Tennessee Housing Development Agency
Board of Directors

Updated - Committee and Board Meeting Materials
January 25, 2022

Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors
FROM: Ralph M. Perrey, Executive Director
SUBJECT: January Committee and Board Meetings
DATE: January 10, 2022

THDA Board Members –

We look forward to having you with us for Board and Committee meetings on Tuesday, January 25, in our usual meeting room in the Tennessee Tower.

We will be asking your authorization for our first bond issuance of 2022. Materials related to that bond issuance will be circulated under separate cover next week.

The agenda for the year's first meeting is otherwise light. Action items awaiting your consideration are:

- Approval of the 2022 Multifamily Tax Exempt Bond Program description, incorporating the changes we discussed at our November meeting, and authorizing up to $450 million in bond authority for the first application round. Tax Credit Committee will take this up first.

- Lending Committee will take up the annual Housing Cost Index.

- Grants Committee has several HOME grant extension requests pending. These come from recipients to whom we granted earlier extensions but who still need extra time to complete on-going work. We are agreeable to the extensions but recommend conditions be linked to them.

While no action is required, we do plan to offer an overview of THDA's mortgage program operations, with emphasis on the new secondary market executions we expect to launch this spring. THDA's Research Division has also prepared a final report on the Hardest Hit Fund programs, which we administered for much of the last decade.

In the Appendix to this packet, you will find a report on prior year LIHC developments migrating to 2021.

As always, please feel free to contact me or Chief of Staff Stephanie Bounds if you have questions about anything on the agenda or in the packet. Please let Cindy Ripley know if you need assistance with travel and lodging logistics. See you on the 25th.

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 Meeting Agenda

Tuesday, January 25, 2022
1:00 p.m. Central Time

Tennessee Tower; The Nashville Room
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

A. Approval of Minutes from November 16, 2021 meeting

B. Executive Director's Report

C. THDA Board Action Items

1. New Bond Issue, 2022 (updated)
2. 2018 HOME Extension Requests
3. Housing Cost Index & Resolution
4. 2022 MTBA Program Description (updated)

APPENDIX

- Prior Year LIHC Developments migrating to 2021

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
November 16, 2021

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Tuesday, November 16, 2021 at 1:00 p.m. Central Standard Time, in the Nashville Conference Room of the William R. Snodgrass Tennessee Tower Building, in Nashville, Tennessee.

The following Board members were present and in person: Rick Neal (Acting Chair), Kevin Bradley (for Treasurer David Lillard), Katie Armstrong (for Comptroller Jason Mumpower), Chris Mustain (for Secretary of State Tre Hargett), Matt McGauley, Austin McMullen, Tennion Reed, Erin Merrick, Dorrie Hicks (for Commissioner Butch Eley) and John Snodderly. Todd Skelton was present via Webex. Absent was Christine Rhea and Mike Hardwick.

Acting Chair Neal called the meeting to order, being that there was a quorum of members present. He then called for consideration of the September 28, 2021, minutes that were previously circulated to all Board members. Acting Chair Neal asked for a motion on the minutes. Motion by Mr. McGauley with a second by Mr. Bradley. With a voice vote from present members, 10 "yes", 0 "no" and 0 "abstain", the minutes were approved.

Acting Chair Neal recognized Ralph M. Perrey, Executive Director of Tennessee Housing Development Agency to present the Executive Director's Report.

- I'm pleased to welcome Todd Skelton back to THDA's Board of Directors and am glad he is able to join us telephonically today. He replaces Mike Hedges, whose board term had expired, in our 'at large' position. I join Governor Lee in thanking Mike for his service on our board and wish him well.

- The General Assembly's Judiciary and Government Joint Oversight Committee last week held THDA's Sunset Review hearing. It has recommended a 5-year extension of our authority – that's the longest extension we have ever been granted and represents a strong vote of confidence in the work our team is doing.

- I met, yesterday, with the Governor's Financial Stimulus Accountability Group regarding the $90 million in Recovery Act funds we have requested to support tax credit developments. The panel was supportive but deferred action on the request until its December meeting. We will be offering exchanges to those deals having difficulty closing on their financing so as to give them and us more time to address funding gaps that have arisen.

- We still don't have approval from the US Treasury to launch the Homeowner Assistance Fund. We keep hearing that approval is imminent, but it is impractical to launch a program during the holiday season. We hope to have approval to kick off the program in January.

- We have six respondents to our RFP for a subcontractor on the PBCA program. Our staff is reviewing them and we hope to select that vendor by Friday and then begin transitioning that work.

- My compliments to Internal Audit Director Gay Oliver and her team. They were recently reviewed by the State Executive Internal Audit division and received the highest ranking possible for their work and professionalism.

- Community Programs Director Cynthia Peraza has reached an agreement with the State Department of Labor to market our Rent Relief program to those on unemployment. She also struck an agreement with the Department of Education, to spread program information among their homeless outreach liaisons.

Acting Chair Neal asked for a motion to extend the waiver authority for six months for THDA's Executive Director. This is needed to deal with the flexibilities of partners' needs as we work through issues caused by the pandemic. It is anticipated that there will be other such requests for flexibility. So, if agreeable, he asked to extend the waiver authority for at least six months. Motion was made by Mr. McMullen, second by Mr. McGauley with all members present 10 "yes", 0 "no" and 0 "abstain", the motion passed.

Acting Chair Neal asked for nominations for Vice Chair of the Board. Mr. McMullen nominated Rick Neal as new Vice Chair. Ms. Merrick second the motion and with a voice vote from present members, 9 "yes", 0 "no" and 1 "abstain" from Mr. Neal, the motion passed.

Acting Chair Neal noted that since there is not a sitting Chair of the board, the Committee assignments will be delayed. Those assignments are the Chairman's purview.

Acting Chair Neal noted the list of dates for next year's THDA Board meetings. Acting Chair Neal asked if these are acceptable to everyone, and if so, he asked for a motion to accept. Mr. McGauley made the motion to accept, second by Ms. Merrick and with a voice vote from present members, 10 "yes", 0 "no" and 0 "abstain", the motion passed.

Acting Chair Neal recognized THDA's Chief Legal Counsel, Bruce Balcom, for his report on the 2020-4 Official Statement Document which is reviewed annually with the board. This report gives basic information about current bond issue and the history of the bond. Giving a summary, Mr. Balcom pointed out page 12 which deals with the various business disruption risks. Also, on page 14 and the following pages are the assumptions regarding the offered bonds and page 30 shows an overall view of all that THDA does. Report was shared for information purpose only.

Acting Chair Neal then recognized Trent Ridley, Chief Financial Officer, who gave the Five Year Strategic Plan report and with motion and a second from the Bond Finance Committee with a voice vote from the members present, 10 "yes", 0 "no" and 0 "abstain", the motion passed.

Acting Chair Neal recognized Chris Mustain, who shared items from the Audit & Budget Committee Meeting. Mr. Mustain presented Analysis of Disclosure Report for the Board members and THDA staff. Upon a motion and second by the Audit and Budget Committee to accept both reports, and with a voice vote with all members present 10 “yes”, 0 “no” and 0 “abstain”, the motion passed.

The next item presented by the Audit and Budget Committee was the annual evaluation of the Executive Director of THDA. After survey of the board there was an approval to give the rating of Advanced to the Executive Director, Ralph Perrey. With motion and second from the Audit and Budget Committee, with a voice vote from the members present, 10 “yes”, 0 “no” and 0 “abstain”, the motion passed.

Acting Chair Neal then recognized Mr. McMullen to present the Grants Committee report and recommendations

The motion and a second from the committee is to approve these four program descriptions (memos attached),

- 2021 COVID-19 Rent Relief Program
- 2022 Emergency Solutions Grant Program
- 2022 HOME Urban Rural Program
- 2022 National Housing Trust Fund Program

to authorize staff to make minor program changes if necessary and to authorize staff to do any necessary and proper including the execution of those documents to carry out those programs,with a voice vote from the members present, 10 “yes”, 0 “no” and 0 “abstain”, the motion passed.

Acting Chair Neal recognized Mr. Snodderly for a report on the Tax Credit Committee meeting. Mr. Snodderly brought a motion and a second on behalf of the Tax Credit Committee to approve 2022 Qualified Allocation Plan as amended in Committee. With a motion on the floor to approve the committee recommendation and seconded with a voice vote from the members present, 10 “yes”, 0 “no” and 0 “abstain”, the motion passed.

With no other business to present the board, the meeting was concluded.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 25th day of January, 2022.

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 Committee Meetings Agenda

Tuesday, January 25, 2022

Tennessee Tower; The Nashville
Room 312 Rosa L. Parks Avenue,
3rd Floor Nashville, TN 37243

A. Committee Meeting Items:

1. **Bond Finance Committee Meeting – 10:00 a.m. CT (Updated)**
   a. November 16, 2021 meeting minutes
   b. Underwriter Selection
   c. New Bond Issue, 2022-1

2. **Grants Committee Meeting – 10:05 a.m. CT**
   a. November 16, 2021 meeting minutes
   b. 2018 HOME Extension Requests

3. **Lending Committee Meeting – 10:10 a.m. CT**
   a. July 27, 2021 meeting minutes
   b. Housing Cost Index & Resolution
   c. Tennessee Homeowner Assistance Fund (TNHAF) Update Brief
   d. THDA Mortgage Process Brief

4. **Tax Credit Committee Meeting – 10:15 a.m. CT**
   a. November 16, 2021 meeting minutes
   b. 2022 MTBA Program Description (Updated)

Tennessee Housing Development Agency

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502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

THDA Board of Directors
Bond Finance Committee Meeting

Tuesday, January 25, 2022
10:00 a.m. Central Time

Tennessee Tower; The Nashville Room
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

AGENDA

Updated

a. Approval of Minutes from November 16, 2021 meeting
b. Underwriter Selection
c. New Bond Issue, 2022-1

Committee Members:
Matt McGauley, Chair
Commissioner Butch Eley
Secretary Tre Hargett
Treasurer David Lillard
Comptroller Jason Mumpower

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
November 16, 2021

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Tuesday, November 16, 2021, at 10:19 A.M. at the William R. Snodgrass Tennessee Tower, Nashville Room, 312 Rosa Parks Blvd; Nashville, TN 37243.

The following Committee members were present in person: Rick Neal (Acting Chair); Kevin Bradley (for Treasurer Lillard); Katie Armstrong (for Comptroller Jason Mumpower); Chris Mustain (for Secretary of State Tre Hargett) and Doree Hicks (for Commissioner of Finance & Administration Butch Eley). Also, other Board Members present were: Erin Merrick; Mathew McGauley; John K. Snodderly; Austin McMullen; and Tennion Reed.

Recognizing a quorum present, Acting Chair Rick Neal called the meeting to order at 10:19 a.m. Central Time. For the first order of business, Rick Neal called for consideration and approval of the September 28, 2021, Bond Finance Committee Meeting Minutes.

Upon motion by Rick Neal, second by Mr. Bradley, and following a vote with all members identified as present voting "yes", the motion carried to approve the September 28, 2021, minutes.

Acting Chair Rick Neal indicated the next item for consideration was the Underwriter Team Selection Process. Mr. Bruce Balcom, THDA Chief Legal Counsel, presented the following document for the Committee's consideration:

- A memorandum regarding the Underwriter Team Selection Process from Mr. Balcom and Ms. Sandi Thompson, Director of the Division of State Government Finance, dated November 2, 2021, that described the process to select the Underwriter Team as was detailed in the cover letter and the RFQ.

Mr. Balcom pointed out that staff recommended a structure that was similar to one used in the previous time period as follows:

- A maximum of three (3) senior managers on the underwriting team with the bookrunning senior manager position being selected from one of the two senior managers that did not serve as the bookrunner on the previous bond transaction.
- A maximum of three (3) co-managers with one additional co-manager elevated from the selling group. This corrected an error from the September 28, 2021, Bond Finance Committee meeting that noted only utilizing two co-managers.
- A selling group of selected in-state of regional firms with a public finance office and pricing desk located in Tennessee.

The memo also included staff recommendation for the creation of a committee to review the proposals received and make a recommendation to the Bond Finance Committee at its January 2022, meeting.

Upon motion by Ms. Armstrong, second by Mr. Bradley, and a vote with all members identified as present voting "yes", the motion carried to recommend the Underwriter Team Selection Process, as outlined in the memo, the approval of the cover letter and RFQ to be distributed, and the creation of the committee to review the proposals and make a recommendation to the Bond Finance Committee of the underwriting team.

Acting Chair Rick Neal noted the next item for business was the Fiscal Year 2022 – 2026 Five Year Financial Plan. Trent Ridley, THDA Chief Financial Officer, presented the following documents for the Committee's consideration:

- A memorandum dated November 2, 2021, with a recommendation to approve the Five-Year Financial Plan and attached was the FY22-26 Five-Year Financial Plan.

Upon motion by Mr. Bradley, second by Ms. Armstrong, and a vote with all members identified as present voting "yes", the motion carried to recommend the approval of the FY22-26 Financial Plan.

There being no further business, Acting Chair Rick Neal adjourned the meeting at 10:31 A.M.

Respectfully submitted,

Sandi Thompson,
Assistant Secretary
Approved this 25th day of January, 2022.

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

MEMORANDUM

Date: January 14, 2022

To: Bond Finance Committee of the
Tennessee Housing Development Agency Board of Directors

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

Re: Bond Finance Committee Staff Recommendations for THDA Underwriting Team

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Summary

Pursuant to authorization by the Bond Finance Committee and pursuant to Part VI of the THDA Debt Management Policy, the THDA cover letter and Request for Qualifications for Membership on the Team of Underwriters for THDA (the "RFQ") were distributed on November 17, 2021, to 31 firms. The number of firms included in the last process was 35. The list of firms included all members of the THDA underwriting team for the calendar years 2018-2021, all firms listed in the 2021 National Council of State Housing Agencies (NCSHA) directory under the heading "Underwriters", and other firms as recommended by THDA's financial advisor, CSG Incorporated. The RFQ was also posted on the THDA website.

Timely responses were received from the following 17 (seventeen) firms by the December 22, 2022, deadline:

Robert W. Baird & Co. ("Baird")
Bancroft Capital, LLC
Barclays
Blaylock Van, LLC
BofA Securities, Inc. ("BofA")
Citigroup Global Markets, Inc. ("Citi")
Duncan-Williams, Inc.
Fifth Third Securities, Inc. ("FTSI")
Jefferies LLC (Jefferies)
J.P. Morgan Securities LLC (J.P. Morgan)
Piper Sandler
Raymond James
RBC Capital Markets
Stern Brothers
UBS
Wells Fargo
Wiley Bros. Aintree Capital

All senior managers and co-managers, and three (3) of the seven (7) selling group members that served THDA in calendar years 2018-2021 responded. Selling group members that did not respond were: FTN, Hilliard Lyons, Harvestons, and Fidelity. Barclays, Blaylock Van, BofA, Citi, Jefferies, J.P. Morgan, Raymond James, RBC, UBS, and Wells Fargo indicated an interest in serving on the team of senior managers eligible to be a bookrunner and, all of these respondents indicated an interest in serving as a co-manager if not selected for a senior manager role. Bancroft, Duncan Williams, Fifth Third, Piper Sandler, Stern Brothers, and Wiley indicated an interest in serving as a co-manager with Baird indicating an interest in serving only as a selling group member and, in the alternative, Bancroft, Duncan-Williams, Fifth Third, J.P. Morgan, Piper Sandler, Raymond James, Stern, UBS, and Wiley indicated an interest in selling group membership.

The RFQ responses were distributed to the review team, consisting of THDA staff and other staff of Bond Finance Committee members, on December 29, 2021, for their review. The review team met on Thursday, January 13, 2022, to discuss the RFQ responses and to develop consensus recommendations regarding the underwriter pool and selling group for THDA negotiated bond issues. The review team members who participated via Webex included THDA staff, the State Government Finance director, and the designees of the state Treasurer, the Comptroller, and the Secretary of State: Bruce Balcom, Trent Ridley, Sandi Thompson, Kevin Bradley, Katie Armstrong, and Chris Mustain. In addition, at the request of the review team, representatives from CSG (THDA's financial advisor), participated to provide feedback on the RFQ responses, and additional information to assist the review team in reaching a recommendation to the Bond Finance Committee.

Consideration of suggestions from CSG

The review committee considered and discussed the following suggestions that CSG provided on the composition of the underwriting team as follows:

Senior-Manager

- No changes to underwriter team senior management team. The team has performed unusually well over an extended period.
- Retain THDA's discretion to change rotation and senior managers at any time.

Co-Manager

- To expand access to bonds for Tennesseans, add one co-manager with strong in-state and national retail distribution.
- Select firms based on their retail in-state and national network that also have strong housing underwriting experience and capabilities that would permit them to step into a senior manager role, if necessary.

