language has been added clarifying that in related-party proposals, the contractor’s profit, overhead, and general requirements are included as a part of the developer’s fee.
- Section 8: references to a “Minimum QAP Score” have been removed, as the MTBA scoring is entirely addressed in this section of the MTBA PD.
- Section 8.C.8.b: Allowed for points to be allocated for tankless water heaters, regardless if they are gas or electric. Previous language only awarded points for gas tankless water heaters.
- Section 9: The ranking process has been adjusted to reflect Section 14: Economic Development Area projects being funded first.
- Section 14: A new Section 14: Economic Development Area has been added to the MTBA PD to accommodate high-impact proposals of at least 300 units; a fifty-year minimum affordability period would apply, and demonstrated federal, state, and local commitments of at least \$1B would have to be demonstrated.

Ancillary Changes

- Internal references have been updated to reflect changes in section and subsection numbering.
- Years have been updated as required.



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MULTIFAMILY TAX-EXEMPT BOND AUTHORITY
DRAFT PROGRAM DESCRIPTION FOR 20242025

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 14,~~
2023[DATE]

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Section 1: 2024-2025 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~~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~~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

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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;

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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 ~~2023-2025~~ **2024-2025** 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 2024-2025 QAP.
2. An Appraisal of the land and buildings sufficient to satisfy the requirements of Section 6.A.6 of the 2024-2025 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 2024-2025 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~~2020~~ 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, 2020~~19~~ 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-~~2024-2025~~ 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~~2024, 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~~2020;
 - 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, ~~2014-2015~~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 ~~Program Description~~ Program Description.
3. New participants, where 2024-2025 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~~2025.
- ~~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.~~
- ~~23. Additionally, THDA may reserve an additional certain amount to be determined based on anticipated MTBA requests associated with up to two (2) “Twinning” deals, the potential for “twinned” deals, as outlined under the Economic Development Area Set-Aside in the 20254 Qualified Allocation Plan.~~
- ~~432. THDA anticipates having two rounds, subject to availability and demand from THDA’s Single Family Programs. THDA will determine if Round 2 will be held by May 31, 2025.~~

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

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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~~For Round 1, the maximum amount of MTBA that may be committed to a single applicant, developer, owner, or Related Parties shall not exceed ~~SIXTY-SIX-NINETY-EIGHT~~ MILLION AND 00/100 DOLLARS (\$~~9866,000,000.00~~), unless the application is submitted under Section 14: Economic Development Area, in which case the maximum amount shall not exceed ONE HUNDRED MILLION AND 00/100 DOLLARS (\$100,000,000.00). ~~After June 30, 2024~~If Round 2 is held, 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~~2025. 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). The contractor's profit, overhead, and general requirements are included as a part of the developer's fee.
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.



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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	<u>2024-2025</u> Application Rounds
TBD	Round 1 Initial Application Submission Window
TBD	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 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 ~~256~~ 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 1825 of the QAP.~~

BC. MTBA Score

1. ~~For purposes of ranking Initial Applications, points awarded according to Section 25 18 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 ~~20212022, 20222023, or 2023-2024~~ 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.

CD. 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

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- 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
2019-2020 2023-2024	2
2018-2019 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-~~2023-2024~~ development with 2 Minor SAEs. For ~~2023-2024~~, 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;

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- 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 must 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

DE. 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 2006	0
1999 – 2006	1
1995 – 1998	2
1992 – 1994	4
Before 1992	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%, $0.95678 \times 3 = 2.870$ 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, $(88/789) \times 3 = 0.333$ 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 ~~2023-2024~~ Initial Application. PHAs shall receive five points.

Table 8–8: Development Team Prior Tennessee Allocations	
Year of Most Recent Allocation	Points Available
2019-2020 2023-2024	5
2018-2019 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-~~2023-2024~~ development with 2 Minor SAEs. For ~~2023-2024~~, 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

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- 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

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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 must 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 housing under Section 14: Economic Development Area.
 - ii) Group 2: eligible Initial Applications proposing rehabilitation of existing housing that IS currently income/rent restricted housing;
 - iii) Group 23: 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 34: eligible Initial Applications proposing rehabilitation of existing housing that IS NOT currently income/rent restricted.
 - v) Group 45: eligible Initial Applications proposing new construction outside a QCT;
 - vi) Group 56: 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 67: eligible Initial Applications proposing new construction in a QCT and covered by a CCRP;
 - viii) Group 78: eligible Initial Applications proposing new construction in a QCT not covered by a CCRP; and
 - ix) Group 89: Supplemental-supplemental MTBA Rrequests.
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 utilized for Supplemental MTBA requests in Group 8. Any remaining after supplemental requests have been addressed 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 ~~1A~~**: 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 ~~2B~~**: eligible Initial Applications proposing **new construction outside a QCT;**
 - iii) **Group ~~3C~~**: eligible Initial Applications proposing **new construction in a QCT and covered by a CCRP;**
 - iv) **Group ~~4D~~**: eligible Initial Applications proposing **new construction in a QCT not covered by a CCRP;** and
 - v) **Group ~~5E~~**: eligible Initial Applications proposing **rehabilitation of existing housing that IS currently income/rent restricted housing;**
 - vi) **Group ~~6F~~**: eligible Initial Applications proposing **rehabilitation of existing housing that IS NOT currently income/rent restricted.**
 - vii) **Group ~~7G~~**: 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 ~~8H~~**: 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~~ may 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~~2025 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~~2025.
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~~2025 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, ~~2024~~2025 will expire ninety (90) calendar days from the date of issuance.
 - b. Any Firm Commitment Letter issued on or after September 17, ~~2024~~2025 will expire on December 15, ~~2024~~2025.
3. A Firm Commitment Letter issued before August 17, ~~2024~~2025, 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~~2025 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~~2026. 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~~2025.
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~~ consistent with the priority order established in Section 9.A. and B.
- B. ~~Requests for Supplemental MTBA may be submitted outside the time periods specified in Table 6-1.~~ Developer fees may not be increased in conjunction with a request for supplemental MTBA.
- C. The original allocation of bonds must be closed prior to submission of a request for supplemental MTBA.
- C. Any Firm Commitment Letter for an allocation of Supplemental MTBA under this Program Description will expire on December 15, ~~2024~~2025.



Section 14: Economic Development Area

- A. Up to \$100 million of MTBA will be available for Economic Development Area (EDA).
- B. In order to be considered for EDA, the Initial Application must satisfy all of the following:
1. include at least 300 units; and
 2. affordability period of at least 50 years; and
 3. be covered by area-wide, mixed income, mixed use plan to which federal, state, and local commitments have been made in excess amount equal to or greater than of \$ONE BILLION AND 00/100 DOLLARS (\$1,000,000,000.00) + billion.
- C. Maximum MTBA per Development will not apply.