Selling Group

- To expand access to bonds for Tennesseans, include any firm in the selling group with in-state retail distribution.
- Select firms based on in-state retail marketing capabilities. To address difficulty in finding local firms that can significantly expand Tennessee retail distribution, add 1) local firms with in-state retail, 2) regional firms with Tennessee retail, and 3) national firms with strong in-state retail presence.
- Consider selecting a selling group pool and adjusting the number of firms depending on size and scope of each financing.
- Monitor and use performance of selling group members and co-managers to periodically move non-performers out, at THDA's discretion at any time. In recent markets, softer retail demand has meant little downside from including more firms.
- Consider elevating strong, consistent selling group performers to standing co-manager roles.

Recommendations (See Note below)
Based on the analysis of the RFQs, the current structure of the underwriting team, the suggestions provided by CSG, which included a summary of the performance of the current underwriting team, the review committee recommends the following:

The THDA underwriting team will consist of three (3) senior managers and four (4) co-managers, one of which is reserved for the selling group member selected by the Bond Finance Committee based on performance in the immediately preceding THDA bond sale.

1) Based on the best combination of factors, including performance on prior THDA negotiated bond issues, RFQ responses that reflected an understanding of THDA and its preferences and practices, retail and institutional sales capacity, and experience with state housing finance agencies issuing single family bonds, the staff consensus was that Raymond James, Citi and RBC should be appointed senior managers for THDA bond issues for the period of January 1, 2022, to December 31, 2024.

2) As in the prior time period, rather than select the bookrunning senior manager based on a simple rotation, the bookrunning senior manager will be selected based on certain criteria as determined by the Bond Finance Committee in consultation with the Comptroller's Office and CSG. As always, THDA reserves the right to adjust the rotation or the factors to be considered at any time and for any reason. The rotation for bookrunning senior manager for THDA's first bond sale, Issue 2022-1, will be determined by the Authorized Officer.

3) With respect to co-managers, staff considered firms that were strong candidates for senior manager, but were not selected, as well as firms that submitted RFQ responses specifically oriented toward consideration as co-manager. Staff focused on past performance in THDA negotiated bond issues, retail and institutional sales capacity and quality of RFQ response and reached a consensus to recommend J.P. Morgan, Wells Fargo, and BofA as the three co-managers for THDA negotiated bond issues for the period of January 1, 2022, to December 31, 2024.

4) A selling group will be used with members selected based on having a strong Tennessee presence, strong retail distribution capacity in Tennessee, and prior performance. Staff recommended that Baird, Bancroft Capital, Duncan-Williams, Fifth Third, Piper Sandler, Stern Brothers, UBS, and Wiley be asked to participate in THDA negotiated bond issues as members of the selling group and be eligible to serve in the rotating co-manager position based on performance. The Bond Finance Committee reserves the right to add or remove members of the selling group based on performance.

5) The Bond Finance Committee reserves the right to adjust the composition of the senior manager group, the co-manager group or the selling group, including adding or removing members, at any time and for any reason the Bond Finance Committee deems appropriate.

Note: Attached as Exhibit 1 is the recommendation for the layout of the structure of the underwriting team and an example of the structure of the underwriting team for any given bond sale.

Background
Prior to the January 13, 2022, meeting, review team members reviewed the responses to the RFQ. Review team members also considered feedback and analysis prepared by CSG (a copy of which is attached), including a discussion with the group and a memo providing certain points regarding their review of the proposals.

During the telephonic meeting on January 13, 2022, for the benefit of the review team, CSG summarized the roles of the members of the underwriting team and provided feedback on the team's performance. CSG pointed out that the current senior underwriters had served THDA well with successful and well-executed bond sales. Regarding the co-managers, CSG suggested that THDA select and fill out the team with an additional co-manager. CSG also noted that the selection of selling group members was challenging with certain members performing better than others, and some not performing at all.

The consensus of the review team was that three (3) senior underwriters provided THDA with good representation, support, and coverage. Each member of the review committee concluded that based on their assessment of experience, performance, sales capacity, and response to the RFQ, and CSG's suggestion, they would keep the current senior underwriters, Citi, RBC and Raymond James in place.

The review team next considered the number of co-managers to be recommended. Based on CSG's suggestion, the consensus was to increase the number of firms from three (3) to four (4), which would spread some of the underwriting liability to an additional firm. The review team considered all firms who expressed interest in serving solely as co-manager as well as firms who expressed interest in serving as a co-manager as an alternative to senior manager. CSG suggested that the review team select firms based on their sales network, and strong housing underwriting experience and capabilities that would allow them to take on a senior manager role if needed.

Since the consensus of the review team was that JP Morgan and Wells Fargo had the next strongest responses to the three (3) firms selected as senior managers, the review team decided to recommend they be selected as co-managers. This was also based on, among other things, prior support of THDA bond issues, housing knowledge and knowledge of THDA and its preferences and practices. A discussion ensued regarding the selection of the third co-manager position. CSG pointed out that BofA's response had been as strong as the responses received from J.P. Morgan and Wells Fargo, with the strongest attributes being housing bond expertise, banker housing experience, and in-state retail presence.

The fourth co-manager would be a rotating co-manager position for every THDA bond issue and would be awarded to the selling group member who, on the most recent THDA bond sale, placed the most retail orders and best supported the bond issue. Therefore, the selling group member on the recommended list above who best supported THDA's Issue 2021-3 bond issue will be the rotating co-manager for the first negotiated THDA bond issue in 2022.

With regard to a selling group for THDA's negotiated bond sales, the consensus of the review team was that the firms that were not selected for either of the other two positions and had responded to the RFQ and indicated an interest to become a selling group member, would be selected for the position. The review team recommended the following firms, Baird, Bancroft Capital, Duncan-Williams, Fifth Third, Piper Sandler, Stern Brothers, UBS, and Wiley as selling group members for all THDA negotiated bond issues for the period of January 1, 2022, to December 31, 2024.

Exhibit 1

Staff recommendation of the structure of the THDA underwriting team:
3 Senior Managers: Citi, Raymond James, RBC
3 Co-Managers: BofA, JP Morgan, Wells Fargo
8 Selling Group Members:

- Baird
- Bancroft Capital
- Duncan-Williams
- Fifth Third
- Piper Sandler
- Stern Brothers
- UBS
- Wiley

Staff recommendation of the underwriting team for each bond sale:
1 Senior Bookrunning (lead) Manager
2 Managers (the other Senior Managers)
4 Co-Managers (3 standing co-managers, plus one elevated from the Selling Group on a rotating performance basis)
7 Selling Group Members

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MEMORANDUM

TO: THDA Underwriter Review Committee

FROM: CSG Advisors

DATE: January 13, 2022

SUBJECT: THDA Underwriter Roles and Suggestions

THDA's Underwriting Group Structure – 2018 – 2021.
While fostering competition between managers and with a strong commitment to fair allocation of bonds to orders, the stable team structure of THDA's underwriting group and offering terms and THDA's frequency in the market have served to build THDA's strong regard in the bond market and broaden investor support. THDA's focus on rewarding performance and in-state retail sales have been important, consistent long-term features of THDA's bond offerings.

Roles of Underwriting Team Members

- **1 bookrunning senior manager** selected from among co-seniors for each transaction
  - direct retail and institutional sales
  - marketing to institutions and professional retail
  - purchase unsold bonds at least up to liability
  - compensated from retail sales, shares of institutional sales, management fee
- **2 co-senior managers**
  - direct retail sales
  - support marketing to institutions and professional retail
  - purchase unsold bonds at least up to liability
  - compensated from retail sales, shares of institutional sales
- **2 co-managers**
  - direct retail sales
  - support marketing to institutions and professional retail
  - purchase unsold bonds at least up to liability
  - compensated from retail sales, shares of institutional sales

- **<u>1 elevated co-manager</u>** (selling group member with best performance on prior issue
  - direct retail sales
  - purchase unsold bonds at least up to liability
  - compensated from retail sales, shares of institutional sales
- **<u>3 selling group members</u>** (Attrition of local firms with strong in-state retail presence has been a key factor in the drop in the number of suitable firms from 7 a few years ago.)
  - direct retail sales
  - compensated from retail sales

Senior-Manager Suggestions

- No changes to underwriter team senior management team. The team has performed unusually well over an extended period.
- Retain THDA's discretion to change rotation and senior managers at any time.

Co-Manager Suggestions

- To expand access to bonds for Tennesseans, add one co-manager with strong in-state and national retail distribution.
- Select firms based on their retail in-state and national network that also have strong housing underwriting experience and capabilities that would permit them to step into a senior manager role, if necessary.

Selling Group Suggestions

- To expand access to bonds for Tennesseans, include any firm in the selling group with in-state retail distribution.
- Select firms based on in-state retail marketing capabilities. To address difficulty in finding local firms that can significantly expand Tennessee retail distribution, add 1) local firms with in-state retail, 2) regional firms with Tennessee retail, and 3) national firms with strong in-state retail presence.
- Consider selecting a selling group pool and adjusting the number of firms depending on size and scope of each financing.

- Monitor and use performance of selling group members and co-managers to periodically move non-performers out, at THDA's discretion at any time. In recent markets, softer retail demand has meant little downside from including more firms.
- Consider elevating strong, consistent selling group performers to standing co-manager roles.

Tennessee Housing Development Agency

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502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM: Bruce Balcom, Chief Legal Counsel

SUBJECT: Bond Issue 2022-1

DATE: January 18, 2022

Recommendation

Approval of the Plan of Financing, the Authorizing Resolution, including the form of the Supplemental Resolution, and the Reimbursement Resolution for Bond Issue 2022-1

Actions for the Committee: Approving the plan of financing, authorizing the resolution including supplemental resolution, and authorizing the reimbursement resolution for Bond Issue 2022-1

Actions for the Board: Authorizing the resolution including the supplemental resolution, and authorizing the reimbursement resolution for Bond Issue 2022-1

Key Points

With production increasing at the close of last year, and remaining robust to begin 2022, projections indicate that 2022-1 commitments will begin sometime in February.

Background

Attached please find the following documents in connection with the requested authorization of the THDA bond issue, Issue 2022-1:

1. Memo from CSG Advisors Incorporated ("CSG") recommending authorization in the maximum principal amount of $175,000,000 for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. Staff expects this bond issue to be priced in March of 2022, with closing in late April 2022, depending on THDA loan production. The final size and structure will be determined by the Authorized Officer closer to pricing.

2. THDA Plan of Financing for Issue 2022-1 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.

3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2022-1, that includes the form of Supplemental Resolution for Issue 2022-1 and that authorizes the referenced bond issue and delegates authority to the Authorized Officer to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.

4. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2022-1 in an amount not to exceed $100,000,000. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2022-1 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the "Debt Management Policy"). In particular, Issue 2022-1 complies with the Debt Management Policy as follows:

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

Part VIII - the issuance of this debt will not cause THDA to exceed the statutory debt limit contained in TCA Section 13-23-121, assuming the bill currently on the Governor's desk is not vetoed.

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

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

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

Parts XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2021-1 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

SENIOR BOOKRUNNING MANAGER AND ROTATING CO-MANAGER

As the composition of the underwriting team was not known prior to this meeting, the Senior Bookrunning Manager and elevated selling group member will be selected by the Authorized Officer after an opportunity to consult with THDA's financial advisor.

SELLING GROUP

As determined by the Bond Finance Committee decision concerning the new underwriter team.

CSG | advisors

Atlanta • Los Angeles • New York • San Francisco

MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee

FROM: Tim Rittenhouse, David Jones, and Eric Olson

SUBJECT: Bond Issue Authorization Recommendation

RE: Residential Finance Program Bonds, Issue 2022-1

DATE: January 13, 2022

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a $175 million Issue 2022-1 under the Residential Housing Finance Program Bond Resolution as new money bonds to fund THDA's mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale date based on THDA's pipeline and interest rates at the time.
- Issue 2021-3 closed on December 16, 2021, and THDA expects it to be fully committed as soon as early February, at which time THDA will begin committing against Issue 2022-1.
- Issue 2022-1, if authorized, is expected to be sold sometime in March for a closing in April.
- Once THDA's new underwriting team is selected and established, we will follow up with a recommendation as to book-running senior manager and elevating selling group member.

Background

On December 16, 2021, THDA closed Residential Finance Program Bonds, Issue 2021-3 (Non-AMT) to a) finance $40 million in new mortgage loans, b) economically refund certain prior bonds, and c) preserve $79.18 million in prior year volume cap that would have otherwise expired at the end of 2021. As of early January, THDA estimates that by early February, all funds available for purchasing new loans will be committed.

When the Issue 2021-3 proceeds are exhausted, THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2022-1. As soon as February, THDA anticipates beginning to build a pipeline of mortgage loans to be funded with Issue 2022-1. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2022-1, assuming a closing in late April.

Issue 2022-1 is expected to replace and refund Issue 2021-3B bonds in the amount of $79.18 million to preserve private activity volume cap. No economic refunding component is proposed.

Proposed Sizing and Structure

Authorizing a bond issue of not to exceed $175 million is expected to allow THDA to continue purchasing mortgage loans through the spring and perhaps beyond. The ultimate size of the issue will depend on mortgage loan demand until pricing, on interest rates, and on an assessment of negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond interest rate before the proceeds can be used to purchase mortgage loans).

In addition to the $79.18 million in volume cap that is being stored with Issue 2021-3B, THDA has unused volume cap carried forward from 2019 totaling approximately $250.6 million that must be used by December 31, 2022. Including the replacement refunding of the 2021-3B non-AMT bonds, Issue 2022-1 is expected to consist entirely of non-AMT bonds given the large amount of 2019 carry forward volume cap that will expire if not used.

Based on current market conditions and investor appetite, structuring Issue 2022-1 to include planned amortization class bonds (“PACs”) to be sold at a premium would significantly lower the issue’s bond yield. PACs are often priced at a premium and most frequently designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same maturity.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed slower than 100% PSA, causing the PACs to remain outstanding longer than projected and potentially extending the period during which THDA would pay the high coupon on these bonds. However, THDA’s average historical prepayment speed is greater than 150% PSA (current prepayment speeds exceed that dramatically). Also, if the actual sustained prepayment speed is less than 100% PSA, at its option THDA could choose to redeem the PACs up to 100% PSA experience with other available funds in order to maintain the short average life of the PACs.

Six alternative bond structures are shown in Exhibit A and summarized below. In each case after calculating an estimated bond yield, the spread for tax compliance purposes between the mortgage loan yield and the bond yield was determined. Then, the amount of zero participation loans needed to achieve a tax-exempt yield spread of 1.125% was computed, based on current bond interest rates and THDA’s current mortgage rates.

Scenarios 1-3 assume THDA’s current loan rates of 2.75% and 2.25%, respectively, for its Great Choice and Homeownership for the Brave mortgage programs.

- ***Scenario 1*** shows a level-debt issue with no PAC bonds and a tax-exempt yield spread of 0.252%. $56.6 million of zero participation loans would be consumed to reach the full 1.125% spread.
- ***Scenario 2*** includes PAC bonds, with the PAC bond repayments spread throughout the overall maturity structure of the issue. The lower yield on the PAC reduces the overall bond yield by

approximately 0.17%. This results in an aggregate yield spread of 0.424%. $45.6 million of zero participation loans would be consumed to bring the issue to a full 1.125% spread.

- ***Scenario 3*** also includes PAC bonds, but with the scheduled PAC repayments fully back-loaded within the overall maturity structure of the issue. Compared to Scenario 2, this lowers the overall bond yield by 0.08%. This results in an aggregate yield spread of 0.502%. $40.6 million of zero participation loans would be consumed to reach a full 1.125% spread.

Given the relatively low yield spreads in Scenarios 1-3, we ran an additional set of the three scenarios using loan rates 0.25% higher than THDA's current rates. Scenarios 4-6 summarized below reflect loan rates of 3.00% and 2.50%, respectively, for the Great Choice and Homeownership for the Brave mortgage programs.

- ***Scenario 4*** shows a level-debt issue with no PAC bonds and a tax-exempt yield spread of 0.497%. $37.1 million of zero participation loans would be consumed to reach the full 1.125% spread.
- ***Scenario 5*** includes PAC bonds, with the PAC bond repayments spread throughout the overall maturity structure of the issue. The lower yield on the PAC reduces the overall bond yield by approximately 0.17%. This results in an aggregate yield spread of 0.665%. $27.2 million of zero participation loans would be consumed to bring the issue to a full 1.125% spread.
- ***Scenario 6*** also includes PAC bonds, but with the scheduled PAC repayments fully back-loaded within the overall maturity structure of the issue. Compared to Scenario 2, this lowers the overall bond yield by 0.08%. This results in an aggregate yield spread of 0.742%. $22.8 million of zero participation loans would be consumed to reach a full 1.125% spread.

It should be noted that THDA has accumulated approximately $97.6 million in zeros that can be used to subsidize new bond issues, such as Issue 2022-1. The amount of zero participation loans that THDA accumulated helps mitigate for THDA the risk of higher bond rates on future transactions, particularly with fewer economic refunding opportunities over the next few years than in the recent past. At the same time, given the large amount of zeros that has built up over the last several years, THDA should seek to begin consuming a portion of the zeros as we project it will with Issue 2022-1.

As the financing is developed, production needs will be refined, and as the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds to assess if further refinement of the structure could offer improvement in the pricing of Issue 2022-1.

Issuing the Issue 2022-1 Bonds under the 2013 General Resolution avoids a state moral obligation pledge on the bonds.

Since THDA has the 2019 carryforward volume cap at its disposal as well as the proceeds from Issue 2021-3B, it is not expected that THDA will "replacement refund" portions of bonds that THDA redeems in its normal course of monthly bond redemptions and use such eligible amounts as volume cap against THDA's Issue 2022-1 bond issue.

Method of Sale

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

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

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

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

Bond Structure – Though Issue 2022-1 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, to add additional maturities or features, or to use bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in a number of THDA's offerings in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

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

Current Market Conditions

The overall fixed income markets and the municipal bond market have been functioning well, providing tax-exempt housing bond issuers with historically low costs of funds. The coronavirus pandemic and uncertainty related to the pace of an economic recovery have sustained a flight to the safety of US Treasuries, keeping yields low. Important in maintaining an attractive environment for housing bonds has been the Federal Reserve's aggressive role in holding the fed funds rate close to 0%, making heavy purchases of a broad spectrum of bonds, and lowering interest rate expectations.

Recommendations

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

- Authorize the sale and issuance of Residential Finance Program Bonds, Issue 2022-1, with a par amount not to exceed $175 million;
- Delegate to the Authorizing Officer authority to:
    - Establish the principal amount of Issue 2022-1;
    - Establish the structure, sub-series and pricing schedule of Issue 2022-1; and
    - Approve fixed-rate serial and term bonds in any combination with maturities no longer than 32 years;
- Based on current market conditions and for the reasons described above, authorize Issue 2022-1 via a negotiated sale; and
- Delegate the selection of the book-running senior manager and elevated selling group member for Issue 2022-1 to the Authorizing Officer once the underwriter team has been selected.

EXHIBIT A:
PRELIMINARY STRUCTURING ANALYSIS

EXHIBIT A: STRUCTURING SCENARIOS

Tennessee Housing Development Agency Issue 2022-1
Prepared by CSG Advisors 1/12/22

		SCENARIOS AT CURRENT 2.75% GREAT CHOICE RATE:						SCENARIOS IF GREAT CHOICE RATE INCREASED TO 3.00%:					
		1		2		3		4		5		6	
Key Structuring Variables		***No PAC***		***PAC Throughout Maturity Schedule***		***PAC Fully Backloaded***		***No PAC***		***PAC Throughout Maturity Schedule***		***PAC Fully Backloaded***	
Great Choice Loan Rate		2.75%		2.75%		2.75%		3.00%		3.00%		3.00%	
Including PAC Bonds		No		Yes		Yes		No		Yes		Yes	
PAC Bond Maturity Years		N/A		2023 - 2052		2046 - 2052		N/A		2023 - 2052		2046 - 2052	
Mortgage Production Assumptions													
Great Choice	2.750%	171,500,000		171,500,000		171,500,000		-		-		-	
Great Choice	3.000%	-		-		-		171,500,000		171,500,000		171,500,000	
Homeownership for the Brave	2.250%	3,500,000		3,500,000		3,500,000		-		-		-	
Homeownership for the Brave	2.500%	-		-		-		3,500,000		3,500,000		3,500,000	
Total		175,000,000		175,000,000		175,000,000		175,000,000		175,000,000		175,000,000	
Bond Series and Amounts													
New Money	Non-AMT	175,000,000		175,000,000		175,000,000		175,000,000		175,000,000		175,000,000	
Bond Structure (full spread structure)													
Non-AMT	Coupon / Yield												
Serials	0.350% - 2.150%	55,305,000	*32%*	36,160,000	*21%*	55,305,000	*32%*	55,305,000	*32%*	36,845,000	*21%*	55,305,000	*32%*
1/1/2037 Term	2.250%	16,380,000	*9%*	10,710,000	*6%*	16,380,000	*9%*	16,380,000	*9%*	10,920,000	*6%*	16,380,000	*9%*
1/1/2042 Term	2.500%	30,040,000	*17%*	19,640,000	*11%*	30,040,000	*17%*	30,040,000	*17%*	20,010,000	*11%*	30,040,000	*17%*
1/1/2047 Term	2.700%	34,165,000	*20%*	22,335,000	*13%*	27,105,000	*15%*	34,165,000	*20%*	22,760,000	*13%*	28,855,000	*16%*
1/1/2052 Term	2.750%	39,110,000	*22%*	25,575,000	*15%*	-	*0%*	39,110,000	*22%*	26,055,000	*15%*	-	*0%*
7/1/2052 PAC Term	3.00% / 1.43%	-	*0%*	60,580,000	*35%*	46,170,000	*26%*	-	*0%*	58,410,000	*33%*	44,420,000	*25%*
Total		175,000,000	*100%*	175,000,000	*100%*	175,000,000	*100%*	175,000,000	*100%*	175,000,000	*100%*	175,000,000	*100%*
Yields If No Loan Participations In or Out													
Mortgage Yield		2.693%		2.693%		2.693%		2.939%		2.939%		2.939%	
Bond Yield		2.441%		2.269%		2.191%		2.442%		2.274%		2.198%	
Yield Spread		0.252%		0.424%		0.502%		0.497%		0.665%		0.742%	
GC Loan Rate to Achieve 1.125% Yield Spread		3.64%		3.47%		3.39%		3.64%		3.47%		3.39%	
Loan Particip. to Achieve 1.125% Yield Spread													
0% Loans (Consumed) from 2020-4 & 2021-1		(56,600,000)		(45,610,000)		(44,030,000)		(44,030,000)		(44,030,000)		(44,030,000)	
0% Loans Created from 2022-1		-		-		3,455,000		6,905,000		16,785,000		21,185,000	
Net Zero Percent Loans (Consumed) / Created		(56,600,000)		(45,610,000)		(40,575,000)		(37,125,000)		(27,245,000)		(22,845,000)	
New Volume Cap Needed													
2022-1 (Non-AMT)		175,000,000		175,000,000 *+ PAC premium*		175,000,000 *+ PAC premium*		175,000,000		175,000,000 *+ PAC premium*		175,000,000 *+ PAC premium*	
Rating Agency Cash Flow Runs		No Additional Stress		No Additional Stress		Relies on strength of 2013 Resolution for added PAC stress of $16,600,000		No Additional Stress		No Additional Stress		Relies on strength of 2013 Resolution for added PAC stress of $15,400,000	

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

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2022-1 (the "Bonds"), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the "General Resolution").

The aggregate principal amount of the Bonds shall not exceed $175,000,000. The actual aggregate principal amount shall be determined by the Authorized Officer appointed by the THDA Board of Directors (the "Authorized Officer") upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA's Bond Counsel and may take into account the following limitations and other factors:

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

(2) the amount of Bonds which may be issued to refund bonds or notes outstanding under the General Resolution, the General Homeownership Program Bond Resolution (the "1985 Resolution"); or under the General Housing Finance Resolution (the "2009 Resolution") to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and

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

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

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

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

APPLICATION OF PROCEEDS:	Proceeds of the Bonds will be applied to (i) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the General Resolution, the 1985 Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof; and (ii) other uses as specified below in approximately the following amounts: 90% for single-family first lien mortgage loans, refinancing outstanding bonds; 8% for bond reserve; 1% for capitalized interest; and 1% for cost of issuance and underwriter's discount/fee.
DATE, METHOD AND TERMS OF SALE:	The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than June 30, 2022. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.
MATURITIES:	The Bonds may be any combination of tax-exempt and/or taxable long and/or short term serial, term, and/or discounted or premium bonds as may be determined by the Authorized Officer. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance.
BOND INTEREST RATES:	The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum.
REDEMPTION TERMS:	The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Authorized Officer.
LOAN INTEREST RATES AND COST OF ADMINISTRATION:	Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA's costs of administration for the Bonds may be paid. The minimum spread necessary to finance the Issue 2022-1 Program Loans may be as low as 60 basis points.

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2022-1
January 25, 2022

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the "Act"), the Bond Finance Committee of the THDA Board of Directors (the "Committee"), on January 25, 2022, approved a plan of financing for Residential Finance Program Bonds, Issue 2022-1 (the "Bonds") in an aggregate par amount not to exceed $175,000,000 (the "Plan of Financing"); and

WHEREAS, the Plan of Financing provides for the Bonds to be issued as additional series of long term and/or short term tax-exempt and/or taxable bonds, with fixed interest rates, under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the "General Resolution") and to be sold by competitive or negotiated sale, all at the election of the Authorized Officer; and

WHEREAS, THDA on January 26, 2021, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 5, 2021, primary housing costs exceed 25% of an average Tennessee household's gross monthly income; and

WHEREAS, pursuant to Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"), THDA must conduct a public hearing regarding the issuance of the Bonds and submit the results of the public hearing to the Governor of the State of Tennessee for approval; and

WHEREAS, THDA proposes to distribute a preliminary official statement (the "Preliminary Official Statement") to prospective purchasers and to make available to the respective purchasers a final official statement (the "Official Statement") with respect to the Bonds; and

WHEREAS, the Board wishes to authorize the Authorized Officer to proceed with the issuance and sale of the Bonds to provide funds for THDA's programs in accordance with the Plan of Financing and this Resolution.

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

1. The Secretary of the Committee, or in the absence of the Secretary of the Committee, an officer designated by the Secretary of the Committee is appointed as the authorized officer (the "Authorized Officer") and is authorized to sell the Bonds and to fix the details of the Bonds in accordance with the Plan of Financing and this Resolution.

2. The issuance and sale of the Bonds, in an aggregate par amount not to exceed $175,000,000, with the final terms, all as determined by the Authorized Officer pursuant to the Plan of Financing and upon the recommendation of THDA's Financial Advisor, and the Executive Director, with the approval of THDA's Bond Counsel, is hereby authorized.

3. The resolution titled "A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, $___________ Issue 2022-1A (Non-AMT), and $__________ Issue 2022-1B (Federally Taxable), (the "Supplemental Resolution"), in the form attached hereto, is adopted, subject to the provisions contained herein.

4. THDA is authorized and directed to conduct a public hearing prior to the issuance of the Bonds, to the extent required by the Code, with reasonable public notice and to submit the results of the public hearing to the Governor to obtain the Governor's written approval.

5. The Authorized Officer is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds; (f) approve a final principal amount or amounts, not

to exceed a par amount of $175,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Authorized Officer, upon the recommendation of the Executive Director with the approval of Chief Legal Counsel of THDA and Bond Counsel, as the Authorized Officer shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; (j) select the senior bookrunning manager and the rotating co-manager upon the recommendation of the Financial Advisor and THDA staff; and (k) award the Bonds in accordance therewith. At the discretion of the Authorized Officer, the Bonds may include new volume cap and any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Resolution, under the General Homeownership Program Bond Resolution or under the General Housing Finance Resolution, including, without limitation, to produce proceeds for new mortgage loans or to produce economic savings or opportunities for interest rate subsidies. In addition, the Authorized Officer, at their discretion, may elect to transfer resources from the General Homeownership Program Bond Resolution and/or the General Housing Finance Resolution to the General Resolution in connection with the issuance of the Bonds upon recommendation of the Executive Director or Secretary of the Committee with the approval of Bond Counsel, Financial Advisor and Chief Legal Counsel.

6. The Assistant Secretary of the Committee, with the assistance of Bond Counsel, the Financial Advisor, and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare a Preliminary Official Statement and a final Official Statement for printing and distribution in connection with the issuance and sale of the Bonds.

7. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the competitive sale of all or any portion of the Bonds or all documents, including, without limitation, a purchase agreement or purchase agreements in a form appropriate for a negotiated sale, including a private placement, of all or any portion of the Bonds, as determined to be necessary or appropriate, for a negotiated sale of all or any portion of the Bonds.

8. The Authorized Officer is hereby authorized to execute (i) the proposal submitted by the lowest bidder or bidders in the event of a competitive sale of all or any portion of the Bonds or (ii) purchase agreements in the event of a negotiated sale, including a private placement, of all or any portion of the Bonds, the form of which has been approved by the Authorized Officer, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to deliver the Bonds as appropriate.

9. The Authorized Officer, and the Chair, the Vice-Chair, the Executive Director, the Director of Finance and the Chief Legal Counsel of THDA and other appropriate officers and employees of THDA are hereby authorized to do and perform or cause to be done and performed, for or on behalf of THDA, all acts and things (including, without limitation, execution and delivery of documents) that constitute conditions precedent to the issuance and sale of the Bonds or that are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the issuance and sale of the Bonds.

10. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Supplemental Resolution, as the context indicates.

11. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on January 25, 2022.

To view the Supplemental Resolution, please click on this link:
https://thda.org/pdf/2022-1-Initial-Supplemental-Resolution-THDA.pdf

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSMENT OF THDA
FROM PROCEEDS OF ISSUE 2022-1
January 25, 2022

WHEREAS, the Tennessee Housing Development Agency ("THDA") is financing mortgage loans for eligible borrowers to purchase single family residences in compliance with the Internal Revenue Code of 1986, as amended (the "Code"), and the General Residential Finance Program Bond Resolution, (the "2013 General Resolution"); and

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2022-1, if and when issued and sold (the "Bonds"), through the direct purchase of eligible mortgage loans; and

WHEREAS, THDA will continue to commit and purchase mortgage loans prior to the closing date for the Bonds (the "Closing"); and

WHEREAS, THDA expects that up to $100,000,000 in mortgage loans may be purchased prior to Closing; and

WHEREAS, it is in the best interest of THDA to reimburse itself from the proceeds of the Bonds for THDA funds expended to purchase mortgage loans prior to the Closing.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THDA THAT:

1. Use of proceeds from the Bonds in an amount not to exceed $100,000,000 shall be used to reimburse THDA for the actual amounts expended to purchase mortgage loans made to eligible borrowers who purchased single family residences in accordance with the requirements of the Code and the 2013 General Resolution.

2. This resolution shall take effect immediately.

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
Grants Committee Meeting

Tuesday, January 25, 2022
10:05 a.m. Central Time

Tennessee Tower; The Nashville Room
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

AGENDA

a. Approval of minutes from November 16, 2021 meeting
b. 2018 HOME Extension Requests

Committee Members:
Austin McMullen, Chair
Secretary Tre Hargett
Comptroller Jason Mumpower
Rick Neal
Tennion Reed

TENNESSEE HOUSING DEVEOPMENT AGENCY
GRANTS COMMITTEE MEETING MINUTES
November 16, 2021

Pursuant to the call of the Chairman, the Grants Committee (the "Committee") of the Tennessee Housing Development Agency (THDA) Board of Directors (the "Board") met in regular session on Tuesday, November 16, 2021, at 10:30 a.m. in the Nashville Room of William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following committee members were present in person Chris Mustain (for Tre Hargett Secretary of Treasury), Tennion Reed, Rick Neal, Katie Armstrong (for Comptroller Jason Mumpower) and Austin McMullen (Chair).

Recognizing a quorum present, Chair McMullen called the Grants Committee meeting to order and for consideration of the September 28, 2021, Grants Committee meeting minutes. Upon motion by Rick Neal, seconded by Chris Mustain, and a vote with all members voting "yes", the motion was adopted and the minutes were approved.

Chair McMullen recognized Cynthia Peraza, Director of Community Programs at THDA. Ms. Peraza was asked to summarize the programs being presented; the Request for COVID-19 Rent Relief Program Description, 2022 Emergency Solutions Grant Program Description and Memo, 2022 HOME Program Description and Memo, and the 2022 National Housing Trust Fund Program Description and Memo. Chair McMullen wanted each program to be reviewed and then to have one vote for all four programs.