Section 1415: Controlling Document

Although there is one application for MTBA and Noncompetitive Housing Credits; the MTBA Program Description applies to the MTBA and the ~~2024~~2025 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: Tennessee Housing Development Agency Board of Directors

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

SUBJECT: Public Comments on the Draft 2025 Multifamily Tax-Exempt Bond Program Description

DATE: November 1, 2024

Staff received the attached comments pertaining to the draft 2025 Multifamily Tax-Exempt Bond Program Description.

After review and consideration, staff has determined that the only recommended change in response to the comments will be to Section 8.C.8.b, to allocate points for tankless water heaters, regardless if they are gas or electric.



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

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

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From: [Felita Hamilton](#)
To: [Richelle Patton](#); [TNAllocation](#)
Cc: [Eric Alexander](#); [Ed Yandell](#)
Subject: RE: DRAFT 2025 PD COMMENT
Date: Tuesday, October 29, 2024 8:48:38 AM

Thank you for your comments.

From: Richelle Patton <richelle@collaborativehousingsolutions.com>
Sent: Wednesday, October 16, 2024 11:06 PM
To: TNAllocation <TNAllocation@thda.org>
Subject: DRAFT 2025 PD COMMENT

CAUTION - This email originated from outside of THDA. Do not click links or open attachments unless you recognize the sender.

Hello THDA Team,

I write to submit two comments to the draft 2025 THDA MTBA Program Description:

1. Section 13.B: I request that THDA reinstate the policy that was in deleted in this section; we ask that THDA maintain the ability for Supplemental MTBA requests be able to be submitted outside the table 6.1 timeframes and for THDA to consider these requests. While we applicants do our very best to plan for cost increases and other unforeseen circumstances, if THDA has “leftover” MTBA from a Round, it would be very helpful for applicants to be able to request Supplemental MTBA to solve critical problems.
2. Section 8.C.8.b: I request that THDA allocate points for tankless water heaters, regardless if they are gas or electric. Several green building certification programs, including any net zero emissions programs, prohibit buildings from using gas utilities.

I appreciate your consideration of my comments.

Thank you,

Richelle Patton

President

Collaborative Housing Solutions

404.997.6786

richelle@collaborativehousingsolutions.com

www.collaborativehousingsolutions.com

From: [Evan Holladay](#)
To: [Eric Alexander](#); [Felita Hamilton](#)
Cc: [Reed Lower](#); [Chase Markham](#); [Evan Voight](#)
Subject: THDA - Draft 2025 Bond PD Comments
Date: Monday, September 23, 2024 2:27:32 PM
Attachments: [image001.png](#)

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Hey Eric,

Please see below for our comments to the Draft 2025 Bond Program Description for your consideration:

- Section 9: Ranking Process (B) Round 2:
 - Could the Economic Development Set Aside language be added to the Round 2 Ranking Process?:
 - Group 1: If a project eligible for the Economic Development set aside was not awarded in Round 1, eligible Initial Applications proposing housing under Section 14: Economic Development Area.

- Section 14: Economic Development Area:
 - Section B:
 - Be covered by area-wide, mixed income, mixed use plan that includes a minimum of 300 affordable units to which federal, state, and local commitments have been made in an amount equal to or greater than \$ONE BILLION AND 00/100 DOLLARS (\$1,000,000,000.00).
 - Add: Eligible applicants must have been awarded and closed three MTBA/LIHTC projects within a radius of 1.5 miles of the EDA.

We appreciate all of THDA's great work ensuring quality affordable housing across the state of TN.

Thank you,
Evan



Evan Holladay
Founder and CEO
www.holladayventures.com



10/15/2024

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) 2025 Bond Program Description (BPD). Lincoln Avenue Communities is a mission-driven affordable housing developer currently active in twenty-seven states. In Tennessee, we are focused on developing ground-up new construction and preservation using 4 percent LIHTCs and tax-exempt bonds (TEBs).

Eligible Development Team Members

Section 3(D)(2)(v & vi), Section 3(D)(3) (Pg. 14-15)

We appreciate that THDA prefers development teams that have a successful track record with the tax-exempt bond and/or housing credit development. We concur that the successful development and completion of affordable housing programs is a strong indicator of future success. We further understand that THDA takes additional comfort in knowledge that the development teams have familiarity with THDA's programs as well and that there is value in demonstrating successful development experience utilizing THDA's programs. We further support THDA's system evaluating eligibility based on its system of Major and Minor SAEs.

However, we urge THDA to consider amending its requirements as it relates to the ability for a developer with their first allocation in Tennessee to submit a second application. We believe current policy which prohibits a "new" developer in Tennessee from submitting a second application until it has successfully placed in service its first development is problematic for several reasons and should be reconsidered. We believe the riskiest phase of the development process is period between allocation and closing. Once the financial closing of a first-time allocation is complete and construction has begun, we believe that "new to Tennessee" should be eligible to apply for a second allocation on TEBs and non-competitive credits. If THDA requires further comfort that the development team has adequate capacity to manage multiple developments we suggest it consider adopting some combination of the following recommendations, which we commonly see in other state QAPs:

1. Prohibit eligibility for a 3rd allocation until the first allocation has completed construction and is placed-in-service.
2. Limit the number of applications "new to Tennessee" developers can submit in a given bond round until their first allocation has been place-in-service.

3. Require “new to Tennessee” applicants to demonstrate “substantial” successful development experience to waive the “new to Tennessee” allocation limitations and/or allow for the eligibility of a second allocation before the first allocation has been placed-in-service. 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. Alternatively, THDA assess developer experience based on referrals or letters of recommendation from other housing agencies.

To meet Tennessee’s affordable housing needs, we believe it is in THDA’s interest to attract experienced, high capacity and well capitalized developers. Limiting “new to Tennessee” developers to a single deal until the first allocation has been placed in service effectively prohibits a new construction developer from participating in a second project for potentially three years after their 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.

Development Team Tennessee Housing Credit Experience

Section 8(C)(4)(a)(Pg. 29) and Section 8(D)(4)(a) Pg. 36-7)

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. We recommend the complete elimination of this points category.

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.

Rehabilitation Hard Cost Per Unit

Section 8(D)(2)(c) Pg. 34

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

Economic Development Area

Section 9(A)(3) (Pg. 42) and Section 14 (Pg. 51)

We appreciate that historically THDA has created pathways to fund large scale, high impact projects that would not otherwise be able to be funded because of per deal volume cap limitations. The newly proposed Section 14 creates a path forward for a large-scale mixed-use project; however, we have concerns about several aspects of the proposed language. For example, in the past, THDA has required developers proposing exception projects akin to the

Economic Development Area (EDA) proposal to undergo additional scrutiny including a special review committee from the Board. This additional level of due diligence seems appropriate given the potential that a single development funded under this proposal could utilize a substantial portion of the state PABs. Given the current structure of the proposed ranking process, “eligible initial applications proposing housing under Section 14: Economic Development Area” will be given the highest priority, virtually assuring a project utilizing as much as \$100 million in private activity bonds will be funded under this proposal. This potentially concentrates a lot of resources in a single jurisdiction and might even preclude any other projects from being funded in the grand division that receives an award.