Ms. Peraza referenced the Request for COVID-19 Rent Relief updated memo dated October 18, 2021. She explained, early in the year, THDA received $383 million dollars from U.S. Dept. of Treasury to administer and develop Emergency Rental Assistance funds which are offered in 91 of our 95 Tennessee counties. The purpose of these funds is to provide housing stability during the pandemic to tenants who earn less than 80% AMI. It will also provide rental assistance, utility assistant and future rental assistance for up to 18 months to help prevent evictions. In July, THDA received a second set of funds totaling $312 million. The main difference between these two programs is 1) the first round of funds is for households who faced a COVID related hardship. Whereas, the second round of funds is for households who faced a hardship during the pandemic, so not necessarily tied to the COVID hardship. 2) The first round provides assistance through September 30, 2022 while the second round of funds provides assistance through 2025. The staff recommends that THDA Board take the following action:

- Adopt the attached updated 2021 COVID-19 Rent Relief Program Description;
- Authorize staff to make minor program changes and housekeeping changes to the programs, as deemed necessary, or as directed by the U.S. Treasury; and
- Authorize all appropriate staff to do all things necessary and proper, including execution of all documents, to carry out the described changes.

In answering a question Ms. Peraza explained that from March 2021 to date, we have dispersed over 42 million dollars and assisted over 1900 families.

Ms. Peraza referenced the 2022 Emergency Solutions Grants Program Description dated October 18, 2021. This Federally funded program is to help the State fund nonprofits and local governments and to help people who are homeless or at risk of homelessness. THDA expects to receive approximately 3 million dollars in ESG funding for fiscal year 2022. In combination with funds from prior years, THDA will make these funds available. The only change that was made to the program description is the implementation dates. Staff recommends the Board approve the following:

- Adoption of the attached proposed 2022 Emergency Solution Grants (ESG) Program Description as attached ("Program Description");
- Authorization of the Executive Director or a designee to award 2022 ESG 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; and
- Allow 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.

Ms. Peraza referenced the 2022 HOME Urban Rural Program Description and memo dated October 18, 2021. THDA anticipates receiving 14 million dollars for the 2022 HOME program to implement eligible activities across Tennessee. All funds will be used to provide resources for homeownership, rehabilitation and second mortgages for down payment assistance, closing cost assistance to help low income to moderate income homeowners. The detailed changes are listed in the memorandum (attached). The staff recommends the Board approve the following:

- Adoption of the attached proposed 2022 HOME Urban Rural Program Description ("Program Description").
- Authorize the Executive Director or a designee to award the 2022 HOME Urban Rural Program 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; and
- Allow staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director.

Ms. Peraza explained the 2022 National Housing Trust Fund Program Description and Memo dated October 18, 2021 which is administered by THDA to make funding available for the development of affordable rental housing for extremely low income households. THDA anticipates to receive approximately 8.7 million dollars in funds this year. Once the allocation is available, THDA sets aside 10% for administrative costs and has the remaining balance available for competitive purposes to help preserve and expand rental housing options for this targeted population. The program description is attached with the one highlighted update as the increase in the maximum award to cover the surging costs of building materials. HUD has not yet published the exact funding amount to be given to THDA to administer. But on July 1 of this year, Governor Lee did announce the counties to be considered as distressed, those are: Lake, Lauderdale, Perry, Clay, Grundy, Scott, Bledsoe, Hancock, and Cook. Staff recommends the Board approve the following:

- Adoption of the attached proposed 2022 National Housing Trust Fund (NHTF) Program Description ("Program Description");

- Authorize the Executive Director or a designee to award 2022 NHTF resources 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; and
- Allow staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director.

Since there were no questions or discussion, Chair McMullen entertained a motion regarding these four programs; 2021 COVID-19 Rent Relief Program, 2022 Emergency Solutions Grant Program, 2022 HOME Urban Rural Program and the 2022 National Housing Trust Fund Program. The approval of these program descriptions, the authorization to award funds, the authorization of minor programmatic changes as necessary and the authorization for staff to manage administrative tasks, allows there to be need a motion. Motion was made by Ms. Armstrong, second by Mr. Neal, and a vote with all members identified as present voting "yes" motion carried and the motion was adopted.

With no further business, the meeting was adjourned at 10:49 a.m.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 25th day of January, 2022.

Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM: Cynthia Peraza, Director of Community Programs
Don Watt, Chief Program Officer

SUBJECT: 2018 HOME Extension Recommendation

DATE: January 10, 2022

Recommendation

THDA recommends a 6-month extension of the following 2018 HOME grants in order to complete rehabilitation work on the homes of specific units approved by THDA staff: City of Covington, City of Henning, Lake County, City of Mason, City of Tellico Plains, City of Trenton, and Wilson County. Grantees may not undertake rehabilitation work on any units that have not been approved for this extension by THDA staff. Additionally, staff recommends that Community Development Partners be prohibited from administering any grants for localities in an application to THDA for HOME funds during the 2022 HOME Urban/Rural application round.

This item requires action by the committee and by the board.

Background

THDA staff determined in June 2021 that certain HOME grants administered by Community Development Partners (CDP) had not met the 20% threshold for expenditure of HOME funds in order to be considered for a grant extension following the three year period of grant implementation. These grantees included:

Grant Program	Grantee	Three Year Expenditure Amount as of June 30, 2021
2018 HOME	City of Covington	0%
2018 HOME	City of Henning	0%
2018 HOME	Lake County	1%
2018 HOME	City of Mason	1%
2018 HOME	City of Oliver Springs	9%
2018 HOME	City of Tellico Plains	1%
2018 HOME	City of Trenton	1%
2018 HOME	City of Vonore	1%
2018 HOME	Wilson County	16%

Following the appeal of grantees and their administrator to the Executive Director, six month extensions were granted with the condition that no further extensions would be granted.

In December, the following grantees submitted 6-month extension requests to complete projects partially completed, yet currently underway:

Grant Program	Grantee	42 month Expenditure Amount as of December 2021	Number of Projects in Progress
2018 HOME	City of Covington	18%	2
2018 HOME	City of Henning	15%	3
2018 HOME	Lake County	8%	3
2018 HOME	City of Mason	1%	3
2018 HOME	City of Tellico Plains	1%	1
2018 HOME	City of Trenton	16%	3
2018 HOME	Wilson County	57%	3

The grantees cited a range of issues prohibiting their ability to complete rehabilitation work, including: having to re-bid projects multiple times, contractor/sub-contractor scheduling, contractor/sub-contractor illness, and building material shipment delays.

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
Lending Committee Meeting

Tuesday, January 25, 2022
10:10 a.m. Central Time

Tennessee Tower; The Nashville Room
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

AGENDA

a. Approval of Minutes from July 27, 2021 meeting
b. Housing Cost Index & Resolution
c. Tennessee Homeowner Assistance Fund (TNHAF) Update Brief
d. THDA Mortgage Process Brief

Committee Members:
Chrissi Rhea, Chair
Commissioner Butch Eley
Mike Hardwick
Matt McGauley
Erin Merrick
Rick Neal

TENNESSEE HOUSING DEVELOPMENT AGENCY
LENDING COMMITTEE MEETING MINUTES
July 27, 2021

Pursuant to the call of the Chairman, the Lending Committee (the "Committee") of the Tennessee Housing Development Agency ("THDA") Board of Directors (the "Board") met in regular session on Tuesday, July 27, 2021, at 10:32 a.m., in the Nashville room of the William R. Snodgrass Tennessee Tower Building.

The following Committee members were present; Matt McGauley (Chair), Erin Merrick, Rick Neal, and Doree Hicks for Commissioner of Finance and Administration, Commissioner Butch Eley.

Chair McGauley called the Committee meeting to order.

Chair McGauley called for consideration of the minutes from the January 19, 2021, motion by Ms. Merrick, second by Mr. Neal, and with all Committee members identified as present voting yes, the referenced minutes were approved.

Chair McGauley called on Lindsay Hall, THDA Single Family Programs COO, to present on the Homeowners Assistance Fund. Referring to her memo dated July 6, 2021, Mrs. Hall asked the board to approve THDA to administer HAF funds on behalf of the State of Tennessee as assigned by Governor Lee to those eligible homeowners experiencing a financial hardship related to the COVID-19 pandemic. Motion to approve by Mr. Neal, second by Ms. Hicks, and with all Committee members identified as present voting yes, THDA's request to administer HAF funds was approved.

Referring to her memo dated July 6, 2021, Lindsay Hall, THDA Single Family Programs COO, also recommended the increase of Acquisition Cost Limits in 82 of the 95 counties in Tennessee. Eighty two counties in Tennessee would see an increase of $50,000 making the maximum acquisition costs $300,000 in 44 counties and $350,000 in 38 counties. Motion to approve by Mr. Neal, second by Ms. Merrick, and with all Committee members identified as present voting yes, Acquisition Cost Limit increases were approved.

Lindsay Hall, THDA Single Family Programs COO, then spoke before the Committee on the proposed change to New Start Mortgage Loan Program Max Loan Amounts. Referencing her memo dated July 27, 2021, THDA is seeking board approval to raise the max New Start Mortgage Loan amounts to $200,000 in the middle TN counties of Williamson, Sumner, Davidson, Rutherford, Maury, and Wilson. All other counties will see an increase in their limit to $140,000. Motion to approve by Mr. Neal, second by Ms. Merrick, and with all Committee members identified as present voting yes, New Start Loan Amount increases were approved.

There being no questions and no further business, Chair McGauley adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 25th day of January, 2022.

Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

<u>MEMORANDUM</u>

TO:	THDA Board of Directors
FROM:	Dr. Hulya Arik, Economist Dr. Dhathri Chunduru, Director of Research and Planning
SUBJECT:	Housing Cost Index for 2022
DATE:	January 10, 2022

<u>Recommendation</u>
Staff recommends adoption of the housing cost index for 2022 via the attached Board Resolution.

Based on the calculations explained below, the housing cost index for 2022 is **31.44 percent**, which is higher than last year's index of 28.20 percent. Although a lower average interest rate and a higher median household income slightly improved housing affordability, increased median home purchase prices greatly contributed to the higher cost of owning a home for Tennesseans.

This item requires recommendation from the Committee and approval from the Board.

<u>Background</u>
The attached Housing Cost Index (HCI) for 2022 is prepared in accordance with the formula set out in THDA's enabling legislation. Under Tennessee Code Annotated Section 13-23-114, "The housing cost index shall serve to determine what percentage of the average Tennessee household's gross monthly income is required to pay for primary fixed housing costs under then existing market conditions…" If the housing cost index exceeds 25 percent, the legislature determined that "…a majority of Tennessee citizens are excluded from the normal housing market…" indicating a need for THDA financial assistance programs to aid in providing adequate housing for lower and moderate income persons and families.

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

Given current data limitations and the requirement to produce a HCI for 2022, we used the median loan amount from the Home Mortgage Disclosure Act (HMDA) data to calculate the estimated purchase price and constructed an estimated median household income using prior data from the Census Bureau. For a more detailed explanation, please review the attachment.

ESTIMATED TENNESSEE HOUSING COST INDEX, 2022										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
(1) Median Purchase Price	$153,596	$169,669	$173,448	$174,864	$186,358	$201,021	$211,257	$223,125	$248,645	$297,318
(2) Discount Points	1.13	1.21	0.61	0.61	0.54	0.50	0.50	0.52	0.73	0.70
(3) Market Rate	3.95%	3.99%	4.41%	4.06%	3.92%	4.17%	4.63%	4.01%	3.20%	2.90%
(4) Adj. Sales Price	$155,332	$171,722	$174,503	$175,938	$187,359	$202,026	$212,313	$224,278	$250,462	$299,399
(5) FHA Mort. Amount	$151,394	$167,369	$171,342	$172,752	$183,965	$198,367	$208,468	$220,216	$245,926	$293,977
(6) Property Tax Rate	3.17	3.21	3.23	3.23	3.20	3.19	3.10	3.03	2.98	2.86
(7) Property Tax/Month	$101.31	$113.50	$116.81	$117.58	$124.30	$133.39	$136.26	$140.64	$154.18	$177.11
(8) Homeowners Insurance	$92.94	$107.07	$115.20	$116.12	$116.47	$127.45	$133.73	$131.61	$146.67	$155.67
(9) P&I/Month	$718.42	$798.08	$859.03	$830.98	$869.73	$966.29	$1,072.34	$1,052.82	$1,063.70	$1,223.09
(10) Monthly PITI	$912.67	$1,018.65	$1,091.03	$1,064.68	$1,110.50	$1,227.13	$1,342.33	$1,325.08	$1,364.55	$1,555.87
(11) Gross Income	$42,907	$42,451	$44,379	$45,747	$47,275	$49,585	$54,566	$55,471	$58,070	$59,385
Housing Cost Index										
(% of Gross Income)	**25.53%**	**28.79%**	**29.50%**	**27.93%**	**28.19%**	**29.70%**	**29.52%**	**28.67%**	**28.20%**	**31.44%**

Variable description, including sources and methodology:

1. Median Purchase Price: In a departure from prior years, we estimate the median home purchase price using the median loan amount from Home Disclosure Act (HMDA) data. We assume that the loan amount is a portion of the purchase price, given a down payment. Therefore, we estimate that the purchase price is the loan amount increased by 3.5%, which is the minimum required down payment for most loans. We then adjust this estimate using the Federal Housing Finance Agency (FHFA) quarterly House Price Index (HPI) for the third quarter of the year prior to index year. For example, for the 2022 HCI, the 2020 median home price is adjusted using the third quarter of 2021 HPI from FHFA.
2. Discount Points: The annual average of monthly discount points from Freddie Mac, Primary Mortgage Market Survey.
3. Market Rate: The average of monthly interest rates (2021 year to date, Freddie Mac, Conventional, Conforming 30-Year Fixed-Rate Mortgage Series.
4. Adj. Sales Price: The median Purchase Price adjusted with discount points.
5. FHA Mort. Amount: The average FHA mortgage amount for 2021. This assumes a 3.5% downpayment and includes an upfront mortgage insurance premium financed into the final mortgage (1.75% of the base loan amount).
6. Property Tax Rate: The property tax rate data are from the Tennessee Office of the Comptroller, Division of Property Assessment.
7. Property Tax / Month: The monthly property tax represents the weighted average statewide residential effective tax rates per $100 of assessed value; 25% of assessed value.
8. Homeowner Insurance: Monthly homeowners' insurance payments, based on insurance rates of THDA borrowers.
9. P&I / Month: Monthly principal and interest (P&I) payments, assuming 30-year fixed payments with the average interest rate.
10. Monthly PITI: Monthly fixed housing costs including principal, interest, property tax and insurance (PITI).

11. Gross Income: Median family gross income (MFI) and median household income (MHI) figures are used. Under normal circumstances, the U.S. Census Bureau, American Community Survey (ACS) 1-year estimate of 2020 MHI would be used in estimating MHI for the current year (2021). The percentage change in HUD median family income (MFI) from 2020 to 2021 would be applied to estimate the MHI for 2021. However, because of the pandemic's impact, the Census Bureau decided not to release one year estimates for 2020, which made it impossible to get 2020 MHI. Therefore, we had to estimate using the MHI data between 2010 and 2019. We first calculated the annual change in MHI during this past 10 years and took an average of those annual changes. Then we applied this "average" annual change to 2019 MHI to estimate the 2020 MHI.

RESOLUTION OF THE BOARD OF
DIRECTORS ADOPTING THE HOUSING
COST INDEX AND
AUTHORIZING THE OPERATION OF FINANCIAL ASSISTANCE
PROGRAMS
JANUARY 25, 2022

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

WHEREAS, THDA has established a housing cost index for 2022 pursuant to Section 13-23-103(7) of the Act based on calculations as of January 10, 2022, a copy of which is attached hereto and incorporated herein by this reference (the "Housing Cost Index"); and

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

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

1. The Housing Cost Index for 2021 which shows that primary housing costs equal approximately 31.44% of an average Tennessee household's gross monthly income is hereby adopted.

2. The continued operation of THDA's financial assistance programs including, but not limited to, THDA loan programs, is hereby authorized.

3. This resolution shall take effect immediately.

This resolution was adopted by the affirmative vote of no fewer than eight (8) members of the Board of Directors of THDA at its meeting on January 25, 2022.

Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM: Lindsay Hall, Chief Operating Officer of Single Family Programs

SUBJECT: Tennessee Homeowner Assistance Fund (TNHAF) Update

DATE: January 10, 2022

Update

On January 4, 2022 US Department of Treasury provided approval of THDA's HAF program plan called TNHAF. This approval allows THDA to open the program to all homeowners in Tennessee suffering a Covid related hardship. On January 10, 2022 the TNHAF program was opened for applications statewide with a robust start.

The HAF funds were made available to mitigate financial hardships associated with the corona virus pandemic (Covid-19) to assist in preventing mortgage delinquencies, foreclosures, defaults and other related expenses. Tennessee's allocation was $168,239,035.

Background

On April 14, 2021 the US Department of Treasury sent out the Homeowner Assistance Fund (HAF) Guidance. Staff prepared and submitted a detailed program plan by early August 2021.