Furthermore, the language as proposed does not articulate the number of units in the project that must be affordable to qualify. Under the proposed language which requires there to be a mixed-income component, it is conceivable that an 80/20 project might be funded, resulting in as few as 20% of the units developed with the TEB’s being income restricted. We do not think it is advisable to leverage a substantial amount of volume cap for *market rate* units when demand for affordable units is so high. At a minimum, we suggest that all units funded under this set-aside be affordable.

Additionally, it is unclear how THDA will select competing projects should more than one project be submitted that meet the criteria. Finally, should this section be included in the final BPD, we strongly suggest additional guidelines be provided as to what constitutes, “federal state, and local commitments...in an amount equal to or greater than \$1 billion dollars.” It is unclear what the standard of “commitment” is for the purpose of this requirement or what times of funding for which aspects of the “mixed-use, mixed-income plan” will qualify. We would advocate a contractual commitment with real teeth tied to actual available funds and a timeline for deployment should be required to ensure the project is “real” and will be able execute in a timely fashion.

In the absence of addressing these issues, we suggest THDA not proceed with this proposed change.

Conclusion

LAC appreciates the work of THDA in the issuance of its draft 2025 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 646-585-5526 or tamdur@lincolnavenue.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 27 states, with a portfolio of 150 properties comprising 26,000+ units.



October 16, 2024

Ralph Perrey
Executive Director
Tennessee Housing Development Agency
502 Deaderick St.
Nashville, TN 37243

Re: Draft 2025 PD Comment

Dear Mr. Perrey,

On behalf of LHP Capital, thank you for the opportunity to provide comments on the draft 2025 Multifamily Tax-Exempt Bond Authority Program Description. We have outlined our questions and/or concerns below:

1. **Section 5.A.3:** *THDA anticipates having two rounds, subject to availability and demand from THDA's Single Family Programs.*

Congress passed legislation in 1986 to allow private entities to use tax-exempt private activity bonds ("PAB") to finance projects with public benefits, including affordable rental housing. The federal government allocates PAB issuance authority to states per capita each year. The Allocation Plan for PABs in Tennessee, prepared by the commissioner of the Department of Economic and Community Development ("ECD"), outlines the plan for allocating the state's volume limitation of PAB authority authorized under federal tax legislation. We understand that on January 2nd, 50% of the total TN bond authority will be allocated to THDA for multi-and-single family housing bonds. Then, on July 1st, an allocation of the lesser of 25% of the total TN bond authority or any remaining authority will be made to THDA for multi-and single-family housing bonds. Finally, the commissioner may make an additional allocation to THDA for housing bonds before December 1st in an amount not exceeding \$100 million upon receipt of a written request from THDA for such additional allocation. The goals of the allocation plan are to provide equal access to the state bond authority and the maximum beneficial use for the residents of Tennessee. It is important to note that affordable *multifamily* rental housing is the only use that triggers an additional federal subsidy – the 4% LIHTC, a crucial resource that can significantly enhance the affordability of housing projects.

We are grateful that TN prioritizes housing in its allocation plan as we continue to experience a nationwide shortage of affordable housing. We ask that THDA consider prioritizing its allocation from ECD to housing solutions that benefit the greatest number of residents (and generates another federal subsidy) vs. "subject to availability and demand from THDA's Single Family Program." Multifamily housing does this more effectively than single-family housing. Moreover, for every \$1 of PAB allocated towards the single-family

program, TN forfeits another federal resource that generates approximately 50 cents of four percent LIHTC equity. By allocating these funds to the multifamily housing program, Tennessee could house thousands *more* people with the same number of bonds, thereby maximizing the impact of our state’s limited resources and offering hope for a brighter housing future.

2. **Section 5.B.2.e, Program Limits, Maximum MTBA Per Development, Substantial Rehab:** *Developments proposing Substantial Rehabilitation may not receive more MTBA than the lesser of: (i) Twenty-eight million and 00/100 dollars (\$28MM); or (ii) 60% of the Development’s aggregate basis including land, with all previous phases of the same development included in the aggregate basis.*

We appreciate the programmatic limitations on the maximum amount of MTBA an applicant can request per development. However, substantial rehabs often require more MTBA than \$28MM, necessitating a written request to THDA staff for an exception to the limit. Therefore, we believe there is a need for a policy change. Below is a ten-year history of the per-development program limitations for new construction and substantial rehab developments (sourced from each year’s QAP). Unlike new construction, there has not been a significant increase in the maximum MTBA amount a developer can request for substantial rehabs.

Program Description	Max MTBA for New Construction	Max MTBA for Substantial Rehab	Difference
2015	\$ 17,250,000	\$ 17,250,000	\$ -
2016	\$ 20,000,000	\$ 20,000,000	\$ -
2017	\$ 20,000,000	\$ 20,000,000	\$ -
2018	\$ 25,000,000	\$ 25,000,000	\$ -
2019	\$ 25,000,000	\$ 25,000,000	\$ -
2020	\$ 43,000,000	\$ 25,000,000	\$ 18,000,000
2021	\$ 43,000,000	\$ 25,000,000	\$ 18,000,000
2022	\$ 43,000,000	\$ 25,000,000	\$ 18,000,000
2023	\$ 43,000,000	\$ 25,000,000	\$ 18,000,000
2024	\$ 48,000,000	\$ 28,000,000	\$ 20,000,000

New construction deals cannot have Section 8 PBRA HAP contracts (unless they receive PBV HAP Contracts) because Congress stopped providing new Section 8 PBRA HAP contracts to owners in the early 1980’s. Most preservation deals today, with HAP contracts, were built in the 1970s as part of federal efforts to support affordable housing. HAP contracts can allow for rents above LIHTC limits that increase the value of existing properties with HAP contracts above the value of properties without HAP contracts,

resulting in an increased purchase price for existing properties with HAP contracts. Properties with Section 8 PBRA contracts typically have long-term affordability commitments (40+ years). Many of the buildings that initially received Section 8 PBRA contracts were constructed decades ago. Over time, these buildings have naturally aged, and their preservation has become a priority to maintain affordable housing stock. We have continued to experience an inflationary cost environment for labor and materials post-COVID. Without increasing the MTBA for substantial rehabs, more significant transactions involving 150 units+ and 100% Section 8 PBRA will not be feasible under THDA's proposed limits. Renovating and rehabilitating older buildings is often more cost-effective than building new affordable units, especially in areas with limited housing stock. For these reasons, we suggest that THDA consider increasing the maximum MTBA per development for substantial rehabs closer to the new construction limits or at least \$40,000,000.

3. Calendar of Events, Section 6.C

Generally, we find the current application window for Round 1 and its award timing, resulting in a closing date in late summer/ early Fall. This timing is not ideal for contractors to get mobilized because inclement/winter weather impacts a contractor's ability to commence construction. We have real examples of construction timelines increasing by three months if we close in October – December. We ask THDA to consider shifting their application and award timelines to allow for THDA to announce awards in the spring vs. summer. One suggestion is the following:

- 1) Open and close in the fall (pre-Thanksgiving)
- 2) Conduct the review process after the holidays (January)
- 3) Announce awards in early spring (February or March).

Sincerely,



Carey Parker
Chief Executive Officer

cc: Eric Alexander
Felita Hamilton
TNAllocation@thda.org

From: [Felita Hamilton](#)
To: [Chelsea Polm](#); [TNAllocation](#)
Cc: [MSMDevTeam](#); [Eric Alexander](#)
Subject: RE: DRAFT 2025 PD COMMENT
Date: Tuesday, October 29, 2024 8:49:35 AM
Attachments: [image001.png](#)

Thank you for your comments.

From: Chelsea Polm <cpolm@mansermar.com>
Sent: Wednesday, October 16, 2024 8:19 AM
To: TNAllocation <TNAllocation@thda.org>
Cc: MSMDevTeam <MSMDevTeam@mansermar.com>
Subject: DRAFT 2025 PD COMMENT

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Hi THDA,

After reviewing the most recent draft of the MTBA Program Description, we would like to make a few comments for consideration in the next revision regarding the below.

1. The Requirement to use 15 SEER HVAC systems for energy efficiency points, page 40, Section D8a
2. ENERGY STAR gas tankless water heater, page 40, Section D8b
3. The Requirement for a refrigerator with icemaker for energy efficiency points, page 40, Section D8c
4. Development Team Tennessee Housing Credit Experience, page 36 Section D4a

Item 1, page 40, Section D8a

We would like to see energy efficiency points consider 11.3 EER minimum PTAC units in addition to HVAC systems. We think it would be very helpful to future projects to include PTAC ratings as a part of this section as many affordable housing developments utilize PTACS instead of HVAC units. It is financially infeasible for existing properties to make this switch.

Item 2, page 40, Section D8b

We would like to see energy efficiency points consider removing “gas” from the line item, ENERGY STAR gas tankless water heater. Some engineers do not consider gas tankless water heaters as safe and will not sign off on utilizing them in resident units. “Gas” is removed from this line item on page 40 of the MTBA PD under Noncompetitive LIHTC Scoring for Rehabilitation Section D8b. It is not removed from the line item on page 33 of the MTBA PD under Noncompetitive LIHTC Scoring for New Construction Section C8b.

Item 3, page 40, Section D8c

We would like to see an option under energy efficiency that includes an ENERGY STAR rated refrigerator of 18 cubic foot minimum without an ice maker. Due to the need to run a new water

line to the refrigerator, the cost to add an icemaker to a refrigerator at existing property is significant and would use funds that could be used to add more amenities or other features to the property that will enhance the resident's quality of life as they age in place. Refrigerators with ice makers also put a burden on the operating maintenance of the Project. Ice makers require water filters that must be replaced by the on-site maintenance person, since the residents are very low income and do not have the finances to replace them. When the refrigerators with ice makers have maintenance issues or break, they often have leaks that can cause water damage to the floors and walls, if not reported in a timely manner. We are proposing the next revision of the MTBA Program Description to include an ENERGY STAR rated refrigerator of 18 cubic foot minimum.

Item 4, page 36 Section D4a

We would like to see Development Team Experience defined by the date of the 42m letter instead of by the date of the IRS form(s) 8609. The IRS form(s) 8609 often come much later than when a project reaches substantial completion. Therefore, it is not always an accurate indicator of the most recent allocation. The 42m letter comes very soon after the allocation is announced and therefore is a more accurate indicator of the most recent allocation.

Thanks,
Chelsea

Chelsea R Polm

Marketing Director & Development Analyst
Mansermar Development, LLC
1720 Gracewood Parkway
Bishop, GA 30621

502-709-3443 Cell
cpolm@mansermar.com





Annex



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: David Lillard, State Treasurer
Tennessee Department of Treasury

FROM: Trent Ridley, Chief Financial Officer

SUBJECT: THDA Investment Report – September 30, 2024

DATE: November 4, 2024

Attached is an Executive Summary of THDA’s Investment Report for the quarter ending September 30, 2024. This summary provides the amount of non-mortgage funds managed by our finance team and the overall performance of the portfolio.

Excluding Money Market Funds, THDA’s effective rate of return was 4.96% (up from 4.79% previous quarter and 3.58% at September 30, 2023). THDA continues to take advantage of short-term investment rates when possible. During the quarter, THDA settled \$92.7 million in Program Securities, which are MBS created with pools of THDA-funded loans held as security for the bonds instead of whole loans. These securities are reflected in the 2013 Res Float/Equity Fund. Below is a summary of THDA’s Total Investment Holdings by Fund (book value). The full Investment Report is available on THDA’s website. If you need any additional information, please do not hesitate to contact me at (615) 815-2012 or via email at tridley@thda.org.

Total Investment Holdings as of September 30, 2024

Investment	General Fund	Escrow Fund	Loan Funds	Float / Equity Funds	Bond Reserve Funds	Total Investments
Money Market Funds	\$3,873,347	\$9,093,868	\$57,142,643	\$106,677,501	\$23,368,752	\$200,156,111
Federal Agency Coupons	1,225,000	0	2,999,635	3,225,000	112,856,487	120,306,121
Treasury Discounts	0	0	0	0	0	0
Program Securities	0	0	0	259,828,865	0	259,828,865
Federal Agency Discount	4,980,154	4,934,740	253,719,376	129,063,879	0	392,698,149
Total Funds	\$10,078,501	\$14,028,608	\$313,861,654	\$498,795,245	\$136,225,239	\$972,989,246



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

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

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Tennessee Housing Development Agency

Investment Report

September 30, 2024

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



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

EXECUTIVE SUMMARY

THDA Finance Team:

Trent Ridley, CFO

Wayne Beard, Finance Director

Damon Pallay, Controller

October 15, 2024

**Important Transactions during the past quarter:*

- 1) The THDA Board of Directors approved Bond Issue 2024-3 at the July 23, 2024 board meeting. The plan of financing provides for an issue amount not to exceed \$350,000,000.00. The exact size of the bond issue will be determined at a date closer to the bond sale date.
- 2) During the past quarter, \$47.3 million in mortgage prepayments were received by the agency. This was approximately a \$2.1 million increase from the previous quarter (\$45.2 million) and approximately a \$3.9 million increase from the same quarter last year (\$43.4 million). Prepayments are currently being accumulated to redeem bonds in January 2025.
- 3) The agency created and settled \$92,731,339 of MBS Program Securities this quarter. Program Securities are mortgage-backed securities (MBS) created with pools of mortgages funded/purchased by THDA and held as security for the bonds instead of whole loans.
- 4) The Federal Reserve funds rate target was reduced 50 basis points to a target range of 4.75% - 5.00% at the September 18 meeting of the Federal Open Market Committee (FOMC). The Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance. In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals.