Prior to full approval of the program by U.S. Treasury; states were allowed to begin a pilot of the program in order to get the funds out sooner rather than later while giving the opportunity to test the program functionality. THDA began a TNHAF Pilot program on August 16, 2021, using the VMLS homeowners as the test population. Treasury suggested using HAF program borrowers in the pilots if possible. Having Volunteer Mortgage Loan Servicing (VMLS), THDA's servicing division gave THDA a great opportunity to run the pilot from application through funding. The HAF staff were able to work together with VMLS staff to assist delinquent borrowers.

THDA's Homebuyer Education Staff created an educational piece that all homeowners applying to the program can access immediately. This education provides an understanding of the HFA program, loss mitigation opportunities for borrowers and the importance of a relationship between borrower and servicer. In addition, THDA's in house HUD Counselors provided the required HAF counseling to homeowners as well as assisting with the application process if needed.

The TN HAF program application process is an online application process accessible through mobile devices as well as laptops/desktops. A call center exists to answer program questions and assist with technical support to homeowners. During the application process borrowers will have full access to the HUD Housing Counseling network that will be participating in the program. Upon approval, funds up to $40,000 will be available per household to bring their mortgage delinquency current and if eligible continue to pay up to 6 months of mortgage expenses. Currently the average benefit paid on behalf of eligible homeowners has been just under $15,000 per household.

Results from the TNHAF Pilot (THDA homeowners) through **January 5, 2022** are as follows:

Number of completed applications:	**401**
Total amount of funds disbursed:	**$1,762,238.34**
Total amount pending disbursement	**$223,779.00**

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
Tax Credit Committee Meeting

Tuesday, January 25, 2022
10:15 a.m. Central Time

Tennessee Tower; The Nashville Room
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

AGENDA

a. Approval of minutes from November 16, 2021 meeting
b. 2022 MTBA Program Description (Updated)

Committee Members:
John Snodderly, Chair
Commissioner Butch Eley
Secretary Tre Hargett
Treasurer David Lillard
Matt McGauley
Erin Merrick

TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT COMMITTEE MEETING MINUTES
November 16, 2021

Pursuant to the call of the Chairman, the Tax Credit Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Tuesday, November 16, 2021, at approximately 10:49 a.m. Central Time in The Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, TN 37243.

The following Committee members were present: John Snodderly (Chair), Doree Hicks (for Commissioner of Finance & Administration Butch Eley), Chris Mustain (for Secretary of State Tre Hargett), Kevin Bradley (for State Treasurer David Lillard), Matt McGauley, and Erin Merrick.

Seeing a quorum present, Chair Snodderly called the Committee meeting to order and called for consideration of the previously circulated October 21, 2021 Committee meeting minutes. Upon a motion by Ms. Merrick, second by Mr. McGauley, the meeting minutes were approved by all members present voting "yes".

Chair Snodderly recognized Ralph Perrey, Executive Director of THDA, to review the Request for Relief of TN 21-705 WCO Dickerson Flats with the committee. Mr. Perrey explained the award for the disaster round tax credits for Davidson County. He described that staff had questions relating to the financial feasibility of the proposal due to the low estimate of taxes that would be paid if approved by MDHA for a Payment in Lieu of Taxes (PILOT) agreement.

Mr. Perrey introduced Mick Nelson, CEO of Nelson Community Partners, and from Woodbine Development Corporation, to address the committee. Mr. Nelson explained how the company arrived at their tax estimates. Mr. Nelson stated that if the estimates are off by up to 50%, Woodbine Development has the resources to complete the project. In reference to the MDHA PILOT Program; currently no application has been submitted. Mr. Nelson also noted that the QAP does not require approval of the PILOT before allocation of credits.

Chairman Snodderly called on the Committee to consider a motion to recommend the request for relief of WCO Dickerson Flats. Ms. Merrick asked Mr. McGauley's perspective. Mr. McGauley shared that the Committee should be supporting qualified developers, to bring more units to the market place. Upon a motion by Mr. McGauley, and a second by Ms. Merrick, the motion was approved by all members identified as present voting "yes".

Chair Snodderly again recognized Mr. Perrey to review the 2022 Low Income Housing Credit Qualified Allocation Plan. He referred to the memo detailing changes, and pointed out the two objectives: 1). Develop a better needs score; and 2). Allow new qualified developments within qualified census tracts. Also, rewritten was the provision to enable consideration of a deal that included rehabilitation with additional construction of new units that currently cannot be considered under the prior QAP structure. THDA also added a provision to provide the Waverly Housing Authority with first priority in the PHA set aside as a result of the impact of the August

2021 flooding in Humphreys County in order to rebuild the urgently needed affordable rental units lost in the PHA's portfolio.

Mr. Perrey also explained that the Internal Revenue Service (IRS) requires a preference for developments inside a Qualified Census Tract with a community revitalization plan. The initial proposal was to provide a point as a differential amending the draft QAP to remove the point, and instead establish a criteria as the second tie breaker.

Chair Snodderly called on the Committee to consider Mr. Perrey's recommendation to move to strike the point associated with the QCT with a community revitalization plan, and establish a second preference based on this criteria as the tie breaker. Upon a motion by Mr. McGauley, and a second by Ms. Merrick, the motion was approved with all members identified as present voting "yes".

Chair Snodderly continued and asked the Committee for a motion to approve the amended 2022 Low Income Housing Credit Qualified Allocation Plan. Upon a motion by Ms. Merrick, and a second by Mr. McGauley, the motion was approved with all members identified as present voting "yes".

Chair Snodderly recognized Mr. Perrey to review the preliminary proposed changes to the 2022 Multifamily Tax Exempt Bond Authority Program description. Historically, THDA had a rolling application process, first come first serve. With the increased demand, and a record amount of MBTA, in excess of $700 million dollars next year, a new criteria is laid out in the key points of the memo submitted. Staff believes this is a better way to administer the program and make use of bond resources. THDA will submit this for further public comment, with the intent of updating and having the program description ready for consideration by the Committee in January 2022.

Mr. Perrey stated that we will receive the exact amounts for the set aside bond authority, from the state, aimed at the first round and likely the second, by mid-January 2022. THDA intends to carry forward the approximately $190 million in bond authority remaining and carry the amount forward in 2022 for multifamily purposes. We estimate that in excess of $400 million will be available for the first round, allowing THDA to meet the strong demand. There were no questions for Mr. Perrey.

With no further business, the meeting was adjourned at 11:13 am by Chair Snodderly.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 25th day of January, 2021.

Tennessee Housing Development Agency

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

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors

FROM: Don Watt, Chief Program Officer

SUBJECT: Summary of Substantive Changes in Multifamily Tax-Exempt Bond Authority Draft Program Description for 2022

DATE: January 10, 2022

Recommendation

Staff recommends that the Tax Credit Committee recommend to the THDA Board of Directors approval of the Multifamily Tax-Exempt Bond Authority ("MTBA") Draft Program Description for 2022 ("Draft 2022 PD"), with the substantive changes as summarized below, including non-substantive "housekeeping" and conforming changes to the Draft 2022 PD and the Low-Income Housing Credit ("LIHC") 2022 Qualified Allocation Plan ("2022 QAP").

This item requires recommendation from the Committee and approval from the Board.

Key Points

Note: Page numbers refer to the footer page numbers in the Draft 2022 PD.

1. Section 2, page 2: definitions have been modified to conform to definition changes in the 2022 QAP.
2. Section 2, page 8: definition of Noncompetitive Housing Credit has been updated in anticipation of a legislative change that may lower the percentage of the aggregate basis of the building and the land on which the building is located that must be financed with tax-exempt bonds using MTBA.
3. Section 3.C.8, page 16: language has been modified to reflect that the Inducement Resolution must reflect a MTBA amount no less than the MTBA amount requested in the Initial Application.
4. Section 4.A.3, page 19: language has been modified to reflect that, in accordance with Section 42 of the Internal Revenue Code, the Average Income Test is only available for MTBA applications that also request an allocation of non-competitive "4%" LIHC.
5. Section 5.A, page 20: language describing the amounts of MTBA available has been inserted.
6. (Former) Section 6, page 21: Special Request language has been deleted.
7. Section 6.D.5, page 24: see item 3 above.

8. Section 8.C, page 27: scoring criteria have been added as described in the Preliminary Proposed Changes for the Multifamily Tax-Exempt Bond Authority Program Description for 2022.
9. Section 9, page 28: language describing the ranking process has been added.
10. Section 11.E, page 32: language has been modified to reflect that the Commitment Fee and Incentive Fee are no longer due at the time of application submission. Language has also been included to note that an Application Fee is not required for applications not funded in Round 1, that are re-submitted in Round 2.
11. Section 12.(former) B, page 34: language limiting the amount of non-competitive "4%" LIHC available to a single application has been removed.

MULTIFAMILY TAX-EXEMPT BOND AUTHORITY
DRAFT PROGRAM DESCRIPTION FOR ~~2021~~2022

Administered by

The Multifamily Programs Division of

Tennessee Housing Development Agency

Ralph M. Perrey, Executive Director

Approved ~~November 17, 2020~~[UPDATE]

Table of Contents

Section 1: ~~2021~~2022 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. § ~~Section~~ 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”).~~.~~

~~Upon receipt of 2021 private activity bond authority, THDA will make 67.0% of the initial amount allocated to THDA available as Multifamily Tax-Exempt Bond Authority (“MTBA”) that will be administered in accordance with this Multifamily Tax-Exempt Bond Authority Program Description for 2021 (“MTBA Program Description”).~~

~~The application submission period for 2021 MTBA will begin after THDA receives private activity bond authority from the State of Tennessee. The submission period for 2021 MTBA will end when all MTBA is fully committed or by December 21, 2021, whichever date is earlier.~~ 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 ~~applying~~ must apply for MTBA through THDA’s online system, the Tennessee Housing Online Management Application System. Applicants applying for MTBA in THOMAS are deemed to be simultaneously applying for Noncompetitive Low-Income Housing Credits (“Housing Credit”) under 26 U.S.C. § 42 of the Internal Revenue Code (“Section 42”) ~~in THOMAS~~ 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.

Section 2: Definitions

20/50 Test – The 20/50 ~~test~~Test is a federal minimum set–aside that may be elected by an ~~applicant~~Applicant for Housing Credit that requires at least 20% of the units in a Housing Credit ~~development~~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~~Test is a federal minimum set–aside that may be elected by an ~~applicant~~Applicant for Housing Credit that requires at least 40% of the units in a Housing Credit ~~development~~Development to be both rent restricted and occupied by households whose income is less than or equal to 60% of ~~area median gross income.~~AMI. This is an irrevocable election made in an Initial Application.

~~20/50 Test - The 20/50 test is a minimum set-aside that may be elected by an applicant for MTBA and Noncompetitive Housing Credits 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. This is an irrevocable election made in an Initial Application.~~

~~40/60 Test - The 40/60 test is a minimum set-aside that may be elected by an applicant for MTBA and Noncompetitive Housing Credits 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 area median gross income. 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~~Section 42”~~, 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~~Development is placed in service or, if deferred by election of the ~~owner~~Owner of the Housing Credit ~~development~~Development, the first day of the next calendar year, but only if the building is a qualified low–income building as of the close of the first year of such period. This definition may be revised under the land use restrictive covenants for a longer duration based on Applicant's election under Section 20 of the Qualified Allocation Plan.
~~Compliance Period - The compliance period is the 15 year period over which a development must continue to satisfy Housing Credit requirements in order to avoid recapture of the Housing Credits. The compliance period begins with the first taxable year of the Credit Period.~~

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 ~~QAP~~Qualified Allocation Plan.

Concerted Community Revitalization Plan ("CCRP") - A document that assesses the health and potential prosperity of an area 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. A target area with clearly defined geographic boundaries.
2. A defined role for the lead and/or convening organization that will coordinate all other partners' efforts and monitor plan progress.
3. A steering committee or coalition that is representative of the community and is charged with guiding the process.
4. A survey of current conditions, a needs assessment and/or an asset map that defines community assets upfront and clearly identifies challenges to be addressed. The data should include demographics, economic vitality, and public investment.
5. Public meetings and surveys to identify the citizen and business' vision for the neighborhood/target area.
6. Minimum elements the plan should address include Housing, Education, Infrastructure and Economic Development.
7. Defined outcomes and objectives based both on data and community outreach. Outcomes should be realistic and responsive to the interests of the community.
8. A set of strategies to achieve the outcomes.
9. A proposed timeline for implementation of strategies.
10. Proposed funding for implementation.
11. Continued evaluation of progress, allowing periodic assessment of what is working, what is not and where adjustments are needed.
12. Approval of the plan from the appropriate local entity

Conversion of Existing Property - See Adaptive Reuse/Conversion

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

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~~ Development costs for a development and the amount of Housing Credit eligible basis in the ~~development~~ 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~~ Development is placed in service or, if deferred by election of the ~~owner~~ Owner of the Housing Credit ~~development~~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.
~~Difficult Development Area (DDA) - Any area designated by the Secretary of Housing and Urban Development as an area that has high construction, land and utility costs relative to area median gross income.~~

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”).

~~Extended Use Agreement – Also known as the Declaration of Land Use Restrictive Covenants for Low–Income Housing Tax Credits (“LURC”). The LURC evidences choices made by an applicant for points and:~~

1. ~~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 in such agreement;~~
2. ~~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;~~
3. ~~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;~~
4. ~~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;~~
5. ~~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;~~

~~6. Is binding on all successors of the owner of a Housing Credit development;~~
~~7. 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~~
~~8. Commences on the first day of the Compliance Period for a term of at least thirty (30) years.~~

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.~~ Initial Applications proposing developments that combine Existing Multifamily Housing and new construction will be evaluated and reviewed as Existing Multifamily Housing.~~

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

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) intended and operated for occupancy by at least one person age 55 years or older per unit, 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.

Incentive Fee - A potentially refundable fee charged to ~~improve the performance~~provide an incentive to ~~of issuing~~ issue and ~~closing~~ 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.
~~Initial Application - The application submitted in THOMAS for a commitment of MTBA and an allocation of Noncompetitive Housing Credits for a qualified development.~~

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~~s~~ - Changes to ~~location~~ 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 ~~50%~~at least the statutorily required portion ~~or more~~ of the aggregate basis of the building and the land on which the building is located is financed with tax-exempt bonds using MTBA.

~~Non-THDA~~Other Sources of Funds – sources of funding not related to deferred developer fee, owner capital contributions~~, or any THDA program~~. Examples of ~~Non-THDA~~Other Sources of Funds include, without limitation, grants from THDA, grants from local trust funds, and grants from philanthropic foundations. PILOT commitments from a local government 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.
~~Physical Needs Assessment - A detailed work plan showing all necessary and contemplated improvements and the projected costs associated with rehabilitation Existing Multifamily Housing.~~

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.

~~Property Control - Documentation submitted in conjunction with the Initial Application that demonstrates control of the property on which the development proposed in the Initial Application is to be located.~~

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 Allocation Plan (QAP) - The Low-Income Housing Credit 2021 Qualified Allocation Plan approved by the THDA Board of Directors on July 28, 2020, as amended.~~

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

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

Qualified Low Income Development - See Qualified Low Income Project

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

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

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

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

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

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

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

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

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

1. ~~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.~~
2. ~~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.~~
3. ~~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.~~
4. ~~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.~~

5. ~~Any person who is a signatory or guarantor of construction financing documents, permanent financing documents, and/or equity syndication documents.~~
6. ~~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 6 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.

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.

~~Special Housing Needs – Housing for a Person with Disabilities that has been constructed or rehabilitated with special features (e.g. location, design, layout, or on-site services) to help a Person with Disabilities 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 the elderly, individuals with mental health issues, developmental, or other social needs.~~

~~Supportive Service - Any service provided under a planned program of services designed to enable residents of Housing Credit developments to remain independent and avoid placement in a hospital, nursing home or intermediate care facility.~~

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

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

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

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

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

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

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

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

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

Uniform Physical Conditional Standards ("UPCS") - The HUD requirements that govern the physical condition of Housing Credit ~~developments~~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 ~~10~~11.
3. In order to participate in Group 1 or Group 2 (as described in Section 9.A.2), or participate in Group A or Group B (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.
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/Conversation must include the following:
   a. Written documentation from the appropriate local governmental 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 at the time of Initial Application; 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 ~~10~~11.