PORTFOLIO MANAGEMENT SUMMARY
Portfolio Management
Portfolio Summary
September 30, 2024

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Mat./Call	YTM/C 360 Equiv.
Federal Agency Coupon Securities	120,208,000.00	115,388,197.37	120,306,121.15	15.57	2,078	494	2.564
Federal Agency Disc. -Amortizing	395,000,000.00	392,850,990.40	392,698,149.39	50.81	93	43	5.102
Pass Through Securities	166,382,665.54	169,463,054.33	166,382,665.54	21.53	10,974	10,749	5.837
Pass Through Securities (GNMA/CMO)	93,446,199.07	96,122,053.10	93,446,199.07	12.09	10,949	10,720	6.081
Investments	775,036,864.61	773,824,295.20	772,833,135.15	100.00%	4,057	3,709	4.984

Total Earnings	September 30	Period
Current Year	10,269,237.38	
Average Daily Balance	820,913,530.35	
Effective Rate of Return	4.96%	

Mack W. Beard, Director of Finance

GENERAL FUND

DESCRIPTION

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

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

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

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

THDA QUARTERLY INVESTMENT REPORT
GENERAL FUND
September 30, 2024

Historical Fund Balances	1974 Resolution		1985 Resolution	
	Amortized Cost	Market Value	Amortized Cost	Market Value
6/30/22	33,485,629.07	33,435,329.50	N/A	N/A
6/30/23	20,067,705.82	19,942,906.82	N/A	N/A
6/30/24	8,973,667.92	8,937,739.86	N/A	N/A
9/30/24	10,078,500.84	10,063,086.02	N/A	N/A

Historical Returns (Yield)	Quarter ending 9/30/2024	Current Fiscal Year	Last 12 Months	Last 24 Months
1974 Resolution	3.846%	3.846%	2.541%	1.929%

Benchmarks:

(1) One-year CMT	4.453%	4.453%	4.928%	4.930%
(2) Two-year CMT	4.030%	4.030%	4.485%	4.487%
(3) Three-year CMT	3.863%	3.863%	4.293%	4.264%

Duration	1974 Resolution
Average Duration to Maturity (Years)	0.1
Average Duration to Call (Years)	0.1

Asset Allocation	1974 Resolution		1985 Resolution	
	Dollar value*	Percentage	Dollar value*	Percentage
Money Market Funds	3,873,346.95	38.43%	N/A	N/A
Federal Agency Coupons	1,225,000.00	12.15%	N/A	N/A
Variable Rate Securities	-	0.00%	N/A	N/A
Repurchase Agreements	-	0.00%	N/A	N/A
Treasury Coupon Securities	-	0.00%	N/A	N/A
Discount Bonds	4,980,153.89	49.41%	N/A	N/A
Total	10,078,500.84	100.00%	N/A	N/A

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

ESCROW FUND

DESCRIPTION

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

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

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

THDA QUARTERLY INVESTMENT REPORT
ESCROW FUNDS
September 30, 2024

Historical Fund Balances	1974 Resolution		1985 Resolution	
	Amortized Cost	Market Value	Amortized Cost	Market Value
6/30/22	9,045,154.81	9,045,154.81	N/A	N/A
6/30/23	9,227,691.79	9,227,691.79	N/A	N/A
6/30/24	16,736,638.38	16,729,624.02	N/A	N/A
9/30/24	14,028,607.92	14,036,880.27	N/A	N/A

Historical Returns (Yield)	Quarter ending 9/30/2024	Current Fiscal Year	Last 12 Months	Last 24 Months
1974 Resolution	5.202%	5.202%	5.287%	5.000%
				287.000%

Benchmarks:

(1) One-year CMT	4.453%	4.453%	4.928%	4.930%
(2) Two-year CMT	4.030%	4.030%	4.485%	4.487%
(3) Three-year CMT	3.863%	3.863%	4.293%	4.264%

Duration

	1974 Resolution
Average Duration to Maturity (Years)	0.3
Average Duration to Call (Years)	0.3

Asset Allocation	1974 Resolution		1985 Resolution	
	Dollar value*	Percentage	Dollar value*	Percentage
Money Market Funds	9,093,867.77	0.00%	N/A	N/A
Federal Agency Coupons	-	0.00%	N/A	N/A
THDA Securities	-	0.00%	N/A	N/A
Repurchase Agreements	-	0.00%	N/A	N/A
Discount Bonds	4,934,740.15	0.00%	N/A	N/A
Total	14,028,607.92	0.00%	N/A	N/A

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

LOAN FUNDS

DESCRIPTION

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

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

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

THDA QUARTERLY INVESTMENT REPORT

LOAN FUNDS

September 30, 2024

Historical Fund Balances

	1985 Resolution		2009 Resolution		2013 Resolution	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
6/30/22	1,813,508.71	1,813,508.71	0.00	0.00	155,591,681.08	155,534,894.35
6/30/23	0.00	0.00	0.00	0.00	237,707,355.70	236,225,013.52
6/30/24	0.00	0.00	0.00	0.00	478,882,655.11	460,345,911.25
9/30/24	0.00	0.00	0.00	0.00	313,861,653.57	313,882,316.23

Historical Returns (Yield)

	Quarter ending 9/30/2024	Current Fiscal Year	Last 12 Months	Last 24 Months
1985 Resolution	N/A	N/A	N/A	N/A
2009 Resolution	N/A	N/A	N/A	N/A
2013 Resolution	5.014%	5.014%	4.986%	4.986%

Benchmarks:

(1) One-year CMT	4.453%	4.453%	4.928%	4.930%
(2) Two-year CMT	4.030%	4.030%	4.485%	4.487%
(3) Three-year CMT	3.863%	3.863%	4.293%	4.264%

Duration

	1985 Resolution	2009 Resolution	2013 Resolution
Average Duration to Maturity (Years)	N/A	N/A	0.1
Average Duration to Call (Years)	N/A	N/A	0.1