C. Eligibility Documentation

An Initial Application shall include each of the following:

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

D. Eligible Development Team Members

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

1. Applications for MTBA and Noncompetitive Housing Credits shall be ineligible under this MTBA Program Description when, as of the Initial Application date, a Development Team or individual members of a Development Team identified in the Initial Application have incurred and failed to cure any and all of the following Major SAE(s) that occurred since January 1, ~~2014~~2017:
   a. The General Partner/Managing Member/Sole Stockholder being removed from the ownership entity of a prior Housing Credit ~~development~~Development;
   ~~b. Received THDA approval for a site change, provided, however, there will be no penalty under this Section 3-D-1 if THDA, in its sole discretion, determines that a site change was necessitated by circumstances beyond the applicant's anticipation or control.~~
   ~~c.~~b. An uncured event of default under the Section 1602 or Tax Credit Assistance Programs;
   ~~d.~~c. A Fair Housing Act violation, including those involving a finding of discrimination by an adverse final decision from a federal court or a complaints that results in a consent decree or a judgement enforcing the terms of a consent decree;
   ~~e.~~d. A foreclosure 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.~~e. Submitting to the IRS an IRS Form 8609 that was not created by THDA or submitting to the IRS an IRS Form 8609 that has been altered or contains information inconsistent with the IRS Form 8609 created by THDA;
   ~~g.~~f. Failure to meet the federal placed in service deadline for a development that received Housing Credits; or

~~h.~~g. A development that received Housing Credits being placed in "No Further Monitoring" status by THDA; or

~~i.~~h. Uncured noncompliance; or

~~j.~~i. Program fraud or misrepresentation; or

~~k.~~j. Actions that adversely conflict with THDA's mission.

2. Applications for MTBA and Noncompetitive Housing Credits shall also be ineligible under this MTBA Program Description when, as of the Initial Application date, any of the following apply to a Development Team or individual members of a Development Team identified in the Initial Application:
   a. Any individual involved in the Initial Application has any one of the following:
      i. A felony conviction of any type within the last ten (10) years; or
      ii. A fine, suspension or debarment involving financial or housing activities within the last five (5) years imposed by any federal agency; or
      iii. A current bankruptcy or a bankruptcy discharged within the last four (4) years or any organization or entity in which the individual had significant control currently is in bankruptcy or had a bankruptcy discharged within the last four (4) years;
      iv. Individual bankruptcy of a member of the board of directors of an entity that is, or is wholly controlled by, a government entity will not be grounds for ineligibility provided that the individual certifies that he/she will not have substantial decision-making authority with regard to the proposed development; or
      v. Any suspensions of required state licenses (Tennessee or any other state) within the last ten (10) years.
   b. An individual currently involved with the developer, development entity, owner, ownership entity, related parties or individuals involved (either directly or indirectly) with the developer, the ownership entity, or related parties (whether formed or to be formed) identified in the Initial Application is currently participating in the Qualified Contract Process; prior to the expiration of the one year term, for another Housing Credit ~~development~~ Development in Tennessee.
   c. An individual currently involved with the developer, development entity, owner, ownership entity, related parties or individuals involved (either directly or indirectly) with the developer, the ownership entity, or related parties (whether formed or to be formed) identified in the Initial Application is currently participating in a pre-~~2021~~2022 Housing Credit ~~development~~ Development with a first allocation of Competitive Housing Credits in Tennessee for which THDA has not issued IRS Form(s) 8609.
   d. An individual currently involved with the developer, development entity, owner, ownership entity, related parties or individuals involved (either directly or indirectly) with the developer, the ownership entity, or related parties (whether formed or to be formed) identified in the Initial Application that received an allocation of MTBA in 2020 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 10-H of this MTBA Program Description.
   e. If any of the following are true regarding an individual previously or currently involved with the developer, development entity, owner, ownership entity, related parties or individuals involved (either directly or indirectly) with the developer, the ownership entity, or related parties (whether formed or to be formed) identified in the Initial Application for MTBA and Noncompetitive Housing Credits for any development receiving an allocation of Competitive or Noncompetitive Housing Credits since January 1, 2015:
      i. Any pre-~~2021~~2022 Housing Credit ~~development~~ Development with an accepted Reservation Notice, but the proposed Housing Credit development failed to meet the federal allocation timeframes and did not obtain a Carryover Allocation Agreement; or

ii. Any pre-~~2021~~2022 Housing Credit ~~development~~ Development with a fully executed Carryover Allocation Agreement, but the proposed Housing Credit ~~development~~ Development failed to meet the federal allocation timeframes and did not obtain IRS Form(s) 8609; or

iii. Any pre-~~2021~~2022 Housing Credit ~~development~~ Development for which THDA issued IRS Form(s) 8609, but the Housing Credit ~~development~~ Development failed to meet the minimum set-aside test for low-income tenants as specified in the ~~LURA~~LURC by the end of the first year of the Credit Period; or

iv. Any pre-~~2021~~2022 Housing Credit ~~development~~ Development that THDA determined to be in violation of the requirements of the applicable QAP regarding developer or related party issues; or

v. Any pre-~~2021~~2022 Housing Credit ~~development~~ Development that involved a “broker” who did not remain involved in the Initial Application through the closing of permanent financing for the Housing Credit ~~development~~Development; or

vi. Any pre-~~2021~~2022 Housing Credit ~~development~~ Development that did not meet the requirements of the applicable QAP regarding submission of permanent financing documentation to THDA; or

vii. Any pre-~~2021~~2022 Housing Credit ~~development~~ Development that involved a “consultant” who was determined to be a signatory of construction financing, permanent financing or equity syndications documents or provided a guaranty in connection with construction financing, permanent financing or equity syndication; or

viii. Any pre-~~2021~~2022 MTBA Application that received a firm commitment of bond authority but failed to meet the established deadline for issuance and sale of the bonds. Voluntary withdrawal of a MTBA Application in accordance with all applicable program requirements will not cause ineligibility; or

ix. The application is deemed ineligible pursuant to any other provisions of this MTBA Program Description.

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

E. Identity of Interests

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

G. Extended Use Agreements ~~–~~— Land Use Restrictive Covenants (“LURC”)~~URA LURA~~

A LURC~~ALURA~~ is required for developments using MTBA and Noncompetitive Housing Credits. THDA will provide a ~~LURA~~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 ~~LURA~~LURC must be executed and recorded in the county where the development is located. The original ~~LURA~~LURC must be returned to THDA no later than the date specified in the MTBA Firm Commitment Letter.

Section 4: Federal Election

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

   This election is irrevocable once made in the Initial Application.

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

Section 5: Program Limits

A. MTBA Available

1. THDA will make a total of $450 million of MTBA available in the first round. The first round MTBA will initially be available as follows:
   a. East Grand Division: $150 million;
   b. Middle Grand Division: $200 million; and
   c. West Grand Division: $100 million.

2. THDA **anticipates** making approximately $250 million of MTBA available in a second round, subject to availability.

~~A.~~B. Maximum MTBA Per Development

1. New Construction and Adaptive Reuse/Conversion

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

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

2. Rehabilitation

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

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

b. Developments proposing **Limited Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 20% of building acquisition cost or six thousand dollars ($6,000) per unit. The rehabilitation scope of work must include, at a minimum, all work specified in the Physical Needs Assessment along with corrective actions for all deficiencies noted, with regard to interior and exterior common areas, interior and exterior painting and/or power washing, gutters, parking areas, sidewalks, fencing, landscaping, and mailboxes and the replacement of exterior that is 90% or more vinyl with brick/stone veneer, stucco or fiber cement or hardiplank. The replacement of any of these components of the buildings or the site with a Remaining Useful Life of Less than 15 years, must be included in the scope of work as specified using the Fannie Mae Estimated Useful Life Table. Substantially the same scope of work in all units is required, including, without limitation, painting of the entire unit, consistent flooring throughout the development and matching cabinetry within each unit. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 10.

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

d. Developments proposing **Moderate Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 25% of building acquisition cost or seven thousand dollars ($7,000) per unit. The rehabilitation scope of work must include, at a minimum, the scope of work as outlined in the Limited Rehabilitation requirements above, all appliances in all units Energy-Star compliant, and all work specified in the Physical Needs Assessment along with corrective actions for deficiencies noted, with regard to drywall, carpet, tile, interior and exterior paint, the electrical system, heating and air conditioning systems, roof, windows, interior and exterior doors, stairwells, handrails, and mailboxes. The replacement of any of these components of buildings or the site with a Remaining Useful Life of less than 15 years must be included as specified using the Fannie Mae Estimated Useful Life Table. It is expected that substantially the same scope of work in all units including painting of the entire unit, consistent flooring throughout the development and matching cabinetry within each unit is accomplished during the rehabilitation. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 10 of this MTBA Program Description.

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

f. Developments proposing **Substantial Rehabilitation** must be rehabilitated so that, upon completion of all rehabilitation, rehabilitation hard costs must be no less than the greatest of 30% of building acquisition costs or eleven thousand dollars ($11,000) per unit. The rehabilitation scope of work must include, at a minimum, scope of work as outlined in the Limited Rehabilitation and Moderate Rehabilitation requirements above, as described in the Physical Needs Assessment along with corrective actions for all deficiencies noted, and the major building systems will not require further substantial rehabilitation for a period of at least fifteen (15) years from the required placed in service date. The replacement of any component of buildings or the site with a Remaining Useful Life of less than 15 years must be included in the scope of work as specified using the Fannie Mae Estimated Useful Life Table. Substantially the same scope of work is required in all units including, without limitation, painting the entire unit, consistent flooring throughout the development and matching cabinetry within each unit. Certification from the design architect is required following the issuance of the MTBA Firm Commitment Letter. Confirmation from the supervising architect is required prior to any partial refund of the Incentive Fee pursuant to Section 10 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-A and/or to the Noncompetitive Housing Credit limit specified in Section 19-B of the QAP. The written request must include sufficient supporting documentation and information to substantiate the need for additional MTBA and/or Noncompetitive Housing Credit as determined

by THDA, in its sole discretion. 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 may be granted or denied by THDA, in its sole discretion.

B. Maximum Amount of MTBA per Developer or Related Parties

Prior to July 1, ~~2021~~2022, the maximum amount of MTBA that may be committed to a single applicant, developer, owner, or Related Parties shall not exceed sixty million dollars ($60,000,000). After June 30, ~~2021~~2022, the maximum amount of MTBA that may be committed to a single applicant, developer, owner, or Related Parties shall not exceed thirty percent (~~34~~30%) of the maximum amount of MTBA available for ~~2021~~2022. THDA will determine, in its sole discretion, if Related Parties are involved and apply this limitation.

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

1. Notwithstanding the provisions of Section 3-H of the QAP, the sum of developer and consultant fees reflected in THOMAS on the development costs page may not exceed 25% of total development costs less cash reserves (see 5 below). 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.
2. 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).
3. 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).
4. If the **deferred** developer and consultant fees are **greater than** 25% of total development cost minus the amount described in 2 and 3 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.
5. For purposes of this Section, cash reserves are excluded from total development costs.
6. Documentation on the terms of the deferred developer fee portion must be provided with the Initial Application.

D. Limits on Costs of Issuance

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

~~Section 6: Special Request Applications~~

~~A. Special Conditions~~

1. ~~MTBA available for special request applications is offered on a first-come, first-served basis, subject to the availability of MTBA as of the date a special request application is received by THDA. When a special request application is received by THDA, the amount of MTBA requested shall be set aside and will not be available for other MTBA requests under this MTBA Program Description until the special request application is evaluated and acted upon by the Tax Credit Committee of the THDA Board of Directors.~~
2. ~~Special request applications are exempt from the Total Development Cost Limits as described in Section 3-G and Section 19-C of the QAP.~~
3. ~~Special request applications approved by the Tax Credit Committee of the THDA Board of Directors may exceed the maximum amount of MTBA that may be committed to a single applicant, developer, owner, or Related Parties as defined in Section 5, but the amount of the special request counts against the maximum amount defined in Section 5. Therefore, if the special request is equal to or greater than the maximum amount defined in Section 5, any other reservations will be forfeited.~~

~~B. Eligibility~~

1. ~~A special request application must satisfy, without limitation, all of the following conditions as determined by THDA, in its sole discretion:~~
   a. ~~A special request application must propose preservation of an Existing Multifamily Development with current income and rent restrictions. The Initial Application must include documentation, acceptable to THDA, in its sole discretion, verifying the current income and rent restrictions.~~
   b. ~~Current income and rent restrictions are limited to participation in one of the following programs:~~
      i. ~~The Low Income Housing Credit program;~~
      ii. ~~The MTBA program; or~~
      iii. ~~A program administered by USDA or HUD, AND~~
   c. ~~A special request application must propose preservation of a minimum of four hundred (400) Qualified Low Income Units at a single location/site, as determined by THDA, in its sole discretion. The minimum MTBA request for a special request application is forty million dollars ($40,000,000) and the maximum MTBA request is one hundred million dollars ($100,000,000).~~

~~C. Process for Special Request Applications~~

1. ~~Special request applications will be reviewed by THDA to determine completeness and eligibility.~~
   a. ~~If THDA determines that a Special Request Application is not eligible, the applicant may request, in writing, that the determination be reviewed by the THDA Executive Director and the THDA Board Chair, and the Tax Credit Committee Chair.~~
2. ~~THDA staff will confirm that sufficient MTBA for the special request application remains available prior to submitting the special request application to the Tax Credit Committee for its consideration.~~
3. ~~The MTBA Conditional Commitment Letter issued to a special request application will have an expiration date of December 21, 2021.~~
4. ~~The recipient of a MTBA Conditional Commitment Letter issued for a special request application must notify THDA of its intent to convert the MTBA Conditional Commitment Letter to a MTBA Firm Commitment Letter no less than 65 calendar days prior to the date the applicant wishes to receive the MTBA Firm Commitment Letter.~~

Section ~~7~~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~~12, 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, or subsequent applications must be uploaded into THOMAS as specified in the THOMAS User Manual.
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	2022 Application Rounds
February 18 to March 4, 2022	Round 1 Initial Application Submission Window
On or about April 8, 2022	Round 1 Determinations Announced
July 6 to July 20, 2022	Round 2 Initial Application Submission Window
On or about August 24, 2022	Round 2 Determinations Announced

~~C~~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.

~~D~~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.

~~E~~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.

~~F~~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 ~~8~~7: Application Review Process

A. Applications Must Be Complete

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

B. Information Must Be Current

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

C. Review of Applications Requesting a Commitment of MTBA

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

Table ~~8~~ 7 - 1: Schedule of Evaluation Notices and Deadlines

Evaluation Notice	Deadline for Response
1	~~5~~ 4 business days
2	2 business days
3	1 business day

Applications with uncured deficiencies may be removed from consideration under this MTBA Program Description if the deficiencies are uncured after three Evaluation Notices have been sent. Applicants may resubmit the application ~~for a commitment of MTBA at a later date~~in Round 2, ~~-~~but will be subject to a resubmission fee as described in Section 11 of this MTBA Program Description~~ and will be in line for a possible MTBA commitment based on the date the application is resubmitted~~.

Section ~~9~~8: Threshold Requirements and Scoring

A. Threshold Requirements

Developments requesting Noncompetitive Housing Credits must satisfy the applicable requirements of Section 19 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 19 of the QAP.

C. PD Score

1. **For purposes of ranking Initial Applications, points awarded according to Section 19 of the QAP will not be considered. Only points awarded according to this Section 9.C will be considered.**
2. Development Team Track Record
   a. No individual involved in the Owner Entity or Developer Entity has been involved in a 2019, 2020, or 2021 MTBA application that received and subsequently returned a Firm Commitment Letter ***10 points***
3. ~~Non-THDA~~Other Sources of Funds
   a. Number of points awarded will be proportional to ~~Non-THDA~~Other Sources of Funds expressed as a percentage of total development costs (e.g. if ~~Non-THDA~~Other Sources of Funds 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***
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***

Section 9: Ranking Process

A. Round 1

1. All eligible Initial Applications will be separated by Grand Division.
2. Within each Grand Division, eligible Initial Applications will be grouped in the following priority order:
   i) **Group 1**: eligible Initial Applications proposing **rehabilitation** of **public housing**;
   ii) **Group 2**: eligible Initial Applications proposing **new construction** of **public housing**;
   iii) **Group 3**: eligible Initial Applications proposing **rehabilitation** of **existing income/rent restricted housing**;
   iv) **Group 4**: eligible Initial Applications proposing **new construction outside a QCT**;
   v) **Group 5**: eligible Initial Applications proposing **new construction in a QCT and covered by a CCRP**;
   vi) **Group 6**: eligible Initial Applications proposing **new construction in a QCT not covered by a CCRP**; and
   vii) **Group 7**: eligible Initial Applications proposing **rehabilitation of existing housing that is not currently income/rent restricted**.
3. Within each group, eligible Initial Applications will be sorted in descending order by score as determined pursuant to Section 8.C.
4. 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.1 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 ~~10~~9.A.5 and Section ~~10~~9.A.6 below.
5. 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.2 and sorted according to Section 9.A.3.
6. THDA will proceed down the statewide list of eligible Initial Applications, making full commitments of MTBA until the point is reached where there is insufficient MTBA remaining in Round 1 to make a full commitment of MTBA to the next eligible Initial Application. Any remaining funds will be carried forward to Round 2.
7. No partial commitments will be made.