Asset Allocation

	1985 Resolution		2009 Resolution		2013 Resolution	
	Dollar value*	Percentage	Dollar value*	Percentage	Dollar value*	Percentage
Money Market Funds	-	0.00%	-	0.00%	57,142,643.03	18.21%
Federal Agency Coupons	-	0.00%	-	0.00%	2,999,634.65	0.96%
Variable Rate Securities	-	0.00%	-	0.00%	-	0.00%
Repurchase Agreements	-	0.00%	-	0.00%	-	0.00%
Pass Through Securities	-	0.00%	-	0.00%	-	0.00%
Discount Bonds	-	0.00%	-	0.00%	253,719,375.89	80.84%
Total	-	0.00%	-	0.00%	313,861,653.57	100.00%

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

FLOAT/EQUITY FUNDS

DESCRIPTION

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

The following funds hold the Float/Equity funds:

Revenue Fund (2009 Resolution):

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

Revenue Fund (2013 Resolution):

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

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

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

THDA QUARTERLY INVESTMENT REPORT
FLOAT / EQUITY FUNDS
September 30, 2024

Historical Fund Balances	1985 Resolution		2009 Resolution		2013 Resolution	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
6/30/22	4,673,861.66	4,673,798.99	3,743,805.58	3,743,756.91	202,700,662.01	202,710,489.24
6/30/23	-	-	3,908,225.58	3,907,155.14	198,430,937.42	198,186,301.97
6/30/24	-	-	2,291,391.83	2,290,536.54	420,741,244.71	421,144,252.76
9/30/24	-	-	1,793,967.94	1,794,431.02	497,001,276.74	502,716,594.70

Historical Returns (Yield)	Quarter ending 9/30/2024	Current Fiscal Year	Last 12 Months	Last 24 Months
1985 Resolution	N/A	N/A	N/A	N/A
2009 Resolution	5.174%	5.174%	5.251%	5.251%
2013 Resolution	5.686%	5.686%	5.645%	5.556%

Benchmarks:

(1) One-year CMT	4.453%	4.453%	4.928%	4.930%
(2) Two-year CMT	4.030%	4.030%	4.485%	4.487%
(3) Three-year CMT	3.863%	3.863%	4.293%	4.264%

Duration

	1985 Resolution	2009 Resolution	2013 Resolution
Average Duration to Maturity (Years)	N/A	0.25	3.61
Average Duration to Call (Years)	N/A	0.25	3.61

Asset Allocation	1985 Resolution		2009 Resolution		2013 Resolution	
	Dollar value*	Percentage	Dollar value*	Percentage	Dollar value*	Percentage
Money Market Funds	-	0.00%	1,151,839.40	64.21%	105,525,661.21	21.23%
Federal Agency Coupons	-	0.00%	-	0.00%	3,225,000.00	0.65%
Treasury Coupon Securities	-	0.00%	-	0.00%	-	0.00%
Variable Rate Securities	-	0.00%	-	0.00%	-	0.00%
Repurchase Agreements	-	0.00%	-	0.00%	-	0.00%
Pass Through Securities	-	0.00%	-	0.00%	259,828,864.61	52.28%
Discount Bonds	-	0.00%	642,128.54	35.79%	128,421,750.92	25.84%
Total	-	0.00%	1,793,967.94	100.00%	497,001,276.74	100.00%

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

BOND RESERVE FUND

DESCRIPTION

Bond Reserve Fund (BRF) - In December of 2009, THDA established a new general bond resolution, the Housing Finance Program (the 2009 resolution). This resolution calls for a Bond Reserve Fund. The required deposit for this fund is the greater of an amount equal to the aggregate of the respective amounts for each series of bonds established in the supplemental resolution authorizing such series or an amount equal to 3% of the then current balance of the program loans plus any other amount on deposit in the loan fund which has not been designated to provide for the payment of costs of issuance or capitalized interest. An analysis was performed as of June 30, 2024 to determine the amount to be held in the Bond Reserve Fund. This analysis determined that this balance needed to be \$1,131,491.90.

In May of 2013, THDA established a new general bond resolution, the Residential Finance Program (the 2013 resolution). As with the 2009 resolution, this resolution calls for a Bond Reserve Fund. The amount of the required deposit for this fund is calculated in the same manner as in the 2009 resolution. CSG Advisors performed an analysis in conjunction with the sale of Bond Issue 2024-2 in June of 2024 under this resolution. The resulting Bond Reserve Fund requirement was \$104,935,309.

THDA QUARTERLY INVESTMENT REPORT
RESERVE FUNDS
September 30, 2024

Historical Fund Balances	1985 Resolution		2009 Resolution		2013 Resolution	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
6/30/22	13,401,801.73	14,119,103.83	6,615,963.05	6,608,317.29	116,619,811.58	116,597,580.74
6/30/23	-	-	6,613,157.64	6,356,313.95	121,992,197.20	117,679,421.08
6/30/24	-	-	6,232,374.62	6,075,412.75	129,976,076.34	123,225,707.72
9/30/24	-	-	6,220,623.08	6,136,697.84	130,004,615.66	125,350,399.72

Historical Returns (Yield)	Quarter ending 9/30/2024	Current Fiscal Year	Last 12 Months	Last 24 Months
1985 Resolution	N/A	N/A	N/A	N/A
2009 Resolution	2.484%	2.484%	1.619%	1.333%
2013 Resolution	3.140%	3.140%	2.531%	2.128%

Benchmarks:

(1) One-year CMT	4.453%	4.453%	4.928%	4.930%
(2) Two-year CMT	4.030%	4.030%	4.485%	4.487%
(3) Three-year CMT	3.863%	3.863%	4.293%	4.264%

Duration	1985 Resolution	2009 Resolution	2013 Resolution
Average Duration to Maturity (Years)	N/A	1.5	3.2
Average Duration to Call (Years)	N/A	0.1	1.2

Asset Allocation	1985 Resolution		2009 Resolution		2013 Resolution	
	Dollar value*	Percentage	Dollar value*	Percentage	Dollar value*	Percentage
Money Market Funds	-	0.00%	532,828.54	8.57%	22,835,923.70	17.57%
Federal Agency Coupons	-	0.00%	5,687,794.54	91.43%	107,168,691.96	82.43%
Treasury Coupon Securities	-	0.00%	-	0.00%	-	0.00%
Variable Rate Securities	-	0.00%	-	0.00%	-	0.00%
Repurchase Agreements	-	0.00%	-	0.00%	-	0.00%
Pass Through Securities	-	0.00%	-	0.00%	-	0.00%
Discount Bonds	-	0.00%	-	0.00%	-	0.00%
Total	-	0.00%	6,220,623.08	100.00%	130,004,615.66	100.00%

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

ARBITRAGE

DESCRIPTION

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

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

This is a net calculation and is computed annually. Attached is a spreadsheet showing the arbitrage liability by bond issue as of 6/30/2024. Every five years, on the anniversary date of each bond issue, for the life of the bond issue, cash settlement has to be made with the IRS. If earnings for a five-year period are less than what the investments would have earned at the bond rate, no payment is due the IRS. If the earnings are more than what would have been earned at the bond rate, cash payment of the excess must be paid to the IRS. THDA has contracted with Kutak Rock to make these complex calculations.