B. Round 2

1. All eligible Initial Applications will be grouped and sorted statewide as follows:
   i) **Group A**: eligible Initial Applications proposing **new construction outside a QCT**;
   ii) **Group B**: eligible Initial Applications proposing **new construction in a QCT and covered by a CCRP**;
   iii) **Group C**: eligible Initial Applications proposing **new construction in a QCT not covered by a CCRP**; and
   iv) **Group D**: eligible Initial Applications proposing **rehabilitation** of **existing income/rent restricted housing**;
   v) **Group E**: eligible Initial Applications proposing **rehabilitation of existing housing that is not currently income/rent restricted**.
   vi) **Group F**: eligible Initial Applications proposing **new construction** of **public housing**;
   vii) **Group G**: eligible Initial Applications proposing **rehabilitation** of **public housing**;
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.

~~1.~~3. THDA will then offer a commitment to the highest ranking eligible Initial Application that requests an amount of MTBA that is equal to or less than the remaining balance after Section 9.B.2.i.

Section 10: Commitment of MTBA

A. MTBA Conditional Commitment Letter

1. THDA will issue a conditional commitment letter for ~~2021~~2022 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, 2022 ~~December 21, 2021~~[UPDATE].
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 ~~2021~~2022 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. Any Firm Commitment Letter issued before ~~September 22, 2021~~~~[UPDATE]~~September 16, 2022 will expire ninety (90) calendar days from the date of issuance.
   b. Any Firm Commitment Letter issued on or after ~~September 22, 2021~~~~[UPDATE]~~September 17, 2022 will expire on ~~December 14, 2021~~~~[UPDATE]~~December 15, 2022.
3. A Firm Commitment Letter issued before ~~August 1, 2021~~August 17, 2022~~[UPDATE]~~, 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~~ 12 must accompany the extension request. An extension request may be approved or denied by THDA, in its sole discretion.
4. **THDA will not issue Firm Commitment Letters that, in the aggregate, exceed the amount of MTBA available under this MTBA Program Description**.

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

A. Wiring Instructions

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

Table ~~10~~ 11 - 1: Wiring Instructions	
Bank:	US Bank
ABA:	064000059
BNF:	THDA Clearing Housing
BNF A/C:	151203673398
BNF ADDRESS:	502 Deaderick Street Andrew Jackson Building, Third Floor Nashville, TN 37243
OBI:	Housing Credit/Bond Application Fees + TN ID Number(s). Applicants may send one wire to cover multiple applications however, applicants must enter the applicable TN ID Number(s) in the OBI field on the wire.

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

B. Application Fee

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

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

~~**C. Special Request Application Fee**~~

~~A Special Request Application Fee of five thousand dollars ($5,000) must be submitted to THDA at the time a Special Request Application is submitted. **THE SPECIAL REQUEST 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.~~

~~D~~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 ~~notice~~ described in Section 7. **THE RESUBMISSION FEE IS NOT REFUNDABLE**.

~~E~~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. **<u>THE COMMITMENT FEE FOR A CONDITIONAL COMMITMENT LETTER IS NOT REFUNDABLE</u>**.

~~F~~E. MTBA Firm Commitment Letter Fee and Incentive Fee

1. Following issuance of a Firm Commitment Letter, Initial Applications ~~receiving a Firm Commitment Letter from THDA for a specific amount of MTBA~~ 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**.

~~G~~F. Refund of Incentive Fee Following Issuance of MTBA

1. The following documentation, without limitation, must be submitted by the applicable deadlines to be eligible for a refund of the Incentive Fee:
   a. Documentation from Bond Counsel (including, without limitation, a closing confirmation letter) must be submitted no later than the expiration date of the Firm Commitment Letter;
   b. Acceptable proof that all units are constructed and the development is placed in service must be submitted no later than two years after the expiration of the MTBA Firm Commitment Letter;
   c. Acceptable proof that all forms to be filed by the Bond Issuer have been completed and filed to THDA's satisfaction must be submitted no later than two years after the expiration of the Firm Commitment Letter.
2. If the bonds were issued and sold on or before 11:59 PM Central Time on the date specified in the Firm Commitment Letter without a receiving an extension and all the conditions of Section ~~10~~11 (above) have been met, THDA will refund the **FULL** Incentive Fee.

~~H~~G. Release of Commitments and Refund of Incentive Fee

If recipients of Conditional Commitment Letters or Firm Commitment Letters release the MTBA allocated to them before the deadline in the Firm Commitment Letter when bonds will not be sold using the MTBA, THDA will refund a percentage of the Incentive Fee to support the earliest release of the committed MTBA. Voluntary withdrawal of a MTBA Commitment Letter in accordance with all applicable program requirements will not cause ineligibility as described in Section 3 of this MTBA Program Description, ~~and the MTBA application for the development may be resubmitted in 2021~~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-H, 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 ~~2021~~2022.
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 5 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 5 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 5 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 1 year after the issuance date reflected on IRS Form(s) 8609. If the last day to submit a written request for a refund is not a THDA business day (e.g. weekend or holiday), the deadline will be the following THDA business day.

Section 12: Noncompetitive Housing Credits

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

~~B. **The maximum amount of annual Noncompetitive Housing Credit that may be allocated to a single development is three million dollars ($3,000,000).** In making this determination, THDA will consider the physical location of the development; the relationships among owners, developers, management agents, and other development team participants; the structure of financing; and any other information that might clarify whether applications reflect a single development or multiple developments.~~

~~C~~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.

~~D~~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: Controlling Document

Although there is one application for MTBA and Noncompetitive Housing Credits; the MTBA Program Description applies to the MTBA and the ~~2021~~2022 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

SUMMARY OF AND RESPONSE TO COMMENTS REGARDING THE DRAFT MULTIFAMILY TAX-EXEMPT BOND AUTHORITY PROGRAM DESCRIPTION FOR 2022

January 10, 2022

Please Note

A. *This document represents staff's response to select repeated comments and is not meant to be a replacement for the comments themselves (8 submissions in total).*

Average Income Test [Section 4.A]: Comments suggested retaining this as an option for applicants.
Response: Staff has restored this option.

Other Sources of Funds [Section 8]: Comments expressed concern about the effect this criterion may have on siting applications and concern about what may/may not be counted as "Other Sources of Funds".
Response: Staff have modified the definition to include other THDA funds and exclude PILOT agreements from local governments.

Ranking Process [Section 9]: Comments expressed concern that grouping applications by activity would allow lower-scoring applications in higher preference groups to have an advantage over lower-scoring applications in lower preference groups.
Response: Staff continues to recommend this proposed change.

Ed Yandell

From: Craig Cobb <CraigC@DominionDG.com>
Sent: Friday, December 10, 2021 12:34 PM
To: TNAllocation
Subject: DRAFT 2022 PD COMMENT

Categories: MTBA

EXTERNAL EMAIL

Thank you for providing opportunity to comment on the draft 2022 PD. Below are our comments/questions:

Non-THDA Source of Funds – Would any monetary local government support qualify as Non-THDA Source of Funds even if doesn't technically come from a trust fund? For example, HOME funds aren't trust funds. Would those count?
Section 5 – will the lesser of tests between maximum amount of bonds or 60% of aggregate basis be changed if the 50% test gets lowered to 25%?
Section 6.C. – Can you please confirm that there is no advantage to submitting an application in the earlier part of the application submission window?
Section 8 – This reads a little confusing. Is the intent that to be eligible all projects need to score at least 60 points in Section 19 of the QAP but once THDA is scoring/ranking deals per Section 8.C. of the PD then only the points in Section 8.C. will matter and the points scored in Section 19 of the QAP will no longer matter?
Section 8.C.3. – How will THDA score a PILOT commitment as a Non-THDA Source of Funds? For example, if a developer secures a 15 year PILOT for $5,000 annual payments that is $75,000 which wouldn't move the needle on the points. However, that same $5,000 PILOT could be saving the developer $100,000 of tax expense that the developer is able to leverage for more debt. At a 1.15x DSCR that $100,000 savings could easily help the developer obtain an additional $1,700,000 of loan that they wouldn't get without the PILOT. This $1,700,000 additional loan would yield significantly more points. There needs to be a consistent way to account for the PILOT commitment for points.
Section 8.C.4. – Will new construction projects only have a maximum PD Score of 20 since they don't involve rehabilitation or will the construction hard costs be substituted for rehabilitation hard costs and new construction projects will also be scored on the maximum 30 points like rehabs?
Misc. –

- If a new construction project is submitted in Round 1 but doesn't get funded because PHAs and Rehabs use the $450 million of volume cap, would you have to submit an additional application fee, commitment fee, etc. in Round 2 or would THDA hold those fees from Round 1 in escrow?
- Also, would any deal not funded in Round 1 have to fill out another application for Round 2 or would the application from Round 1 be kept in THOMAS?

Craig Cobb
Vice President of Affordable Housing, DGA Residential, LLC
3834 Sutherland Avenue
Knoxville, TN 37919
865-567-1096 (cell)
865-251-4830 ext. 1112 (office)
865-219-1662 (fax)

BRINSHORE
666 Dundee Rd. Suite 1102 Northbrook, IL 60062
Telephone 847-562-9400 Fax 847-562-9401

December 15, 2021

Re: Comments on Draft MTBA Program Description 2022

To Whom It May Concern:

Brinshore Development, LLC would like to take this opportunity to provide comments on the draft MTBA Program Description for 2022. There are several areas which we believe would be productive to alter/provide clarification on prior to authorization of this program description.

Section 4 - Income Averaging
We believe the Average Income election is a valuable tool in affordable housing, as it allows for greater economic diversity in both high-income and low-income neighborhoods, which translates to more housing choices for families. Please add the Average Income election back.

Section 5.B.3 - Requests for Exceptions
Please allow requests for exemptions related to the scope of work. There may be instances where the scope of work differs from unit to unit because of accessibility as well as recently completed repairs.

Section 9.A.2.i & Section 9.A.2.ii
Please clarify how "public housing" is defined. Does this pertain to any project for which a Public Housing Authority (PHA) is in the ownership structure, or only to projects that are considered "public housing" under the Section 9 program? Please provide further detail as to how PHAs relate to this group ranking preference.

Sincerely,

Whitney Ellis

Whitney Ellis
SVP, Development Manager
Brinshore Development, LLC

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December 15, 2021

Ralph Perrey
Executive Director
Tennessee Housing Development Agency
Andrew Jackson Building, Third Floor
502 Deaderick Street
Nashville, TN 37243

Re: Comments on THDA's Draft Multifamily Tax-Exempt Bond Authority Program Description for 2022

Dear Mr. Perrey,

Thank you for the opportunity to provide feedback on the Tennessee Housing Development Agency's (THDA) Multifamily Tax-Exempt Bond Authority (MTBA) Draft Program Description for 2022. The Tennessee Developer Council's mission is to provide a unified voice for the development community on the most important state housing issues and to effectively and efficiently communicate concerns or feedback about state policy and legislation that directly impacts affordable housing development businesses. In that spirit, our comments are based on the premise of creating and preserving more affordable housing options for low-income Tennesseans.

To start, we want to thank THDA for making $700 million in bond cap available for multifamily housing. We believe this will go a long way in addressing the shortage of affordable housing throughout the state and meet the ever-growing demand for bond cap. We are also pleased to see the $3 million cap on four percent LIHTCs eliminated and the developer fee structure retained. The elimination of the four percent LIHTC cap will be especially important if Congress passes the Build Back Better Act and lowers the 50 percent test. We look forward to working with THDA to implement the many housing-related provisions included in the bill upon passage.

Maximum MTBA Per Development Limits

Since the onset of COVID-19, multifamily land, acquisition, labor and construction costs have all increased dramatically. The Tennessee Developers Council has long called for increasing the Total Development Cost (TDC) limits to account for these rising costs. In the most recent QAP update, THDA adopted timely increases to the TDC limits but did not make corollary changes to the maximum MTBA per development limits in the draft BPD. While we appreciate the executive director's waiver authority, we remain concerned that these artificially low may prevent deals from applying to even be considered for a waiver.

In November of 2021 the U.S. inflation rate accelerated to 6.8 percent, the highest in almost four decades.[1] Yet the maximum MTBA Per Development Limits remain stagnant, the limits in Section 5.B.2 for rehabilitation have not increased since 2017, while the New Construction and Adaptive Reuse/Conversion limit in Section 5.B.1 has not increased since 2018. If the amounts had been increased alongside the compounding effect of inflation each year the current amounts would be:

- New Construction: $43 million → $48,543,100
- Substantial Rehab: $25 million → $28,815,410
- Moderate Rehab: $16 million → $18,441,186
- Limited Rehab: $13.7 million → 15,790,840[2]

At a minimum, the Tennessee Developer Council recommends increasing the MTBA limits in the 2022 BPD to account for recent inflation. We further suggest that increases THDA consider increases beyond adjustments for inflation to account for the expectation that costs will continue to rise through 2022.

Furthermore, we do not believe that the program is well served by its current tiered approach for Rehabilitation. As we have commented in previous years, the size of the request does not always align with specific needs of a property. The best indicator of rehabilitation needs in any given project is an independent third-party Physical Needs Assessment (PNA). The current tiered scale can require developers of larger scale projects and/or projects with relatively high acquisition costs (e.g., projects located in hot real estate markets) to incur significant expenses replacing systems and building components that may otherwise have a useful life in excess of the 15-year compliance period. We suggest as an alternative, modifying the current tier system in the BPD so that each tier is scaled against bond authority requested per unit as opposed to total bonds requested. This will make the rehab requirements neutral to the total number of units in a proposed project or the relative value of the land, which we feel is a better outcome.

Ranking Process

We understand that in the current environment where projected demand for multifamily private activity bond volume cap outstrips supply, THDA must create a process to evaluate applications in a competitive process. We have identified several potential issues with the current proposed process that may result in unintended and undesirable outcomes.

While we think it is an unlikely scenario, under the current scoring waterfall it is possible that round one could result in funding only public housing developments and round two could result in funding only new construction developments. We do not believe this would be an equitable or desirable outcome nor that it is THDA's intent.

[1] Bureau of Labor Statistics, U.S. Department of Labor, *The Economics Daily*, Consumer prices increase 6.2 percent for the year ended October 2021. Retrieved From: www.bls.gov/opub/ted/2021/consumer-prices-increase-6-2-percent-for-the-year-ended-october-2021.htm.

[2] 2.1 percent in 2017, 1.9 percent in 2018, 23 percent in 2019 and 1.4 percent in 2020.
Bureau of Labor Statistics, U.S. Department of Labor, *The Economics Daily*, Consumer Price Index: 2020, 2019, 2018 and 2017 in Review. Retrieved From: www.bls.gov/opub/ted/2018/consumer-price-index-2017-in-review.htm www.bls.gov/opub/ted/2019/consumer-price-index-2018-in-review.htm, www.bls.gov/opub/ted/2020/consumer-price-index-2019-in-review.htm, and www.bls.gov/opub/ted/2021/consumer-price-index-2020-in-review.htm

In a competitive environment the scoring criteria are effectively a statement of THDA's policy priorities for evaluating bond applications – in this case Developer Track Record, Leverage and Rehabilitation Scope of Work. We are very concerned that the proposed grouping system in the BPD effectively negates the scoring system and will not promote these priorities in the way THDA intends. Since projects will be evaluated against their group rather than against projects in other groups and all the projects within a group will funded until the volume cap is exhausted or they run out of applications in the group or grand division, it would appear likely that lower scoring projects in the higher ranked groups could conceivably be funded while higher scoring projects in later groups will not get funded once the round of volume cap is exhausted. We suggest that THDA consider a combination of the following amendments to address this dynamic.

1. Consider collapsing the number of groups so that there is more direct competition against applications. There are several approaches THDA could consider including having no groups at all and evaluating all projects by score. This would require the adoption of an additional point category for new construction projects since they would not be eligible for rehabilitation points. Alternatively, there could be two groups where all rehab projects compete against each other, and all new construction projects compete against each other. In this scenario, it may be desirable to have set minimum-asides so that there is an appropriate mix of new construction, preservation and public housing projects.

2. If groupings as proposed are to be retained, we urge THDA consider an alternative waterfall process whereby the top scoring project or projects in some or all categories are funded first rather than exhausting the applications within the groupings.

Scoring Process - PILOTs & Leverage
In the current development environment in Tennessee securing a Payments in Lieu of Taxes (PILOT) is a necessity for long-term financial viability. A PILOT is potential the biggest driver of leverage in a project as lower property taxes will allow a developer to leverage more debt. However, from a scoring perspective there are practical issues with considering a PILOT as a source of leverage unless further steps are taken by THDA.