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

Tennessee Housing Development Agency
 Rebate Liability as of June 30, 2024

<i>Resolution / Bond Issue</i>	<i>Arbitrage Rebate Liability</i>
<u>2009 Res</u>	-
2015-A	-
Sub-total	-
<u>2013 Res</u>	
2013-1	-
2013-2	-
2014-1	-
2014-2	-
2015-1	-
2015-2	-
2016-1	-
2016-2	-
2016-3	-
2017-1	-
2017-2	-
2017-3	-
2017-4	-
2018-1	-
2018-2	-
2018-3	-
2018-4	-
2019-1	-
2019-2	-
2019-3	-
2019-4	-
2020-1	-
2020-2	-
2020-3	-
2020-4	-
2021-1	-
2021-2	-
2021-3	-
2022-1	-
2022-2	-
2022-3	-
2023-1	136,794.65
2023-2	256,748.49
2023-3	-
2024-1	203,772.22
2024-2	-
Sub-total	597,315.36
TOTALS	597,315.36



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

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

SUBJECT: 2025 THTF Capacity Building Grant Funding Awards

DATE: November 4, 2024

Attached is the funding award matrix under the 2025 Round of the Capacity Building Grants Program funded under the Tennessee Housing Trust Fund (THTF). THDA had approximately \$1.5 million available to award, including \$1,440,000 for facility Capacity Grants and \$60,000 for Management capacity Grant. THDA received 24 applications for Facility Capacity and seven applications for Management Capacity, requesting \$7.2M for Facility Capacity and \$70,000 for management Capacity. Recommended awards included \$1,440,000 for Facility Capacity and \$60,000 for Management Capacity. Additional information is available on the attached funding matrix.

As provided under the program description, THDA awarded funds for the highest scoring applications in each of the Grand Divisions:

East Grand Division:

- Homesource of East Tennessee (Knox County) – Facility
- Keystone Development, Inc (Washington) – Facility
- Waypoint Housing Insights, Inc (Bradley) – Facility
- Waypoint Housing Insights, Inc (Bradley) – Management
- The Restoration House of East Tennessee (Knox) – Management
- Greater Kingsport Alliance for Development (East) - Management

Middle Grand Division:

- Community Housing Partnership (Williamson)– Facility
- Crossbridge, Inc. (Davidson) – Management



Andrew Jackson Building Third Floor - 502 Deaderick St. - Nashville, TN 37243
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West Grand Division:

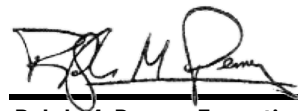
- United Housing, Inc. (Shelby) – Facility
- United Housing, Inc. (Shelby) - Management
- The Housing Foundation of West Tennessee (Shelby) - Management

Of the remaining 20 applications, 17 were eligible but did not receive an award due to all eligible funding being exhausted.

The remaining 3 applications were ineligible as indicated on the attached funding matrix.

2025 Capacity Building Program Funding Matrix - Management Capacity								Program Funds Available: \$60,000.00		
Applicant	Date Received	Time Received	Program Funds Requested	County	Grand Division	Activity	Eligibility Determination	Funds Awarded	Funds Remaining	
Waypoint Housing Insights, Inc.	8/1/2024	12:07 AM	\$10,000.00	Sevier	East	Strategic plan	Eligible	\$10,000.00	\$50,000.00	
CrossBridge, Inc.	8/2/2024	6:39 PM	\$10,000.00	Davidson	Middle	Strategic plan	Eligible	\$10,000.00	\$40,000.00	
The Housing Foundation of West Tennessee, Inc., dba Intunity	8/1/2024	12:01 AM	\$10,000.00	Shelby	West	Strategic & succession management plans	Eligible	\$10,000.00	\$30,000.00	
United Housing Inc.	8/1/2024	5:55 PM	\$10,000.00	Shelby	West	Strategic plan	Eligible	\$10,000.00	\$20,000.00	
The Restoration House of East Tennessee	8/26/2024	2:10 PM	\$10,000.00	Knox	East	Strategic plan	Eligible	\$10,000.00	\$10,000.00	
Greater Kingsport Alliance For Development	9/18/2024	8:17 AM	\$10,000.00	Sullivan	East	Strategic & succession management plans	Eligible	\$10,000.00	\$0.00	
Appalachia Service Project	9/19/2024	10:37 AM	\$10,000.00	Sullivan	East	Strategic & succession management plans	Eligible	\$0.00	\$0.00	
TOTAL FUNDS REQUESTED:			\$70,000.00	TOTAL FUNDS AWARDED:				\$60,000.00		

Approved By:



10/24/24

Ralph M. Perrey, Executive Director

Date

2025 Capacity Building Program Funding Matrix - Facility Capacity								Program Funds Available: \$1,440,000.00	
Applicant	Date Received	Time Received	Funds Requested	County	Grand Division	Activity	Eligibility Determination	Funds Awarded	Funds Remaining
Knox Housing Partnership, dba HomeSource east tennessee	8/1/2024	12:00 AM	\$136,499.00	Knox	East	Rehabilitation office space.	Eligible	\$108,499.00	\$1,331,501.00
Community Housing Partnership	8/1/2024	11:43 AM	\$300,000.00	Williamson	Middle	Renovation office space & IT system expansion.	Eligible	\$300,000.00	\$1,031,501.00
United Housing Inc.	8/1/2024	5:55 PM	\$400,000.00	Shelby	West	Renovation office building.	Eligible	\$400,000.00	\$631,501.00
Keystone Development Inc.	8/1/2024	12:12 AM	\$431,560.00	Washington	East	Acquisition office building.	Eligible	\$431,560.00	\$199,941.00
Waypoint Housing Insights Inc.	8/1/2024	1:03 AM	\$300,000.00	Bradley	East	Acquisition office building.	Eligible	\$199,941.00	\$0.00
Lakeway Area Habitat For Humanity	8/1/2024	7:59 AM	\$43,110.00	Hamblen	East	IT system expansion & improvement.	Eligible	\$0.00	\$0.00
Tennessee Prison Outreach Ministry	8/1/2024	8:29 AM	\$480,000.00	Davidson	Middle	New construction office space.	Ineligible. Procurement requirements not met.	\$0.00	\$0.00
Tennessee's Community Assistance Corporation	8/1/2024	9:24 AM	\$480,000.00	Hamblen	East	Renovation office space.	Eligible	\$0.00	\$0.00
Eastern Eight Community Development Corporation	8/1/2024	2:03 PM	\$100,000.00	Washington	East	IT system expansion.	Eligible	\$0.00	\$0.00
The Journey Home Inc.	8/1/2024	3:50 PM	\$480,000.00	Rutherford	East	New construction office, program services, and training space.	Eligible	\$0.00	\$0.00