Unlike a grant or a soft-loan, which have clearly identifiable fixed dollar amounts, future property taxes are variable and to some extent, unknown. We assume that THDA will want to do a present value calculation of the PILOT for the purposes of the leverage scoring calculation. It is unclear what the appropriate inputs would be to derive this calculation in a fair in equitable matter so that all PILOTs would be considered on an apples-to-apples basis. For example, rates vary overtime based on a jurisdiction's budget needs, property values fluctuate based on physical and market conditions and even the amount of tax credit equity that will be raised for a project is a consideration under the current property tax regime in Tennessee (and the driver for requiring a PILOT) is unknown at the time of application.

This is not the only challenge, we further observe that not all jurisdictions (including many in middle Tennessee where housing needs are highest) are willing to issue a PILOT until after there has been a commitment of bond authority, putting these projects at a potential competitive disadvantage if they cannot be included in the initial application. This is also an issue with many other forms of non-THDA funding where jurisdictions and funders will not issue hard commitments of their dollars until MTBA cap has been secured.

At a minimum, THDA should issue a transparent and uniform methodology for evaluating PILOTs for the purpose of this scoring criteria. THDA should also be clear about what types of commitments will be required from funders to be included in the leverage scoring.

We propose either eliminating the points for Non-THDA Sources of Funds or moving to a simpler calculation such as a designated number of points per outside source that meets a minimum threshold amount. Rational developers will attempt to maximize their points, despite extraneous sources not being necessary to finance deals. This will add costly and avoidable transaction expenses and could drive up the cost of developing affordable housing in the long term. Further, the non-THDA sources won't necessarily serve to reduce the minimum amount of bond authority needed for a deal.

Average Income Election

We observe that the average income test definition was removed as was the average income test from Section 4. The U.S. Department of the Treasury listed Average Income Guidance in its 2020-2021 Priority Guidance Plan[3] and we believe guidance will be soon forthcoming. Removing the average income election would preclude any developments from proceeding with the election once new guidance comes out and would hamstring developments that are proceeding with the average income election under the current guidance. As we note elsewhere in our comment letter, we believe THDA should do everything in its power to prepare for forthcoming federal changes and hope THDA will retain the Average Income Election as an option. There are currently several market checks and balances in place that mitigate compliance risk associated with the average income set-aside. Investors and sydnicators will not invest in average income transactions without multiple layers of compliance review of every tenant application, as well as demonstrated financial and compliance capacity.

Build Back Better Act

The federal legislature is considering the Build Back Better Act, which, as currently drafted, would lower the 50 percent test to 25 percent. We urge THDA to consider amending the BPD to anticipate the potential change. For example, Section 3.A could be changed to "Applicants applying for MTBA must demonstrate that the federally required minimum of the outstanding principal".

Similarly, Section 5.B could be changed to "10% more than the federal required tax-exempt bonds minimum of the Development's aggregate basis including land, with all previous phases of the same development included in the aggregate basis."

The proposed changes to Sections 3.C.8. and 6.D.5 may need to be revised if the Build Back Better Act is passed. We recommend keeping the language "An Inducement Resolution."

Public Housing

We observe that there is no definition for public housing in Section 2. For the purposes of the Section 9 ranking process, it is important to define public housing specifically. Does THDA mean to limit the groups one and two to any development owned by a public housing authority or specifically to Annual Contributions Contract units covered under Section 9 of United States Housing Act of 1937 (i.e. public housing)? Would applicants be eligible for these groups if they encompassed any of the following project types:

- Post-conversion Rental Assistance Demonstration (RAD)

[3] Kautter, D., Retting, C. and Desmond, M. (Nov. 17, 2020). *2020-2021 Priority Guidance Plan.* Department of the Treasury: Washington, DC. Retrieved From: www.irs.gov/pub/irs-utl/2020-2021_pgp_initial.pdf

- Mixed-finance HOPE VI or Choice Neighborhood Initiative projects which may include phases that have limited Section 9 units and otherwise may be primarily LIHTC only, market rate rental, homeownership, or project-based voucher
- PHA owned conventional units converting to LIHTC or Section 9 via the Faircloth process

Maximum Amount of MTBA per Developer or Related Parties
We observe that the maximum amount of MTBA is $60 million in the first half of 2022 and then jumps to $210 million (30 percent of $700 million) after June 30. This disparity may incentivize developers to submit their application in the second round.

Finally, we reiterate our request to allow more time for comments and to provide rationale alongside proposed changes. In the future, we would appreciate more than five business days to submit our comments.

Thank you again for the opportunity to provide comments. Please feel free to contact me directly at 202-939-1753 or tamdur@housingonline.com.

Sincerely,

Thom Amdur
President

KCDC
Knoxville's Community Development Corporation

Benjamin M. Bentley, Executive Director/CEO
901 N. Broadway • Knoxville, TN 37917
865.403.1100 • Fax 865.403.1117
800.848.0298 (Tennessee Relay Center)
www.kcdc.org

December 14, 2021

Re: Comments on Draft MTBA Program Description 2022

To Whom It May Concern:

We at KCDC would like to take this opportunity to provide comments on the draft MTBA Program Description for 2022. There are several areas which we believe would be productive to alter/provide clarification on prior to authorization of this program description.

1) In Section 9.A.2.i and Section 9.A.2.ii it is our preference that this pertain to any project for which a Public Housing Authority (PHA) is in the ownership structure. Please provide further detail/clarification as to how PHAs relate to this ranking preference.

2) Section 4: Please add the Average Income election back. We believe the average income election is a valuable tool in the affordable housing developer's kit to combat poverty concentration while also constructing quality housing for our community's most vulnerable demographics.

3) Section 8: Please provide clarification on how new construction will rank against rehabilitation, as currently the draft reads such that there are 10 points new construction projects are incapable of accessing.

Sincerely,

Benjamin M. Bentley
Executive Director/CEO

Ed Yandell

From:	Carl Mabry <carl.bluffcitycdc@gmail.com>
Sent:	Wednesday, December 15, 2021 4:08 PM
To:	TNAllocation
Subject:	MTBA Program Comments
Categories:	MTBA

EXTERNAL EMAIL

Dear THDA,

The current MTBA QAP only allocates $100 to Western TN. Western TN should be allocated $200 million due to the housing crisis that we are currently experiencing in Western TN. Western TN has the highest poverty rate in TN, the highest unemployment rate, the highest income to rent rates, and has the greatest housing shortage in TN. Western TN also has the highest minority population in TN. The current MTBA program QAP appears to steer the majority of the Federal Bond allocationing authority to Middle & Eastern TN which are predominantly Caucasian. There needs to be more equity as it relates to how the Bond Authority is divided up.

Respectfully Submitted,

Carl Mabry
(901) 233-1370 phone
mabrycarl@aol.com

Ed Yandell

From:	Alex Trent <atrent@trentdevelopmentgroup.com>
Sent:	Wednesday, December 15, 2021 4:31 PM
To:	TNAllocation
Cc:	Felita Hamilton
Subject:	TDG MTBA comments
Categories:	MTBA

EXTERNAL EMAIL

Afternoon,

Our primary comment/request is that a redevelopment (demolition and new construction) of an existing subsidized apartment complex be specifically listed within the preferences. We feel that this style of development would fall within one of the first three preferences.
We are demolishing a section 8 and building a new complex for that HAP contract an that isn't specifically called out, but again we feel that fits precisely within what you appear to prefer.

Thank you,

Alex Trent
1011 Cherry Ave Nashville, TN 37203
atrent@trentdevelopmentgroup.com
W: (615) 370-5721
M: (615) 306-0738
F: (615) 371-9474

Ed Yandell

From: Public Affairs <Public.Affairs@Dominiuminc.com>
Sent: Wednesday, December 15, 2021 4:39 PM
To: TNAllocation
Cc: Lunderby, Ryan; Duckett, Khayree

Subject: Draft 2022 PD Comment

Categories: MTBA

EXTERNAL EMAIL

December 15, 2021

Ralph Perrey
Executive Director
Tennessee Housing Development Agency
502 Deaderick St.
Nashville, TN 37243

Dear Mr. Perrey:

On behalf of Dominium, thank you for the opportunity to provide comments on the Tennessee Housing Development Agency Multifamily Tax-Exempt Bond Authority Draft Program Description for 2022. With almost 50 years of experience helping communities achieve successful affordable housing solutions, Dominium's overriding objective is to build and improve properties that people are proud to call home.

THDA staff undoubtedly labored with many difficult decisions in drafting the 2022 BPD and we thank you for your efforts in reforming the program. With $700 million in bond cap being dedicated for multifamily housing, THDA has shown its commitment to addressing the affordable housing shortage and we encourage the agency to consider peer states for examples of systems contending with increased competition for volume cap bonds.

Dominium encourages THDA to consider changes to the following aspects in the draft BPD:

- the preference for non-QCT and CRP new construction applications,
- 50% test and federal changes,
- Non-THDA sources of funds, and
- rehabilitation preferences.

The ranking processes on page 27 give preference to new constructions applications outside of qualified census tracts and in areas covered by community revitalization plans. Dominium believes that a new CRP requirement is problematic for two reasons.

First, this new requirement serves as a mandate to communities on how to meet their housing needs. QCT developments, regardless of their CRP status, have a positive impact on economic development by driving additional investment in neighborhoods. Elected officials, staff, and community members anticipate and understand this by engaging in months of extensive consultations with our development teams through the planning, zoning, and permitting processes.

Second, the requirement serves as an added challenge to local decision-making. While some communities do long-term visioning that fits the QAP's requirements for a CRP, not all communities have the capacity for such an undertaking. The

Nashville Metropolitan Planning Department is fortunate to have a planning staff with more than forty individuals, with more than a dozen in the long-range planning division alone. In contrast, there are many suburban communities with half or a third as many staff. The CRP requirement of a funding commitment could prove problematic for the same reasons. This component could result in communities that have funding resources available gaining an edge over those that don't have similar resources or use their funds for other initiatives they feel are important. A one-size-fits-all approach will become burdensome for many communities and, as such, **Dominium urges THDA to reconsider the addition of this provision in the BPD.**

Pages 19 & 20 provide that applications "may not receive more MTBA than… 60% of the Development's aggregate basis including land, with all previous phases of the same development included in aggregate basis." Dominium believes that THDA should consider revisions to the provision due to the increased competition for volume cap bonds and potential federal changes.

Colorado, Georgia, and several other states have established issuance limits of 55%, and we would encourage THDA to follow their lead. Additionally, potential federal changes to volume cap bonds and non-competitive tax credits means that Tennessee could nearly double the housing production of the bond program if THDA's limit was tied to the minimum requirement established by Congress. As such, **Dominium encourages THDA to require that applications "may not receive more MTBA than… the federal minimum requirement plus 5% of the Development's aggregate basis including land, with all previous phases of the same development included in aggregate basis."**

Page 26 provides for a PD Score for ranking initial applications within their groupings, with the second component of the score derived from non-THDA Sources of Funds. While Dominium is pleased to see that PILOT commitments are included in the definition of "non-THDA Sources of Funds", we believe that this scoring component is problematic for two reasons.

We reiterate our concern that developments could be directed toward communities that have funding resources, which is not necessarily related to where housing is needed. Second, this scoring component could incent developments to seek grants from local trust funds and philanthropic foundations when those gifts are not necessary for a deal to be financially feasible. Oversourcing bond developments with these scarce resources, resources that could be of better use to 9% developments and other community needs, could prove problematic and **Dominium requests that THDA consider reforming this scoring component.**

Lastly, page 27 includes a ranking process that establishes groupings receiving priority in the commitment process. While the agencies desire to preserve existing public and tax credit housing is well founded, it is our experience that failure to establish separate pools for rehabilitation and new construction will motivate future applicants predominantly toward rehabilitation. We believe this may result in Tennessee falling behind its housing production goals when already has a shortage of low-income homes. **Dominium advises THDA to consider establishing MTBA pools for rehabilitation and new construction rather than descending preferences.**

Dominium greatly appreciates your consideration of our comments and looks forward to working with you to promote the production of more affordable homes for individuals and families in Tennessee

Sincerely,

Ryan Lunderby
Vice President

Public Affairs

Development
DOMINIUM
2905 Northwest Blvd Suite 150 | Plymouth, MN 55441
Phone 763-401-4359

As an essential service provider, we're All IN to combat COVID-19

DOMINIUM

December 15, 2021

Mr. Ralph Perrey
Executive Director
Tennessee Housing Development Agency
Andrew Jackson Building, Third Floor
502 Deaderick Street
Nashville, TN 37243

Re: THDA's Draft Multifamily Tax-Exempt Bond Authority Program Description for 2022 Comments

Dear Mr. Perrey,

Thank you for the opportunity to provide comments for the 2022 THDA Multifamily Tax-Exempt Bond Authority (MTBA) Draft Program Description. The Clear Blue Company owns and operates 4,100 work force housing units in and around Davidson County. The team at CBC is devoted to ensuring low to moderate income families can afford housing in the areas in which they currently reside, attend school, work, and raise their families. We believe our clients are our residents.

We appreciate the staff at THDA and all the ways they work diligently to develop opportunities to create and preserve affordable housing for the residents of Tennessee. We are excited to submit an application, in 2022, for the proposed new construction of 245 affordable housing units, to be located at 301 Ben Allen Road, Nashville TN.

Upon review of the 2022 draft MTBA Program Description, we wish to provide the following feedback:

Maximum Developer Limits

As we all know, in the months since the onset of COVID-19, overall construction and specifically multifamily development costs have increased significantly. We believe due to land acquisition cost increases, labor and material cost increases and the general overall U.S. accelerated inflation increase, the Total Development Cost (TDC) limits should be raised to account for these exorbitant increases. Unfortunately, MTBA Per Development Limits have remain the same over the last several years. We propose the amounts be increased in accordance with the current compounding effect of inflation.

Ranking Process

As it is written in the MTBA draft today, developments will be evaluated in each subcategory rather than against other projects in the application period. It is our understanding projects in each group will be funded until the volume cap is exhausted or until there are no more applications in the subcategory. At that time, selection moves to the next subcategory. Given this process, it seems lower scoring projects in categories given priority, will be funded while high scoring projects in later subcategories will not be funded. We propose this ranking process be evaluated and revised to give proper funding to highest scoring projects in each subcategory.

Scoring Process & Non-THDA Funds

When reviewing the MTBA draft it is unclear how scoring will be applied to non-THDA funds making up each projects budget. We understand the importance of Non-THDA funds, however we propose a simple system to calculate scoring such as a designated number of points per outside source that meets minimum threshold requirements. The requirements for funds to be included in Non-THDA funds should be clearly discussed in the final MTBA Program Description.

Thank you again for the long hours that go into creating the entire MTBA program and the opportunity to provide feedback for the 2022 Draft Program Description. Should you have any questions, please contact me at 239.989.7096 or Ashley@theclearbluecompany.com.

Sincerely,

Ashley Horton

Ashley Horton
Affordable Housing Specialist

Appendix

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: Ralph Perrey, Executive Director

THROUGH: Don Watt, Chief Program Officer Don Watt

FROM: Felita Hamilton, Allocation Manager

SUBJECT: Prior Year LIHC Developments Migrating to 2021

DATE: December 8, 2021

Ralph M. Perrey
OK 12/8/21

Recommendation
Staff recommends and requests approval for the LIHC developments listed below to surrender previously allocated LIHC and receive an allocation for an equal amount of 2021 LIHC. Staff also recommends and requests that the surrender of previously allocated LIHC will **not** trigger a Major SAE as described in Section 6.A of the LIHC 2021 QAP.

Key Points
If approved, this action will be in accordance with and pursuant to special authority granted to the Executive Director by the THDA Board of Directors on July 27, 2021.

Background
This action is recommended and requested due to circumstances related to the COVID-19 pandemic that are beyond the control of the respective applicants.

Affected Developments

20-009	St. Mary Manor	$1,000,000
20-031	Christiana Way	$1,298,885
20-029	Dover Way	$1,100,000
20-010	Cedaridge Apartments	$207,788
20-011	Colonial Manor Apartments	$181,914
20-012	Tremount Apartments	$374,426
20-013	River Rest Apartments	$272,261
20-008	Wesley Pine Ridge	$349,800
20-039	Royal Oaks	$393,986
20-041	Plainsview Greene	$450,315
20-052	Avonlea Greene	$1,107,348
20-018	Daugherty Lofts	$674,659
20-023	Purdy Place	$1,300,000
19-915	The Flats at Hickory Woods	$1,200,000
19-927	Campbell Way Apartments	$1,151,895
19-018	Dandridge School Lofts	$334,660