2025 Capacity Building Program Funding Matrix - Facility Capacity								Program Funds Available: \$1,440,000.00	
Applicant	Date Received	Time Received	Funds Requested	County	Grand Division	Activity	Eligibility Determination	Funds Awarded	Funds Remaining
CrossBridge, Inc.	8/2/2024	6:09 PM	\$450,000.00	Davidson	Middle	New construction, rehabilitation office & program delivery space, IT system expansion.	Eligible	\$0.00	\$0.00
Clinch River Habitat for Humanity	8/5/2024	12:10 PM	\$238,167.00	Anderson	East	Rehabilitation office & training space, IT system expansion.	Eligible	\$0.00	\$0.00
Habitat for Humanity of Sumner County	8/5/2024	3:10 PM	\$480,000.00	Sumner	Middle	Acquisition office space.	Eligible	\$0.00	\$0.00
Omni Family Foundation dba I am Next	8/7/2024	1:13 PM	\$536,713.00	Davidson	Middle	New construction, rehabilitation office & program delivery space, IT system expansion.	Eligible	\$0.00	\$0.00
AAA-Residential Resources	8/16/2024	3:33 PM	\$200,000.00	Davidson	Middle	New construction program office space.	Eligible	\$0.00	\$0.00
Dismas, Inc.	8/16/2024	4:47 PM	\$103,866.57	Davidson	Middle	IT system expansion.	Eligible	\$0.00	\$0.00
Men of Valor	8/29/2024	11:49 AM	\$450,000.00	Davidson	Middle	New construction training & program delivery space.	Eligible	\$0.00	\$0.00
Emory Valley Center	9/3/2024	10:48 AM	\$100,000.00	Anderson	East	IT system improvement.	Eligible	\$0.00	\$0.00
Habitat For Humanity Williamson-Maury	9/12/2024	2:23 PM	\$30,722.00	Williamson	Middle	IT system expansion & improvement	Eligible	\$0.00	\$0.00
Chattanooga Neighborhood Enterprise	9/13/2024	3:50 PM	\$57,536.80	Hamilton	East	IT system expansion.	Eligible	\$0.00	\$0.00
Appalachia Service Project	9/19/2024	10:37 AM	\$100,000.00	Sullivan	East	IT system expansion & improvement.	Eligible	\$0.00	\$0.00

2025 Capacity Building Program Funding Matrix - Facility Capacity								Program Funds Available: \$1,440,000.00	
Applicant	Date Received	Time Received	Funds Requested	County	Grand Division	Activity	Eligibility Determination	Funds Awarded	Funds Remaining
Habitat For Humanity of Greater Memphis Inc.	9/19/2024	1:40 PM	\$319,838.00	Shelby	West	Renovation existing office space.	Eligible	\$0.00	\$0.00
A Fresh Start To A New Beginning	9/19/2024	2:19 PM	\$480,000.00	Shelby	West	New construction program delivery space.	Ineligible. Application not signed, PIMS documents not in PIMS, years experience unclear, six non-profit checklist items not provided, project not underway & not clear if will begin in six months.	\$0.00	\$0.00
Hard Bargain Association	9/20/2024	7:57 AM	\$480,000.00	Williamson	Middle	New construction program delivery space.	Ineligible. Application received after 9/19/24 deadline.	\$0.00	\$0.00
TOTAL FUNDS REQUESTED:			\$7,178,012.37	TOTAL FUNDS AWARDED:				\$1,440,000.00	

Approved By:



10/24/24

Ralph M. Perrey, Executive Director

Date



Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

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

SUBJECT: 2024-2 HOME CHDO Homeownership Development Funding Awards

DATE: November 4, 2024

Attached is the funding award matrix under the 2024-2 Round of the HOME CHDO Homeownership Development Program Description. THDA had approximately \$1.6 million available for Program awards and \$84,000 for Operating Assistance awards. THDA received and awarded one application for Program and Operating Assistance to an applicant requesting \$1.0 million of Program funding and \$70,000 of Operating Assistance.

East Grand Division:

- Neighborhood Housing, Inc (Knox County) – Will newly construct five single-family homes

No applications were received from the Middle or West Grand Division. Additional information is available on the attached funding matrix.



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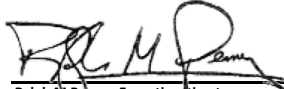


2024-2 HOME CHDO Homeownership Development Program Funding Matrix

Applicant	County	Grand Division	Program \$ Requested	CHDO Operating \$ Requested	Total Funds Requested	# of Units	Discretionary Planning and Readiness	Capacity	Energy Conservation	Universal Design	Prior Year Unexpended Funds Deduction	Outside HUD PJ	Match	Leverage	Public Private Partnership for Neighborhood Redevelopment	Total Score	Program Funds Awarded	Operating Funds Awarded	Programs Funds Available	Operating Funds Available
Applications Passing Threshold																				
Neighborhood Housing, Inc.	Knox	E	\$1,000,000.00	\$70,000.00	\$1,070,000.00	5	26	24	10	10	-5	0	10	1	0	76	\$1,000,000.00	\$70,000.00	\$604,103.18	\$14,114.00

Application Received:	\$1,000,000.00	\$70,000.00	\$1,070,000.00	5
Applications Meeting Threshold:	\$1,000,000.00	\$70,000.00	\$1,070,000.00	5
Applications Recommended for Funding:	\$1,000,000.00	\$70,000.00	\$1,070,000.00	5

Approved:



 Ralph M. Peirrey, Executive Director



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Bill Lee
Governor

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Executive Director

MEMORANDUM

TO: THDA Board of Directors
FROM: Rebecca Carter, Director of Community Services
Don Watt, Chief Programs Officer
SUBJECT: ERA-EPP Additional Funding Awards
DATE: November 4, 2024

Following policy approved by the Board at its November 14, 2023, meeting, the Director of Community Services is to advise the Board of subsequent funding awards made to Emergency Rental Assistance - Eviction Prevention Program (ERA-EPP) partners using the following eligibility criteria:

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, 2023, 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.

THDA has made the following subsequent awards since the last board update in September:

SUBGRANTEE	ADDITIONAL FUNDING AWARD (Since last board update)	TOTAL AWARD TO DATE
Mid-Cumberland Community Action Agency	\$1,492,563.81	\$5,591,387.15
Southeast Tennessee Human Resource Agency	\$320,682.58	\$794,319.58

